

HKSCAN

HKSCAN GROUP

**INTERIM REPORT
Q1/2017**

3 MAY 2017



HKScan Group's interim report 1 January—31 March 2017: Challenging start to the year—operational restructuring started

- * Net sales were EUR 420.7 (439.1) million.
- * EBIT was EUR -6.8 (-4.3) million, and the EBIT margin -1.6 (-1.0) per cent. Comparable EBIT was EUR -6.8 (-3.1) million. The corresponding EBIT margin was -1.6 (-0.7) per cent.
- * Cash flow before investments was EUR -22.4 (-8.4) and before debt service EUR -41.8 (-16.1) million.
- * Profit/loss before taxes was EUR -8.2 (-7.3) million. Comparable profit/loss before taxes was EUR -8.2 (-6.1) million.
- * EPS was EUR -0.14 (-0.17).
- * Net financial expenses were EUR -2.2 (-2.2) million.
- * Net debt was EUR 185.2 (164.3) million and net gearing 46.5 (39.6) per cent.
- * Outlook for 2017 (unchanged): HKScan aims to reach the comparable operating profit (EBIT) of the year 2016 (EUR 13.2 million).

As of the beginning of 2017, the Group has amended its segment reporting. The market areas' net sales and EBIT no longer include intercompany sales and margins. Figures for the comparison period 2016 have been revised accordingly. The amendment has no effect on Group-level figures. The reported and restated market area figures in 2016 are given in the notes to the consolidated interim report in this bulletin.

Jari Latvanen, HKScan's President and CEO, comments on the first quarter of 2017:

“The Group's first quarter result remained dissatisfactory, with both EBIT and cash flow in decline. This was mainly due to the declined sales margins of the processed category in Finland, and increased Group administration costs related to the new way of working renewal process.

During the first quarter, we managed to stabilize our pork meat raw material supply in Finland, which improved our margins. We also gained some market share in value terms, despite the overall market decline. In Sweden, where we have suffered from scarce availability of beef raw material, we saw some recovery in sales of beef and in the processed category. Moreover, our consistent work to improve efficiency of the Group's Danish operations paid off in the form of reduced costs. Our Danish export business, which was challenging during the entire past year, showed signs of improvement. In the Baltics, red meat margins recovered after a longer period of unsatisfactory low margin levels.

Consumer confidence is strengthening on all our home markets, and the Asian export business is also showing a positive trend. These factors combined provide us with good prerequisites for our future strategy implementation. We strongly believe that that sustainability and quality throughout the food value chain gives us a significant competitive advantage. A new export licence from Finland to Japan, growing business in Hong Kong, as well as a rising interest in our elementary antibiotic-free grown pork and poultry are good examples of the opportunities we systematically continue to seize.

As announced in February, a renewed Group leadership team has been appointed and the team is now in place. At the same time, we also communicated the review of the Group's operating model. The planned operating model renewal was assessed in Group-wide statutory negotiations. As informed today, the negotiations have now been completed and the changes of the operating model will result in a headcount reduction of 160 persons. The new operating model will be in place on 1 June 2017.

During the past months, we have been conducting an evaluation of HKScan's strategic market presence, ways of working and the cornerstones of our future success. We are now on the final stretch of the path to defining our renewed strategic direction and we aim to communicate and implement it from the third quarter onwards.

The new strategic direction and operating model will together secure us a sharper focus on consumers and customers. It will also give us the leading role in the food value chain as one, unified company. By putting all these measures into effect, we will strive to improve our recipe to being more competitive and consequently more profitable.”

HKSCAN

KEY FIGURES, Q1

(EUR million)	Q1/2017	Q1/2016	2016
Net sales	420.7	439.1	1 872.9
EBIT	-6.8	-4.3	9.7
- % of net sales	-1.6	-1.0	0.5
Profit/loss before taxes	-8.2	-7.3	0.9
- % of net sales	-2.0	-1.7	0.0
Profit/loss for the period	-7.0	-9.4	-3.6
- % of net sales	-1.7	-2.1	-0.2
Comparable EBIT	-6.8	-3.1	13.2
- % of net sales	-1.6	-0.7	0.7
Comparable profit/loss before taxes	-8.2	-6.1	4.4
- % of net sales	-2.0	-1.4	0.2
EPS, EUR	-0.14	-0.17	-0.10
Cash flow before investments	-22.4	-8.4	79.8
Cash flow before debt service	-41.8	-16.1	23.7
Cash flow before financing activities	-43.7	-17.2	17.1
Return on capital employed (ROCE) before taxes, %	1.8	1.5	2.1
Net debt	185.2	164.3	137.2
Gearing, %	49.5	41.4	35.2
Net gearing, %	46.5	39.6	33.5

JANUARY–MARCH

HKScan Group's net sales decreased in the first quarter. Net sales of market area Sweden, in particular, continued to decline whereas the other market areas were close to the level of the previous year. Although the Baltics and Denmark slightly improved their EBIT, Finland and Sweden showed a decline, resulting in the Group's total EBIT being lower than in the first quarter of 2016. The Group's cash flow also declined, mainly as a result of rising inventories during the first quarter, and as the Rauma poultry plant investment spend was recorded.

Sales of beef improved somewhat in Sweden despite the fierce competition. In the processed foods category, excluding cold cuts, sales recovered and started growing during the first quarter. HKScan lost some market share in value terms, and cold cuts sales continued to decline. Animal raw material costs increased in both beef and pork.

In Finland, pork raw material supply was kept in balance, and therefore the sales margins of pork improved. Beef raw material, meanwhile, was in scarce supply causing a decrease in sales and sales margin. Sales prices declined in the processed food category. A slight gain in market share was achieved, despite the continued market decline.

In Denmark, operational efficiency efforts paid off. Export sales rose to a relatively good level during the first quarter, despite the avian flu restrictions prevailing in some Asian countries. Domestic sales in total failed to improve and inventory levels increased. The fresh products' category, however, performed well.

Sales margins of red meat recovered in the Baltics as sales prices rose due to the undersupply of pork raw material, but sales price levels were low in poultry and processed food categories.

In March, HKScan Finland received a permit for direct exports of poultry meat for Japan. Exports are scheduled to begin this spring. HKScan already exports Finnish pork and Danish poultry meat to Japan.



In February, HKScan informed on a renewed Group Leadership Team and on initiating a review of its operating model. As part of the review, HKScan also embarked a planning of a partial re-organization of its operations. The potential impacts on personnel of the renewed operating model and efficiency upgrades have been assessed in Group-wide statutory negotiations.

After the reporting period, on 3 May, HKScan informed that the operating model review and the related statutory negotiations were completed. The changes of the operating model will result in a headcount reduction of 160 persons. The Group now initiates the implementation of the new operating model, which will be in place on 1 June 2017.



MARKET AREA SWEDEN

(EUR million)	Q1/2017	Q1/2016	2016
Net sales	171.3	185.8	790.8
EBIT	-0.6	-0.3	9.5
- EBIT margin, %	-0.3	-0.2	1.2
Comparable EBIT	-0.6	-0.3	11.1
- EBIT margin, %	-0.3	-0.2	1.4

In Sweden, net sales were EUR 171.3 (185.8) million and comparable EBIT was EUR -0.6 (-0.3) million.

Demand for Swedish meat remained high, as did the animal purchase prices. The volume of imported meat increased, and private label continued to grow in all categories in Sweden. Demand for locally produced, ecological and vegetarian products remained also high.

Net sales continued to decline during the first quarter partly due to the different timing of Easter sales compared to the previous year. The decrease was biggest in the categories of red meat (pork), poultry and cold cuts. Despite the continued shortage of beef, its net sales recovered and slightly grew from the previous year. Some growth was recorded also in the bacon product category. The profitability of red meat remained at the level of the previous year but decreased for processed products due to lower sales prices. In total, sales margins declined from the previous year, and the first quarter EBIT was lower.



MARKET AREA FINLAND

(EUR million)	Q1/2017	Q1/2016	2016
Net sales	176.6	179.8	774.9
EBIT	-1.1	0.9	15.3
- EBIT margin, %	-0.6	0.5	2.0
Comparable EBIT	-1.1	0.9	15.5
- EBIT margin, %	-0.6	0.5	2.0

In Finland, net sales were EUR 176.6 (179.8) million and comparable EBIT was EUR -1.1 (0.9) million.

HKScan achieved a slight gain in market share in value terms, even though the market continued to decline. Price competition in retail continued. The raw material prices of red meat increased in Europe, which was reflected also in animal purchasing prices in Finland. Meanwhile, poultry price levels were on a par with last year.

Net sales remained almost at the level of the previous year even though Easter sales this year took place after the reporting period. The sales development varied substantially in different product categories. Thanks to the improved meat balance for pork, excess sales decreased, whereas sales for processed category increased. As a result, the profitability of pork improved, but due to lower sales prices, the margins for processed products decreased. A shortage of beef raw material decreased net sales and lowered the profit. Poultry sales grew slightly from the previous year and margins were kept at the same level. In total, sales margins declined in Finland from the previous year and resulted in a lower EBIT for the first quarter.

HKScan announced in April, that it had initiated 100% antibiotic-free grown pork production in Finland. The first batch of antibiotic-free meat will be available on the market in July 2017. In February, HKScan announced that HKScan Finland had switched to using 100% responsibly produced and certified soy. HKScan Sweden switched to using 100% responsibly produced soy during 2014–2015.

In January, HKScan announced that it had acquired the remaining 50% stake in Paimion Teurastamo Oy (Paimio Slaughterhouse). HKScan Finland acquired a 50% holding in the company in summer 2015. HKScan's investment in the Rauma poultry production facility proceeded according to plans during the first quarter.



MARKET AREA: DENMARK

(EUR million)	Q1/2017	Q1/2016	2016
Net sales	36.0	36.5	149.5
EBIT	-1.1	-1.0	-6.6
- EBIT margin, %	-3.1	-2.7	-4.4
Comparable EBIT	-1,1	-1,0	-6,2
- EBIT margin, %	-3.1	-2.7	-4.1

In Denmark, net sales were EUR 36.0 (36.5) million and comparable EBIT was EUR -1.1 (-1.0) million.

Consumer demand in Danish retail remained positive, and continued to grow although at a slower pace than in 2016. Animal purchase prices decreased from the fourth quarter 2016 onwards due to avian flu, and they remained at a low level also during the first quarter of 2017.

Net sales remained almost at the level of the previous year. Despite the export ban to certain Asian countries due to avian flu, export sales were higher than in the previous year. Domestic sales, however, decreased. The fresh products' segment continued to grow while the frozen segment was stagnant. Lowered animal raw material costs partly offset the decrease in sales prices. Additionally, as a result of improved operational efficiency, costs were cut so that the decline in sales margin was compensated.



MARKET AREA: BALTICS

(EUR million)	Q1/2017	Q1/2016	2016
Net sales	36.9	37.1	157.7
EBIT	0.4	0.3	6.2
- EBIT margin, %	1.1	0.7	3.9
Comparable EBIT	0.4	0.3	6.2
- EBIT margin, %	1.1	0.7	3.9

In the Baltics, net sales were EUR 36.9 (37.1) million and comparable EBIT EUR 0.4 (0.3) million in the first quarter.

Pork prices in the Baltics were above the average EU level, due to the scarcity of pigs. A considerable proportion of Baltic pig farms remained in the African Swine Fever protection zone three, i.e. there are limitations on handling and selling meat. Due to increased producer prices of milk, also beef procurement prices started to increase. Higher animal raw material prices placed pressure on processed product margins. Exports witnessed an upturn in the Baltics, as they have all over the EU.

Net sales remained almost at the level of the previous year and sales development was relatively uniform from product category to product category. Sales prices showed a negative trend in the processed products' category but positive for meat. In addition, the decrease of the primary production costs led to slightly better total sales margin. Operational costs were kept almost unchanged, and the EBIT improved slightly as a result. In the first quarter, the change in the fair value of biological assets amounted to EUR 0.2 (0.3) million.



FINANCING

The Group's interest-bearing debt at the end of March rose to EUR 197.4 (172.0) million due to increased inventories and investments. Net debt was EUR 185.2 (164.3) million and the net gearing ratio 46.5 (39.6) per cent.

The Group's liquidity was good. Committed credit facilities at 31 March 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 65.0 (32.0) million.

During the beginning of 2017, the Group signed new 8.5-year loan arrangements for approximately EUR 30 million in total. The loan arrangements are guaranteed by a group of foreign export credit agencies. The loan amount will be withdrawn in the latter part of the year. In addition, the Group signed a new bilateral 4-year term loan (bullet) of EUR 40 million, which will be entirely withdrawn at the year's end. Simultaneously the Group rearranged its bilateral committed credit facility of EUR 35 million maturing in 2018. The new arrangement is for three years and there is also an option for an extension. With the arrangements, the Group prepares for increasing investment expenses.

Net financial expenses were EUR -2.2 (-2.2) million in the first quarter.

SHARES AND SHAREHOLDERS

At the end of March, 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 Lantmännen ek.för. (665 000 shares) and are not listed.

At the end of March 2017, 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 March stood at EUR 188.0 (175.4) million breaking down as follows: Series A shares had a market value of EUR 169.2 (158.0) million, and the unlisted Series K shares a calculational market value of EUR 18.8 (17.6) million.

In January-March, a total of 3 022 581 (3 408 596) of the company's shares with a total value of EUR 9 976 062 (11 186 603) were traded. The highest price quoted in the period under review was EUR 3.48 (3.89), and the lowest was EUR 3.08 (3.06). The average price was EUR 3.30 (3.28). At the end of March, the closing price was EUR 3.48 (3.25).

BOARD OF DIRECTORS' AUTHORIZATIONS

From January to March 2017, the Board did not exercise the authorizations given by the Annual General Meeting (AGM) on 13 April 2016. See also 'Events after the reporting period'.

The new authorizations, granted to the Board by the AGM 2017 on 6 April 2017, are described in the section 'Annual General Meeting 2017'.

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.

HKSCAN

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. HKScan's risks are reported more detailed in the risk management section of the annual report 2016.

EVENTS AFTER THE REPORTING PERIOD

According to a stock exchange release issued on 10 April 2017, the Board of Directors of HKScan Corporation had approved a share based long-term incentive plan for the Group's top management and selected key employees for 2017–2019. The new share based incentive plan comprises a one-year performance period, 2017, followed by a restriction period extending to 2018–2019. The potential rewards payable based on the plan will be based on HKScan Group's return on capital employed (ROCE) and earnings per share (EPS) in the performance period. Those eligible to participate in the new share based incentive plan are 28 members of HKScan's top management and other selected key employees.

On 3 May 2017, HKScan informed that the operating model review and the related statutory negotiations were completed. The changes of the operating model will result in a headcount reduction of 160 persons. The Group now initiates the implementation of the new operating model, which will be in place on 1 June 2017.

ANNUAL GENERAL MEETING 2017

The Annual General Meeting (AGM) of HKScan Corporation held on 6 April 2017 in Turku, adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2016. The AGM resolved that a dividend of EUR 0.16 be paid for 2016.

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 were re-elected Mikko Nikula and Pirjo Väliäho, and as new members were elected Per Olof Nyman, Marko Onnela, Riitta Palomäki and Tuomas Salusjärvi until the end of the Annual General Meeting 2018. In addition, as deputy Board members were elected Veikko Kemppe and Carl-Peter Thorwid until the end of the Annual General Meeting 2018. At the organizational meeting after the AGM, the Board re-elected Mikko Nikula as Chairman and elected Marko Onnela as new Vice Chairman.

PricewaterhouseCoopers Oy, authorized public accountants, with Markku Katajisto, APA, as the responsible auditor, was elected as the auditor until the close of the next AGM.

The AGM authorized the Board to decide on share issue, 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 pledge. The authorizations will be effective until 30 June 2018, revoking the authorizations given by the AGM 2016.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 6 April 2017, and they are also available on the company's website at www.hkscan.com.

OUTLOOK FOR 2017 (unchanged)

HKScan aims to reach the comparable operating profit (EBIT) of the year 2016 (EUR 13.2 million).



NEXT FINANCIAL REPORT

HKScan Group's interim report January–June 2017 will be published on 19 July 2017.

Vantaa, 3 May 2017

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 food company. 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. In 2016, HKScan had net sales of nearly EUR 1.9 billion and some 7 300 employees.

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

CONSOLIDATED INTERIM REPORT 1 JANUARY–31 MARCH 2017

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q1/2017	Q1/2016	2016
Net sales		420.7	439.1	1 872.9
Cost of goods sold		-399.4	-413.6	-1 750.8
Gross profit		21.3	25.5	122.2
Other operating items total	1.	1.6	2.1	8.3
Sales and marketing costs		-13.1	-14.1	-56.5
General administration costs	1.	-16.6	-17.8	-64.4
Operating profit		-6.8	-4.3	9.7
Financial income		0.4	0.5	2.3
Financial expenses		-2.6	-2.7	-11.1
Share of profit/loss in associates and joint ventures		0.8	-0.7	-0.1
Profit/loss before taxes		-8.2	-7.3	0.9
Income tax		1.2	-2.1	-4.4
Profit/loss for the period		-7.0	-9.4	-3.6
Non-controlling interests		-0.3	0.1	-1.8
Profit/loss for the period		-7.3	-9.3	-5.4
Earnings per share calculated on profit attributable to equity holders of the parent:				
EPS, undiluted, continuing operations, EUR/share		-0.14	-0.17	-0.10
EPS, diluted, continuing operations, EUR/share		-0.14	-0.17	-0.10



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q1/2017	Q1/2016	2016
Profit/loss for the period	-7.0	-9.4	-3.6
OTHER COMPREHENSIVE INCOME (after taxes):			
Exchange differences on translating foreign operations	0.4	-0.3	-4.1
Cash flow hedging	0.2	-1.0	2.5
Actuarial gains or losses	-	-	-2.9
TOTAL OTHER COMPREHENSIVE INCOME	0.6	-1.3	-4.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-6.4	-10.7	-8.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	-6.7	-10.6	-9.8
Non-controlling interests	0.3	-0.1	1.8
Total	-6.4	-10.7	-8.0

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	31.3.2017	31.3.2016	31.12.2016
ASSETS				
Intangible assets	2.	145.0	146.5	143.0
Tangible assets	3.	410.3	361.9	401.7
Holdings		35.8	35.7	34.9
Other non-current assets		29.7	32.7	28.5
TOTAL NON-CURRENT ASSETS		620.8	576.8	608.1
Inventories	4.	134.6	130.6	116.1
Current receivables		126.1	121.0	123.9
Cash and cash equivalents		11.9	7.5	6.6
TOTAL CURRENT ASSETS		272.6	259.1	246.6
TOTAL ASSETS		893.3	835.9	854.8
EQUITY AND LIABILITIES				
EQUITY	5.	398.8	415.2	409.7
Non-current loans, interest-bearing		122.2	134.4	126.9
Non-current liabilities, non-interest-bearing		38.3	37.8	39.8
TOTAL NON-CURRENT LIABILITIES		160.5	172.3	166.7
Current loans, interest-bearing		75.2	37.6	17.2
Current liabilities, non-interest-bearing		258.9	210.8	261.2
TOTAL CURRENT LIABILITIES		334.1	248.4	278.4
TOTAL EQUITY AND LIABILITIES		893.3	835.9	854.8

HKSCAN

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2017	66.8	72.9	-9.9	143.5	10.3	-5.3	0.0	116.5	394.8	14.9	409.7
Result for the financial period	-	-	-	-	-	-	-	-7.3	-7.3	0.3	-7.0
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	0.4	-	-	0.4	-	0.4
Cash flow hedging	-	-	0.2	-	-	-	-	-	0.2	-	0.2
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	0.2	-	-	0.4	-	-7.3	-6.7	0.3	-6.4
Direct recognitions	-	-	-	-	0.0	-	-	0.0	0.0	0.0	0.0
Transfers between items	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-1.3	-1.3	-3.2	-4.5
Dividend distribution.	-	-	-	-	-	-	-	-	-	-	-
EQUITY AT 31.3.2017	66.8	72.9	-9.8	143.5	10.3	-4.8	0.0	107.8	386.7	12.0	398.8

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2016	66.8	72.9	-12.4	143.5	10.2	-3.7	0.0	134.7	412.0	13.8	425.8
Result for the financial period	-	-	-	-	-	-	-	-9.3	-9.3	-0.1	-9.4
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-0.3	-	-	-0.3	-	-0.3
Cash flow hedging	-	-	-1.0	-	-	-	-	-	-1.0	-	-1.0
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-1.0	-	-	-0.3	-	-9.3	-10.6	-0.1	-10.7
Direct recognitions	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution.	-	-	-	-	-	-	-	-	-	-	-
EQUITY AT 31.3.2016	66.8	72.9	-13.4	143.5	10.2	-4.0	0.0	125.6	401.5	13.7	415.2

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

HKSCAN

CASH FLOW STATEMENT

(EUR million)	Q1/2017	Q1/2016	2016
Cash flow before change in net working capital	6.3	6.3	58.4
Change in net working capital	-28.7	-14.7	21.4
Financial items and taxes	-2.2	-1.3	-8.9
CASH FLOW FROM OPERATING ACTIVITIES	-24.6	-9.7	70.9
Cash flow from investing activities	-19.1	-7.5	-53.9
CASH FLOW AFTER INVESTING ACTIVITIES	-43.7	-17.2	17.1
Change in loans	53.2	15.1	-12.3
Dividends paid	-	-	-8.2
Transactions with non-controlling interests	-4.5	-	-
CASH FLOW FROM FINANCING ACTIVITIES	48.7	15.1	-20.6
NET CASH FLOW	5.0	-2.1	-3.5
Cash and cash equivalents at beginning of period	6.6	9.5	9.5
Translation differences	0.3	0.1	0.7
Cash and cash equivalents at end of period	11.9	7.5	6.6

FINANCIAL INDICATORS

	31.3.2017	31.3.2016	31.12.2016
Earnings per share (EPS), undiluted, EUR	-0.14	-0.17	-0.10
Earnings per share (EPS), diluted, EUR	-0.14	-0.17	-0.10
Equity per share, EUR	7.16	7.44	7.31
Equity ratio, %	44.6	49.7	47.9
Adjusted average number of shares, mill.	55.0	55.0	55.0
Gross capital expenditure on PPE, EUR mill.	23.7	13.5	97.6
Employees, end of month average	7 000	6 950	7 319



CALCULATION OF FINANCIAL INDICATORS

Return on capital employed (ROCE) before tax, last 12 months (%)	$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$
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
Net debt	Interest-bearing debt – cash and bank



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January–31 March 2017 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 2016. 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 2016. The interim report is unaudited.

As of the beginning of 2017, the Group has amended its segment reporting. The market areas' net sales and EBIT no longer include intercompany sales and margins. The reported and restated figures for the comparison period 2016 are in the tables below. The amendment has no effect on Group-level figures.

ANALYSIS BY SEGMENT 2016 (reported)

Net sales and EBIT by market area

(EUR million)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	2016
NET SALES					
- Sweden	189,1	205,0	201,1	209,1	804,4
- Finland	187,0	207,4	198,7	213,4	806,5
- Denmark	44,7	46,6	42,6	39,3	173,2
- Baltics	38,0	41,5	41,4	40,4	161,3
- Between segments	-19,7	-17,7	-18,0	-17,0	-72,4
Group total	439,1	482,7	465,9	485,2	1 872,9
EBIT					
- Sweden	1,1	3,3	5,3	3,2	12,9
- Finland	0,8	2,2	4,6	7,0	14,6
- Denmark	-2,3	-2,6	-2,1	-2,6	-9,5
- Baltics	0,3	1,8	3,3	1,0	6,4
- Group administration costs	-4,2	-2,9	-3,1	-4,5	-14,7
Group total	-4,3	1,7	8,1	4,2	9,7
COMPARABLE EBIT					
- Sweden	1,1	3,3	5,3	4,8	14,5
- Finland	0,8	2,2	4,6	7,2	14,8
- Denmark	-2,3	-2,1	-2,1	-2,6	-9,1
- Baltics	0,3	1,8	3,3	1,0	6,4
- Group administration costs	-3,0	-2,9	-3,1	-4,5	-13,5
Group total	-3,1	2,2	8,1	6,0	13,2

ANALYSIS BY SEGMENT 2016 (restated)

Net sales and EBIT by market area

(EUR million)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	2016
NET SALES					
- Sweden	185,8	201,5	197,5	206,1	790,8
- Finland	179,8	199,4	190,8	204,9	774,9
- Denmark	36,5	41,4	36,8	34,8	149,5
- Baltics	37,1	40,5	40,7	39,5	157,7
- Between segments	-	-	-	-	-
Group total	439,1	482,7	465,9	485,2	1 872,9

HKSCAN

EBIT					
- Sweden	-0,3	2,5	4,7	2,7	9,5
- Finland	0,9	2,4	4,7	7,2	15,3
- Denmark	-1,0	-1,9	-1,5	-2,2	-6,6
- Baltics	0,3	1,7	3,2	1,0	6,2
- Group administration costs	-4,2	-2,9	-3,1	-4,5	-14,7
Group total	-4,3	1,7	8,1	4,2	9,7

COMPARABLE EBIT					
- Sweden	-0,3	2,5	4,7	4,2	11,1
- Finland	0,9	2,4	4,7	7,5	15,5
- Denmark	-1,0	-1,4	-1,5	-2,2	-6,2
- Baltics	0,3	1,7	3,2	1,0	6,2
- Group administration costs	-3,0	-2,9	-3,1	-4,5	-13,5
Group total	-3,1	2,2	8,1	6,0	13,2

ANALYSIS BY SEGMENT

Net sales and EBIT by market area

(EUR million)	Q1/2017	Q1/2016	2016
NET SALES			
- Sweden	171.3	185.8	790.8
- Finland	176.6	179.8	774.9
- Denmark	36.0	36.5	149.5
- Baltics	36.9	37.1	157.7
- Between segments	-	-	-
Group total	420.7	439.1	1 872.9
EBIT			
- Sweden	-0.6	-0.3	9.5
- Finland	-1.1	0.9	15.3
- Denmark	-1.1	-1.0	-6.6
- Baltics	0.4	0.3	6.2
- Between segments	-	-	-
Segments total	-2.4	-0.1	24.3
Group administration costs	-4.4	-4.2	-14.7
Group total	-6.8	-4.3	9.7
INVESTMENTS			
- Sweden	2.9	4.7	19.8
- Finland	18.2	6.6	64.0
- Denmark	0.2	0.7	3.1
- Baltics	2.4	1.4	10.8
Total	23.7	13.5	97.6
AVERAGE NUMBER OF EMPLOYEES			
- Sweden	2 029	2 057	2 162
- Finland	2 815	2 636	2 912
- Denmark	646	671	686
- Baltics	1 511	1 586	1 560
Total	7 000	6 950	7 319



NOTES TO THE INCOME STATEMENT

1. ITEMS AFFECTING COMPARABILITY

(EUR million)	Q1/2017	Q1/2016	2016
Comparable EBIT	-6.8	-3.1	13.2
Personnel costs, Group Administration 1)	-	-1.2	-1.2
Termination of employment, Denmark 1)	-	-	-0.5
Termination of employment, Finland 1)	-	-	-0.3
Environmental provision, Sweden 2)	-	-	-1.5
EBIT	-6.8	-4.3	9.7

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

2) 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)	Q1/2017	Q1/2016	2016
Opening balance	143.0	147.3	147.3
Translation differences	0.2	-0.4	-3.5
Additions	0.2	0.1	0.9
Additions, business acquisitions	-	-	-
Disposals	-	-	0.0
Depreciation and impairment	-0.6	-0.6	-2.1
Reclassification between items	2.2	0.0	0.4
Closing balance	145.0	146.5	143.0

3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q1/2017	Q1/2016	2016
Opening balance	401.7	361.8	361.8
Translation differences	0.5	-0.1	-2.1
Additions	23.5	13.3	96.7
Additions, business acquisitions	-	-	-
Disposals	-0.3	-0.3	-1.9
Depreciation and impairment	-13.0	-12.9	-52.4
Reclassification between items	-2.2	0.0	-0.4
Closing balance	410.3	361.9	401.7

4. INVENTORIES

(EUR million)	Q1/2017	Q1/2016	2016
Materials and supplies	75.1	77.2	61.5
Semi-finished products	3.6	4.8	4.7
Finished products	48.1	40.5	42.0
Other inventories	0.3	0.4	0.3
Inventories, advance payments	0.9	1.3	0.9
Biological asset	6.6	6.3	6.7
Total inventories	134.6	130.6	116.1



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
1.1.2017	54 017 673	66.8	72.9	143.5	0.0	283.1
31.3.2017	54 017 673	66.8	72.9	143.5	0.0	283.1

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	31.3.2017	31.3.2016	31.12.2016
Nominal values of derivative instruments			
Foreign exchange derivatives	61.1	36.6	43.6
Interest rate derivatives	127.0	128.4	126.9
Electricity derivatives	6.2	7.7	7.2
Fair values of derivative instruments			
Foreign exchange derivatives	-0.1	0.0	-0.2
Interest rate derivatives	-12.6	-15.4	-13.4
Electricity derivatives	-0.5	-2.8	0.1

CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	31.3.2017	31.3.2016	31.12.2016
Debts secured by pledges or mortgages			
- loans from financial institutions	0.0	0.0	0.0
On own behalf			
- Mortgages given	0.0	0.0	0.0
- Assets pledged	3.2	3.2	3.2
On behalf of others			
- guarantees and other commitments	13.0	13.1	13.0
Other contingencies			
Leasing commitments	6.3	7.7	7.5
Rent liabilities	33.9	35.3	31.7



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.

	31.3.2017	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	0.1	-	0.1	-
- Commodity derivatives	0.2	-	0.2	-
of which subject to cash flow hedging	0.2	-	0.2	-
Total	0.3	-	0.3	-
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-12.6	-	-12.6	-
of which subject to cash flow hedging	-12.6	-	-12.6	-
- Foreign exchange derivatives	-0.2	-	-0.2	-
- Commodity derivatives	-0.8	-	-0.8	-
of which subject to cash flow hedging	-0.8	-	-0.8	-
Total	-13.6	-	-13.6	-

BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1/2017	Q1/2016	2016
Sales to associates	3.8	12.2	46.9
Purchases from associates	7.8	10.3	39.2
Trade and other receivables	1.6	1.4	2.2
Trade and other payables	5.5	3.9	5.1