

**HKSCAN**

**THE NORDIC  
MEAT EXPERTS**

**HKSCAN GROUP  
INTERIM REPORT  
Q1-3/2016  
2 NOVEMBER 2016**

**HKScan Group's interim report 1 January—30 September 2016:****NET SALES AND EBIT STILL BEHIND THE PREVIOUS YEAR, ALTHOUGH EBIT IMPROVED FOR THE THIRD QUARTER**

- Net sales for January–September were EUR 1 387.7 (1 415.6) million and in the third quarter EUR 465.9 (474.9) million.
- EBIT for January–September was EUR 5.5 (10.2) million. Comparable EBIT was EUR 7.2 (10.2) million. The corresponding EBIT margin was 0.5 (0.7) per cent.
- EBIT for the third quarter was EUR 8.1 (7.3) million. Comparable EBIT was EUR 8.1 (7.3) million. The corresponding EBIT margin was 1.7 (1.5) per cent.
- Cash flow before debt service for January–September was EUR -5.3 (23.4) million and in the third quarter EUR -5.4 (4.3) million.
- Comparable profit before taxes for January–September was EUR 0.4 (4.5) million and in the third quarter EUR 5.7 (6.4) million.
- EPS for January–September was EUR -0.12 (0.05) and in the third quarter EUR 0.07 (0.09).
- Net financial expenses for January–September were EUR -6.5 (-6.9) million and in the third quarter EUR -2.5 (-2.1) million.
- Net debt was EUR 162.7 (147.0) million and net gearing 39.8 (34.6) per cent.
- Outlook for 2016 (amended on 21 October): HKScan estimates that its comparable operating profit (EBIT) will remain at or below the previous year's level.

**Aki Laiho, HKScan's Deputy CEO (until 31 Oct), comments on the third quarter of 2016:**

“The overall Nordic meat market remained challenging during the third quarter of 2016. The market grew in Sweden and Denmark, while our markets Finland and the Baltics continued to decline.

The performance of our biggest market area, Sweden, was a disappointment. The result was eroded by the lowered net sales, higher purchase prices of beef raw material as well as the shortage of it. Due to this, we changed our full year outlook after the reporting period, and estimate the comparable operating profit to remain at or below the previous year's level.

Price competition continued fierce across all market areas. The BBQ assortment was relatively successful across the Group, and we managed to launch several new product concepts that performed well. Our net sales landed slightly behind the previous year, amounting to EUR 465.9 million.

Throughout the whole year, challenges in animal raw material sourcing have affected our business performance negatively. Low beef raw material availability and rapidly increasing purchase prices were seen also on the other markets. In Sweden, the prices have remained on an exceptionally high level during the third quarter of this year. In Finland, pork supply volumes stabilized as a consequence of our ongoing special actions.

In the third quarter, our EBIT improved and exceeded the previous by EUR 0.8 million, totalling EUR 8.1 million, but was still below our expectations.”

**KEY FIGURES, Q3**

# HKSCAN

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales	465.9	474.9	1 387.7	1 415.6	1 917.1
EBIT	8.1	7.3	5.5	10.2	9.6
- % of net sales	1.7	1.5	0.4	0.7	0.5
Profit/loss before taxes	5.7	6.4	-1.3	4.5	2.2
- % of net sales	1.2	1.3	-0.1	0.3	0.1
Profit/loss for the period	4.3	5.1	-5.3	3.3	1.9
- % of net sales	0.9	1.1	-0.4	0.2	0.1
Comparable EBIT	8.1	7.3	7.2	10.2	21.5
- % of net sales	1.7	1.5	0.5	0.7	1.1
Comparable profit/loss before taxes	5.7	6.4	0.4	4.5	14.1
- % of net sales	1.2	1.3	0.0	0.3	0.7
EPS, EUR	0.07	0.09	-0.12	0.05	0.01
Cash flow before debt service	-5.4	4.3	-5.3	23.4	32.2
Cash flow before financing activities	-6.8	2.8	-7.9	21.1	25.0
Return on capital employed (ROCE) before taxes, %			1.3	3.4	2.3
Net debt			162.7	147.0	144.0
Gearing %			41.9	37.8	36.1
Net Gearing %			39.8	34.6	33.8

## JANUARY–SEPTEMBER 2016

The Group's net sales decreased slightly both in the third quarter and for January–September compared to the corresponding periods of the previous year. All market areas except Finland were behind the previous year. Sweden, in particular, performed weaker than anticipated. In Finland, net sales showed improved year-on-year performance both for the third quarter and for January–September.

The Group's comparable EBIT was behind 2015 when including the whole reporting period but somewhat above the previous year in the third quarter. Finland and the Baltics improved their comparable EBITs in the third quarter, and Denmark and the Baltics performed slightly better in the whole reporting period.

In Sweden, sales volumes declined and the product mix weakened from the previous year regardless of the fact that the total market grew and sales prices were successfully increased. Finland, on the other hand, managed to improve both sales volumes and the product mix in the third quarter in spite of the continued fierce competition in retail and the total market decline. Market area Denmark continued performing well on the domestic retail market, but challenges in exports continued. Market area Baltics' performance was at a relatively good level. Successes in the BBQ assortment development were seen on all the Group's home markets. The profitability of exports improved thanks to the recovered export prices of pork.

Animal purchase prices were slightly below the previous year's level in all market areas, except Sweden, during the reporting period. The prices of animal raw material, especially beef, increased in Sweden. A shortage of beef continued in Sweden and to some extent also in Finland throughout the reporting period.

The Group's investment project in the new poultry production plant in Rauma, Finland, proceeded according to schedule. The expansion investment in the Group's Polish bacon plant is also well under way.

HKScan announced in September that the starting date of the Group's new President and CEO, Jari Latvanen is on 31 October.



## MARKET AREA SWEDEN

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales	201.1	208.6	595.3	619.0	841.9
EBIT	5.3	7.2	9.7	12.7	21.1
- EBIT margin, %	2.6	3.5	1.6	2.0	2.5
Comparable EBIT	5.3	7.2	9.7	12.7	21.6
- EBIT margin, %	2.6	3.5	1.6	2.0	2.6

In Sweden, net sales for January–September were EUR 595.3 (619.0) million and EUR 201.1 (208.6) million in the third quarter. Comparable EBIT for January–September totalled EUR 9.7 (12.7) million and EUR 5.3 (7.2) million in the third quarter.

The total market grew in the third quarter. Consumption of meat, particularly poultry, has increased in Sweden throughout the year. The high demand for Swedish meat prevailed. Private labels continued to increase their market share.

Net sales were down and comparable EBIT was behind the previous year, both for January–September and in the third quarter. The BBQ assortment developed well, but some sales were lost due to the shortage of beef, and sales of processed food, including cold cuts, were lower than in the previous year. In the third quarter, sales price increases were made successfully, but they could not offset the impact of the decline in sales volumes and the weakened product mix. Animal purchase prices, especially for beef, continued to rise, but stabilized at a high level. Inventories rose to a higher level than the previous year towards the end of the reporting period. All in all, the result of the market area was weaker than anticipated and the Group outlook for 2016 was lowered after the reporting period.

Production efficiency of the Swedish operations continued to develop favourably. In September, HKScan concluded a subcontracting agreement on beef slaughtering with Ello i Lammhult AB. The agreement supports the Group's long-term target to improve the availability of beef raw material.

The Scan®-branded ish-product concept, including sausages and meat patties containing both meat and vegetables, was enlarged by a hamburger product called Burgish®. Parsons® brand renewal was carried out to strengthen the cold cut category performance. A wide range of sustainability related communications activities performed under the concept "Framtidens Kött" (Meat of the Future) were well received by HKScan's key stakeholder groups.



## MARKET AREA FINLAND

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales	198.7	196.4	593.1	585.4	801.6
EBIT	4.6	2.8	7.6	10.2	4.9
- EBIT margin, %	2.3	1.4	1.3	1.7	0.6
Comparable EBIT	4.6	2.8	7.6	10.2	16.3
- EBIT margin, %	2.3	1.4	1.3	1.7	2.0

In Finland, net sales for January–September were EUR 593.1 (585.4) million and EUR 198.7 (196.4) million in the third quarter. Comparable EBIT for January–September totalled EUR 7.6 (10.2) and EUR 4.6 (2.8) million in the third quarter.

The total market declined, but the demand for convenience food and poultry continued to grow. Price competition in retail remained fierce. HKScan successfully increased its market share slightly regardless of the fact that private labels continued to command a high share of the total market.

Net sales were somewhat higher than in the previous year, both for the whole reporting period and in the third quarter. As a result of good sales performance, comparable EBIT was clearly better in the third quarter, while it lagged behind the previous year for January–September. Sales prices were on the decrease, but thanks to higher volumes, a better product mix and novelties, sales progressed favourably in the third quarter.

Pork inventories were successfully lowered to a level below the previous year. Efficient actions to balance pork supply in Finland continued in cooperation with producers. Compared to the previous year, animal purchase prices in the third quarter were somewhat lower..

Product novelties launched during the third quarter were Kariniemen KanaSet® chicken products and new products in the HK Maakarit® artisan sausages series. The Group's investment project in the new poultry production plant in Rauma proceeded according to schedule.



## MARKET AREA: DENMARK

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales	42.6	43.8	133.9	138.2	175.9
EBIT	-2.1	-1.5	-6.9	-7.4	-9.3
- EBIT margin, %	-4.9	-3.5	-5.2	-5.4	-5.3
Comparable EBIT	-2.1	-1.5	-6.5	-7.4	-9.3
- EBIT margin, %	-4.9	-3.5	-4.8	-5.4	-5.3

In Denmark, net sales for January–September amounted to EUR 133.9 (138.2) million and EUR 42.6 (43.8) million in the third quarter. Comparable EBIT for January–September was EUR -6.5 (-7.4) million and EUR -2.1 (-1.5) million in the third quarter.

The Danish domestic retail market grew during the reporting period. The trend towards fresh poultry over frozen products continued. The increased share of private labels and competition put pressure on domestic poultry prices. HKScan's market position, however, was further strengthened in fresh poultry on the domestic market. Challenges in the export market continued.

Net sales decreased both for January–September and in the third quarter, compared to the corresponding periods the previous year. Comparable EBIT was slightly better than the previous year for January–September, but behind for the third quarter. Inventories of frozen poultry increased during the third quarter. Animal purchase prices remained at the previous year's level.

Marketing activities continued to strengthen the position of the Rose® brand.



## MARKET AREA: BALTICS

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales	41.4	44.8	120.9	130.3	173.6
EBIT	3.3	1.9	5.3	4.4	5.4
- EBIT margin, %	7.9	4.2	4.4	3.4	3.1
Comparable EBIT	3.3	1.9	5.3	4.4	5.4
- EBIT margin, %	7.9	4.2	4.4	3.4	3.1

In the Baltics, net sales for January–September were EUR 120.9 (130.3) million and EUR 41.4 (44.8) million in the third quarter. Comparable EBIT for January–September was EUR 5.3 (4.4) million and EUR 3.3 (1.9) million in the third quarter.

The market demand for meat recovered somewhat, and of processed meat strengthened its position in the third quarter. Increased pork prices resulted in a shift in consumer demand from unprocessed to processed meat products. The overall price level on the Baltic market still remained on a low level compared to the previous year.

Net sales were behind the previous year for January–September and in the third quarter. Both sales prices and volumes were lower in the third quarter, but they were offset by lower primary production and manufacturing costs. As a result, comparable EBIT was better, both for the whole reporting period and in the third quarter. For the third quarter, comparable EBIT includes EUR +0.5 million (EUR -0.1 million in the corresponding quarter the previous year) change in fair value of the biological asset and EUR +0.7 million gain from sales of assets. For January–September the change in fair value of the biological asset amounted to EUR +1.0 (+0.3) million.

Overall, the Baltics business performed favourably given the circumstances. Branded novelties sold well and additional launches are expected. Frozen inventory was successfully decreased to below the previous year's level. Risks related to African swine fever (ASF) prevailed. Actions to mitigate the spread of ASF to own farms have been managed well.

The Rakvere® brand extension in Latvia showed favourable results in sales. The Rigas Miesnieks® brand, supported by the renewed brand design, performed well.



## FINANCING

The Group's interest-bearing debt at the end of September stood at EUR 171.2 (161.0) million. Net debt was EUR 162.7 (147.0) million and the net gearing ratio 39.8 (34.6) per cent.

The Group's liquidity was good. Committed credit facilities at 30 September 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 34.5 (19.0) million.

Net financial expenses were EUR -2.5 (-2.1) million in the third quarter and EUR -6.5 (-6.9) million 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, were divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares, 5 400 000 (9.81%). The A Shares are quoted on the Nasdaq Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed. At the end of September 2016, the company held 1 008 849 A Shares as treasury shares corresponding 1.8 per cent of the company's total number of shares and 0.6 per cent of the total number of votes.

HKScan's market capitalization at the end of September stood at EUR 177.7 (211.6) million, breaking down as follows: Series A shares had a market value of EUR 160.0 (190.4) million, and the unlisted Series K shares a calculational market value of EUR 17.7 (21.2) million.

In January–September, a total of 9 159 761 (14 717 180) of the company's shares with a total value of EUR 29 520 999 (77 804 999) were traded. The highest price quoted in the period under review was EUR 3.89 (6.26), and the lowest was EUR 2.94 (3.24). The average price was EUR 3.22 (5.28). At the end of September, the closing price was EUR 3.29 (3.92).

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

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## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

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

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

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

## EVENTS AFTER THE REPORTING PERIOD

On 21 October, HKScan lowered its outlook for 2016.

Jari Latvanen started as the new President and CEO of HKScan on 31 October.

## OUTLOOK (AMENDED ON 21 OCTOBER)

HKScan Corporation estimates that its comparable operating profit (EBIT) for 2016 will remain at or below the previous year's level. The reason for the lowered outlook is the weaker performance of the market area Sweden, where the net sales have fallen, beef raw material purchase prices were high and the shortage of beef raw material prevailed.

HKScan previously expected that its comparable operating profit (EBIT) would improve from 2015.

## NEXT FINANCIAL REPORT

HKScan Group's Financial Statements bulletin 2016 will be published on 8 February 2017.

Vantaa, 2 November 2016

**HKScan Corporation**  
Board of Directors

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

*HKScan is the leading Nordic meat expert. We produce, market and sell high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, food service, industrial and export sectors, and our home markets comprise Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. In 2015, HKScan had net sales of approximately EUR 1.9 billion and some 7 400 employees.*

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## CONSOLIDATED INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2016

### CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Net sales		465.9	474.9	1 387.7	1 415.6	1 917.1
Cost of goods sold	1.	-433.0	-442.2	-1 298.8	-1 323.4	-1 799.5
Gross profit		32.9	32.6	88.9	92.2	117.6
Other operating items total		2.6	3.0	7.1	7.8	11.6
Sales and marketing costs		-12.9	-13.5	-41.8	-43.5	-57.8
General administration costs	1.	-14.6	-14.8	-48.7	-46.3	-61.9
Operating profit		8.1	7.3	5.5	10.2	9.6
Financial income		0.5	0.5	1.8	1.6	2.1
Financial expenses		-3.0	-2.6	-8.3	-8.5	-11.2
Share of profit/loss in associates		0.2	1.2	-0.3	1.1	1.7
Profit/loss before taxes		5.7	6.4	-1.3	4.5	2.2
Income tax		-1.5	-1.2	-4.0	-1.1	-0.3
Profit/loss for the period		4.3	5.1	-5.3	3.3	1.9
Non-controlling interests		-0.6	-0.4	-1.0	-0.7	-1.6
Profit/loss for the period		3.6	4.7	-6.3	2.6	0.3

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

EPS, undiluted, continuing operations, EUR/share	0.07	0.09	-0.12	0.05	0.01
EPS, diluted, continuing operations, EUR/share	0.07	0.09	-0.12	0.05	0.01

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
Profit/loss for the period	4.3	5.1	-5.3	3.3	1.9
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	-2.0	-2.6	-4.7	-0.3	2.6
Cash flow hedging	1.3	-1.2	0.9	-0.1	0.3
Actuarial gains or losses	-	-	-	-	-1.5
TOTAL OTHER COMPREHENSIVE INCOME	-0.7	-3.8	-3.8	-0.4	1.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3.6	1.3	-9.1	2.9	3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	3.0	0.9	-10.1	2.2	1.7
Non-controlling interests	0.6	0.4	1.0	0.7	1.6
Total	3.6	1.3	-9.1	2.9	3.3

# HKSCAN

## CONSOLIDATED BALANCE SHEET

(EUR million)	Note	30.9.2016	30.9.2015	31.12.2015
<b>ASSETS</b>				
Intangible assets	2.	142.3	145.7	147.3
Tangible assets	3.	378.9	372.5	361.8
Holdings		35.4	36.8	36.6
Other non-current assets		30.3	35.7	35.0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>586.9</b>	<b>590.7</b>	<b>580.7</b>
Inventories	4.	122.0	120.7	124.2
Current receivables		120.2	119.8	122.9
Cash and cash equivalents		8.3	13.7	9.5
<b>TOTAL CURRENT ASSETS</b>		<b>250.5</b>	<b>254.2</b>	<b>256.6</b>
<b>TOTAL ASSETS</b>		<b>837.4</b>	<b>844.8</b>	<b>837.3</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>	5.	<b>408.6</b>	<b>425.3</b>	<b>425.8</b>
Non-current loans, interest-bearing		127.2	116.7	117.2
Non-current liabilities, non-interest-bearing		32.8	34.1	39.4
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>160.0</b>	<b>150.8</b>	<b>156.6</b>
Current loans, interest-bearing		44.0	44.3	36.6
Current liabilities, non-interest-bearing		224.9	224.4	218.4
<b>TOTAL CURRENT LIABILITIES</b>		<b>268.9</b>	<b>268.7</b>	<b>255.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>837.4</b>	<b>844.8</b>	<b>837.3</b>



## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT 1.1.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.4</b>	<b>143.5</b>	<b>10.2</b>	<b>-3.7</b>	<b>0.0</b>	<b>134.7</b>	<b>412.0</b>	<b>13.8</b>	<b>425.8</b>
Result for the financial period	-	-	-	-	-	-	-	-6.3	-6.3	1.0	-5.3
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-4.7	-	-	-4.7	-	-4.7
Cash flow hedging	-	-	0.9	-	-	-	-	-	0.9	-	0.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-4.7</b>	<b>-</b>	<b>-6.3</b>	<b>-10.1</b>	<b>1.0</b>	<b>-9.1</b>
Direct recognitions	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-7.6	-7.6	-0.7	-8.2
<b>EQUITY AT 30.9.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-11.5</b>	<b>143.5</b>	<b>10.3</b>	<b>-8.5</b>	<b>0.0</b>	<b>120.9</b>	<b>394.4</b>	<b>14.1</b>	<b>408.6</b>

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT 1.1.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.7</b>	<b>143.5</b>	<b>10.1</b>	<b>-6.3</b>	<b>0.0</b>	<b>162.2</b>	<b>436.5</b>	<b>8.7</b>	<b>445.2</b>
Result for the financial period	-	-	-	-	-	-	-	2.6	2.6	0.7	3.3
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-0.3	-	-	-0.3	-	-0.3
Cash flow hedging	-	-	-0.1	-	-	-	-	-	-0.1	-	-0.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>	<b>-</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>-0.3</b>	<b>-</b>	<b>2.6</b>	<b>2.2</b>	<b>0.7</b>	<b>2.9</b>
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	3.8	3.8
Direct recognitions	-	-	-	-	0.0	-	-	0.2	0.2	-	0.2
Transfers between items	0.0	-	-	-	0.0	-	-	-	-	-	-
Dividend distribut.	-	-	-	-	-	-	-	-26.4	-26.4	-0.3	-26.7
<b>EQUITY AT 30.9.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.8</b>	<b>143.5</b>	<b>10.1</b>	<b>-6.7</b>	<b>0.0</b>	<b>138.6</b>	<b>412.4</b>	<b>12.9</b>	<b>425.3</b>

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



## CASH FLOW STATEMENT

<b>(EUR million)</b>	<b>Q1-Q3/2016</b>	<b>Q1-Q3/2015</b>	<b>2015</b>
Cash flow before change in net working capital	41.6	53.5	78.1
Change in net working capital	-7.0	3.3	-2.2
Financial items and taxes	-4.3	-3.9	-9.1
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>30.3</b>	<b>52.9</b>	<b>66.8</b>
Cash flow from investing activities	-38.2	-31.8	-41.8
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-7.9</b>	<b>21.1</b>	<b>25.0</b>
Change in loans	15.0	2.9	-4.3
Dividends paid	-8.2	-26.7	-26.7
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>6.8</b>	<b>-23.8</b>	<b>-31.0</b>
<b>NET CASH FLOW</b>	<b>-1.2</b>	<b>-2.7</b>	<b>-6.0</b>
Cash and cash equivalents at beginning of period	9.5	16.4	16.4
Translation differences	-0.1	0.0	-1.0
Cash and cash equivalents at end of period	8.3	13.7	9.5

## FINANCIAL INDICATORS

	<b>30.9.2016</b>	<b>30.9.2015</b>	<b>31.12.2015</b>
Earnings per share (EPS), undiluted, EUR	-0.12	0.05	0.01
Earnings per share (EPS), diluted, EUR	-0.12	0.05	0.01
Equity per share, EUR	7.31	7.64	7.63
Equity ratio, %	48.8	50.4	50.9
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	61.6	36.2	49.6
Employees, end of month average	7 400	7 568	7 437



## CALCULATION OF FINANCIAL INDICATORS

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



## NOTES TO CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES

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

The interim report is unaudited.

### ANALYSIS BY SEGMENT

#### Net sales and EBIT by market area

(EUR million)	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015	2015
<b>NET SALES</b>					
- Sweden	201.1	208.6	595.3	619.0	841.9
- Finland	198.7	196.4	593.1	585.4	801.6
- Denmark	42.6	43.8	133.9	138.2	175.9
- Baltics	41.4	44.8	120.9	130.3	173.6
- Between segments	-18.0	-18.8	-55.4	-57.4	-76.0
Group total	465.9	474.9	1 387.7	1 415.6	1 917.1
<b>EBIT</b>					
- Sweden	5.3	7.2	9.7	12.7	21.1
- Finland	4.6	2.8	7.6	10.2	4.9
- Denmark	-2.1	-1.5	-6.9	-7.4	-9.3
- Baltics	3.3	1.9	5.3	4.4	5.4
- Between segments	-	-	-	-	-
Segments total	11.1	10.4	15.7	19.8	22.1
Group administration costs	-3.1	-3.1	-10.2	-9.6	-12.5
Group total	8.1	7.3	5.5	10.2	9.6
<b>INVESTMENTS</b>					
- Sweden	2.5	2.4	11.6	6.8	13.7
- Finland	19.8	3.2	40.2	16.5	19.9
- Denmark	1.2	1.7	2.7	4.4	5.4
- Baltics	2.7	3.2	7.1	8.5	10.6
Total	26.2	10.6	61.6	36.2	49.6
<b>AVERAGE NUMBER OF EMPLOYEES</b>					
- Sweden			2 192	2 217	2 176
- Finland			2 940	2 891	2 840
- Denmark			696	738	726
- Baltics			1 571	1 722	1 696
Total			7 400	7 568	7 437



## NOTES TO THE INCOME STATEMENT

### 1. ITEMS AFFECTING COMPARABILITY

<b>(EUR million)</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>Q1-Q3/2016</b>	<b>Q1-Q3/2015</b>	<b>2015</b>
<b>Comparable EBIT</b>	<b>8.1</b>	<b>7.3</b>	<b>7.2</b>	<b>10.2</b>	<b>21.5</b>
Impairment of assets, Finland 1)	-	-	-	-	-11.4
Termination of employment, Sweden 2)	-	-	-	-	-0.5
Termination of employment, Group Management 2)	-	-	-1.2	-	-
Termination of employment, Denmark 2)	-	-	-0.5	-	-
<b>EBIT</b>	<b>8.1</b>	<b>7.3</b>	<b>5.5</b>	<b>10.2</b>	<b>9.6</b>

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

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

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 2. CHANGES IN INTANGIBLE ASSETS

<b>(EUR million)</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>2015</b>
Opening balance	147.3	144.3	144.3
Translation differences	-4.1	-0.2	2.0
Additions	0.5	0.9	0.9
Additions, business acquisitions	-	2.2	2.2
Disposals	0.0	-0.2	-0.1
Depreciation and impairment	-1.6	-2.0	-2.6
Reclassification between items	0.3	0.6	0.5
Closing balance	142.3	145.7	147.3

### 3. CHANGES IN TANGIBLE ASSETS

<b>(EUR million)</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>2015</b>
Opening balance	361.8	369.7	369.7
Translation differences	-2.6	-0.1	1.0
Additions	61.1	35.3	48.7
Additions, business acquisitions	-	7.8	7.8
Disposals	-1.9	-1.3	-2.8
Depreciation and impairment	-39.3	-38.4	-62.1
Reclassification between items	-0.3	-0.5	-0.5
Closing balance	378.9	372.5	361.8

# HKSCAN

## 4. INVENTORIES

<b>(EUR million)</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>2015</b>
Materials and supplies	64.3	67.4	71.5
Semi-finished products	5.6	5.3	5.0
Finished products	44.5	39.7	40.1
Other inventories	0.4	0.4	0.4
Inventories, advance payments	0.8	1.1	1.1
Biological asset	6.4	6.7	6.2
Total inventories	122.0	120.7	124.2

## 5. NOTES TO EQUITY

Share capital and share premium reserve	Number of outstanding shares	Share capital	Share premium reserve	Reserve for invested unrestricted equity	Treasury	Total
1.1.2016	53 972 788	66.8	72.9	143.5	0.0	283.1
30.9.2016	54 017 673	66.8	72.9	143.5	0.0	283.1

## DERIVATIVE INSTRUMENT LIABILITIES

<b>(EUR million)</b>	<b>30.9.2016</b>	<b>30.9.2015</b>	<b>31.12.2015</b>
Nominal values of derivative instruments			
Foreign exchange derivatives	56.0	55.3	57.7
Interest rate derivatives	126.6	127.5	128.5
Electricity derivatives	6.6	9.1	8.1
Fair values of derivative instruments			
Foreign exchange derivatives	0.2	0.1	-0.2
Interest rate derivatives	-14.6	-14.6	-14.0
Electricity derivatives	-0.7	-2.6	-2.9

## CONSOLIDATED OTHER CONTINGENT LIABILITIES

<b>(EUR million)</b>	<b>30.9.2016</b>	<b>30.9.2015</b>	<b>31.12.2015</b>
Debts secured by pledges or mortgages			
- loans from financial institutions	0.0	0.2	0.2
On own behalf			
- Mortgages given	0.0	0.4	0.4
- Assets pledged	3.2	3.2	3.2
On behalf of others			
- guarantees and other commitments	13.0	13.6	10.4
Other contingencies			
Leasing commitments	7.6	11.2	11.0
Rent liabilities	32.2	32.1	36.5

# HKSCAN

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

### Derivatives

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

	30.9.2016	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	0.3	0.0	0.3	0.0
- Commodity derivatives	0.2	0.0	0.2	0.0
of which subject to cash flow hedging	0.2	0.0	0.2	0.0
<b>Total</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-14.6	0.0	-14.6	0.0
of which subject to cash flow hedging	-14.6	0.0	-14.6	0.0
- Foreign exchange derivatives	-0.1	0.0	-0.1	0.0
- Commodity derivatives	-0.9	0.0	-0.9	0.0
of which subject to cash flow hedging	-0.9	0.0	-0.9	0.0
<b>Total</b>	<b>-15.6</b>	<b>0.0</b>	<b>-15.6</b>	<b>0.0</b>

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q3/2016	Q1-Q3/2015	2015
Sales to associates	39.8	51.2	70.1
Purchases from associates	29.1	34.5	46.6
Trade and other receivables	1.9	2.4	1.4
Trade and other payables	4.8	5.5	5.3