

**HKSCAN**

# **THE NORDIC MEAT EXPERTS**

**HKSCAN GROUP  
INTERIM REPORT  
Q1-2/2015  
5 AUGUST 2015**

**HKSCAN GROUP'S INTERIM REPORT FOR 1 JANUARY–30 JUNE 2015:  
COMPARABLE EBIT AND CASH FLOW IMPROVED – DENMARK STILL MAKING A LOSS**

- \* Net sales were EUR 940.8 (967.1) million for January–June, and EUR 474.8 (501.7) million in the second quarter.
- \* EBIT for January–June was EUR 2.9 (41.1) million. EBIT excluding non-recurring income and expenses was EUR 2.9 (-8.2) million. The corresponding EBIT margin was 0.3 (-0.9) per cent.
- \* For the second quarter, EBIT was EUR 3.7 (58.5) million. EBIT excluding non-recurring income and expenses was EUR 3.7 (-1.1) million. The corresponding EBIT margin was 0.8 (-0.2) per cent.
- \* Cash flow before debt service was EUR 19.2 (157.2) million for January–June, and EUR 19.7 (180.9) million in the second quarter.
- \* Profit before taxes excluding non-recurring income and expenses was EUR -1.9 (-8.2) million for January–June, and EUR 1.2 (-2.2) million in the second quarter.
- \* EPS was EUR -0.04 (0.86) for January–June, and EUR 0.01 (1.10) in the second quarter.
- \* Net financial expenses were EUR -4.8 (-9.6) million for January–June, and EUR -2.3 (-5.2) million in the second quarter.
- \* Net debt was EUR 150.4 (185.0) million, and net gearing 35.8 (41.8) per cent.
- \* The outlook for 2015 (unchanged): HKScan expects operating profit (EBIT) excluding non-recurring items to improve from 2014, and anticipates the last quarter to be the strongest.

**HANNU KOTTONEN, HKSCAN'S CEO, COMMENTS ON THE SECOND QUARTER 2015:**

“HKScan’s performance continued to recover also in the second quarter of 2015. All market areas improved their comparable cash flow, and also comparable EBIT improved, except in Denmark. Our Danish business has lost volume including one major export customer. Actions to improve performance are continuing. Group’s balance sheet strengthened further in spite of the slightly higher investment level and the dividends paid. Net financial expenses declined clearly from the previous year.

The overall business environment remained challenging due to ongoing political and economic uncertainties. Russian embargo and price wars in retail have continued and clearly depressed the food and meat value chain, especially for pork meat in Finland and the Baltics. The Chinese meat export licence for Forssa pig slaughterhouse in Finland is still open, but HKScan continues to develop its Asian export businesses further from the new sales office in Hong Kong.

The Group’s efforts and actions to support the strategic goal of profitable growth are advancing. Good progress was recorded related to preparations for strategic investment projects, product category development and brand management work.”

## KEY FIGURES, Q2

(EUR million)	Q2/2015	Q2/2014	Q1-Q2/2015	Q1-Q2/2014	2014
Net sales	474.8	501.7	940.8	967.1	1 988.7
EBIT	3.7	58.5	2.9	41.1	55.5
- % of net sales	0.8	11.7	0.3	4.2	2.8
Profit/loss before taxes	1.2	57.4	-1.9	41.1	51.2
- % of net sales	0.3	11.4	-0.2	4.2	2.6
Profit/loss for the period	1.0	59.3	-1.8	46.4	57.1
- % of net sales	0.2	11.8	-0.2	4.8	2.9
EBIT, excluding non-recurring income and expenses	3.7	-1.1	2.9	-8.2	12.4
- % of net sales	0.8	-0.2	0.3	-0.9	0.6
Profit/ loss before taxes, excluding non-recurring income and expenses	1.2	-2.2	-1.9	-8.2	8.2
- % of net sales	0.3	-0.4	-0.2	-0.8	0.4
EPS (EUR)	0.01	1.10	-0.04	0.86	1.05
Cash flow before debt service (mEUR)	19.7	180.9	19.2	157.2	201.7
Cash flow before financing activities (mEUR)	22.2	183.6	18.3	152.8	198.9
Return on capital employed (ROCE) before taxes, %			3.3	10.0	9.7
Net debt (mEUR)			150.4	185.0	141.5
Gearing, %			38.6	45.1	35.5
Net Gearing, %			35.8	41.8	31.8

## JANUARY–JUNE 2015

HKScan's performance continued to improve during the first half of the year, though net sales declined from the corresponding period in 2014. Group's comparable EBIT turned to positive. Market areas Finland and Sweden were clearly ahead of the previous year, and the Baltics also improved. Market area Denmark remained in the red.

Improved cash flow lowered Group's net gearing and net debt, and financial expenses were significantly lower than in the comparison period. The Group's inventories and the meat balance were tightly managed throughout the reporting period.

The Russian ban on meat imports from the EU continued exerting continuous pressure on pork supply and prices. Cases of African swine fever have somewhat increased in the Baltics and Poland. Animal purchase prices in poultry and pork continued to decline, as did some primary production costs.

Implementation of the Group's strategy for profitable growth advanced as planned. Preparations for strategic investment projects proceeded during the second quarter.

A sales office was established in Hong Kong, and the General Manager was appointed to head HKScan's business in Asia. When the applicable export permits have been received from the authorities, HKScan will open sales office in China. Group's investments in innovation, brand and category work continued.

HKScan started its Leadership Academy, a new executive training programme designed to strengthen leadership skills and harmonize Group-wide leadership culture.

**MARKET AREA: FINLAND**

(EUR million)	Q2/2015	Q2/2014	Q1-Q2/2015	Q1-Q2/2014	2014
Net sales	195.5	199.5	389.0	378.7	787.2
EBIT	3.8	-12.7	7.4	-14.1	-4.5
- EBIT margin, %	2.0	-6.4	1.9	-3.7	-0.6
EBIT excluding non-recurring items	3.8	-0.7	7.4	-2.2	8.9
- EBIT margin, %	2.0	-0.4	1.9	-0.6	1.1

In Finland, net sales were EUR 389.0 (378.7) million for January–June and EUR 195.5 (199.5) million in the second quarter. Comparable EBIT excluding non-recurring expenses totalled EUR 7.4 (-2.2) for January–June and EUR 3.8 (-0.7) million in the second quarter.

In the second quarter, net sales declined due to lower prices and volume. Barbeque season started weak. However, profitability was strengthened by a better sales product mix together with operational efficiency actions. Also cash flow improved.

HKScan's own brands continued making pleasing progress in spite of the declined market. Tough price competition between retailers intensified fierce price pressure further and also challenged demand and supply management. Examples of the novelties in the second quarter were Kariniemen® chicken cutlets and HK® barbeque meats.

The modernization and investment in the beef slaughterhouse in Outokumpu, including renewal of the entire beef cutting area and part of the slaughter line, was finalized at the end of the second quarter. HKScan purchased its previously rented production facility and land area in Mikkeli for EUR 4.2 million in April.

**MARKET AREA: BALTICS**

<b>(EUR million)</b>	<b>Q2/2015</b>	<b>Q2/2014</b>	<b>Q1-Q2/2015</b>	<b>Q1-Q2/2014</b>	<b>2014</b>
Net sales	44.6	41.2	85.5	82.0	173.0
EBIT	2.6	1.8	2.5	2.0	2.8
- EBIT margin, %	5.8	4.5	2.9	2.4	1.6
EBIT excluding non-recurring expenses	2.6	1.8	2.5	2.0	4.8
- EBIT margin, %	5.8	4.5	2.9	2.4	2.8

In the Baltics, net sales were EUR 85.5 (82.0) million in January–June and EUR 44.6 (41.2) million in the second quarter. EBIT was EUR 2.5 (2.0) million in January–June and EUR 2.6 (1.8) million in the second quarter.

Net sales were upon the previous year in spite of the divested egg business thanks to higher volumes in the domestic market. Demand remained soft on the export markets. Price competition continued to be tough. HKScan's own brands, especially processed and seasonal products, kept selling well, which eased out the negative impact of the low market price level of non-processed product categories. Lower costs in primary production and other operational cost controls contributed to profit improvement in the second quarter.

Rakvere brand's smoked, bacon and jerky products, Tallegg® barbeque products, as well as Rigas Mieksnieks® shaslik and barbeque products were the main novelties for the second quarter. In May, HKScan Estonia gained approval for exporting poultry to Hong Kong.

**MARKET AREA: SWEDEN**

(EUR million)	Q2/2015	Q2/2014	Q1-Q2/2015	Q1-Q2/2014	2014
Net sales	208.3	232.7	410.4	443.1	911.0
EBIT	3.4	0.6	5.4	-11.4	1.7
- EBIT margin, %	1.6	0.3	1.3	-2.6	0.2
EBIT excluding non-recurring items	3.4	1.5	5.4	-0.3	13.4
- EBIT margin, %	1.6	0.6	1.3	-0.1	1.5

In Sweden, net sales were EUR 410.4 (443.1) million for January–June, and EUR 208.3 (232.7) million in the second quarter. Comparable EBIT excluding non-recurring expenses totalled EUR 5.4 (-0.3) million for January–June and EUR 3.4 (1.5) million in the second quarter.

Net sales declined as a result of lower volumes and the weaker SEK exchange rate. EBIT improvement was based on the completed production restructuring and a better product mix. Inventories were also reduced compared to the corresponding period.

Consumer demand for meat of Swedish origin has recovered, which also eased up pressure from imported meat. Price competition continued, and private label products still continued to seize market share. HKScan gained some market share in processed meat subcategories.

Major launches during the second quarter included the re-launch of Swedish meatballs in the UK market, the organic deli-counter assortment, small size packages for thin slices of cold cuts, a new packaging solution and design for cold cuts, and new barbeque products for the summer season. Product development work will be intensified further.

HKScan started cooperation with North European Oil Trade related to byproducts of bioethanol production. They are utilized in pig feed offered to HKScan's Swedish contract producers.

**MARKET AREA: DENMARK**

<b>(EUR million)</b>	<b>Q2/2015</b>	<b>Q2/2014</b>	<b>Q1-Q2/2015</b>	<b>Q1-Q2/2014</b>	<b>2014</b>
Net sales	45.6	52.6	94.5	106.6	204.3
EBIT	-2.4	-6.0	-5.9	-6.7	-11.9
- EBIT margin, %	-5.3	-11.4	-6.2	-6.3	-5.8
EBIT excluding non-recurring items	-2.4	-0.8	-5.9	-1.5	-4.4
- EBIT margin, %	-5.3	-1.6	-6.2	-1.4	-2.1

In Denmark, net sales for January–June amounted to EUR 94.5 (106.6) million and EUR 45.6 (52.6) million in April - June. Comparable EBIT excluding non-recurring expenses was EUR -5.9 (-1.5) million in January–June and EUR -2.4 (-0.8) million in the second quarter.

The market and competition, especially in Denmark and Sweden, remained tough through the second quarter. Denmark lost volume including one major export customer. Sales price competition was tough, and together with lowered volumes, this led to a clear loss. Only fresh chicken products kept generating satisfactory margins, but volumes in the home market were lower than expected in the second quarter.

The new production setup was completed, and the related cost savings have begun to materialize. Efforts are ongoing to generate profitable new sales, strengthen the Danish organization and achieve further operational cost savings.

Demand for organic chicken meat increased. Several barbeque chicken products marketed under the Rose® brand were introduced to the local market.

## INVESTMENTS

The Group's investments in the second quarter totalled EUR 16.0 (9.8) million. The breakdown per market area is as follows:

(EUR million)	Q2/2015	Q2/2014	Q1-Q2/2015	Q1-Q2/2014	2014
Finland	9.4	3.7	13.2	6.5	14.7
Baltics	3.0	2.4	5.3	7.5	11.7
Sweden	2.4	0.9	4.4	2.0	7.6
Denmark	1.3	2.9	2.7	5.3	14.7
<b>Total</b>	<b>16.0</b>	<b>9.8</b>	<b>25.6</b>	<b>21.2</b>	<b>48.7</b>

The Group's biggest investments also during the second quarter of 2015 were targeted at Finland, where modernization of the Outokumpu production facility was completed. Additionally, the Mikkeli production facility and land area were bought (EUR 4.2 million).

## FINANCING

The Group's interest-bearing debt at the end of June stood at EUR 162.1 (199.8) million. Net debt decreased to EUR 150.4 (185.0) million. The net gearing ratio decreased and was 35.8 (41.8) per cent. In the second quarter, a total amount of dividend and additional dividend of EUR 26.4 million was paid for 2014 (EUR 5.4 million in 2013).

During the reporting period, HKScan rearranged its committed credit facilities. The new bilateral committed credit facility agreements replaced the syndicated credit facility of EUR 136.5 million maturing in 2017. The agreements amount to EUR 100 million in total and they will mature during 2018–2020.

The Group's liquidity was good. Undrawn committed credit facilities at 30 June stood at EUR 100.0 (161.5) million. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 15.0 (126.5) million.

Net financial expenses were EUR -2.3 (-5.2) million in the second quarter and EUR -4.8 (-9.6) million in January–June.

## SHARES

At the end of June, HKScan Group's share capital stood at EUR 66 820 528. The Group's total number of shares issued, 55 026 522, was divided into two share series as follows: A Shares, 49 626 522 (90.2% of the total number of shares) and K Shares, 5 400 000 (9.8%). 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. 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 June stood at EUR 287.7 (213.7) million, breaking down as follows: Series A shares had a market value of EUR 258.9 (192.3) million, and the unlisted Series K shares a calculational market value of EUR 28.8 (21.4) million.

In January–June, a total of 12 606 842 (7 896 690) of the company's shares with a total value of EUR 68 257 415 (31 214 934) were traded. The highest price quoted in the period under review was EUR 6.25 (4.49), and the lowest was EUR 3.24 (3.47). The average price was EUR 5.41 (3.94). At the end of June, the closing price was EUR 5.33 (3.96).

## ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS' AUTHORIZATIONS

The Annual General Meeting of HKScan Corporation was held on 14 April 2015 in Turku. The resolutions of the AGM, including authorizations given to the Board, are reported in full in a stock release the same day. The Board has not exercised the authorizations given by the AGM.

The current Board members Niels Borup, Tero Hemmilä, Teija Andersen and Henrik Treschow were re-elected for a further term of office, and Mikko Nikula and Pirjo Väliäho were elected as new members of the Board of Directors. In addition, the current deputy Board member Per Nilsson was re-elected for a further term of office, and Marko Onnela was elected as new deputy member of the Board of Directors. At the organizational meeting after the AGM, the Board elected Mikko Nikula as Chairman and re-elected Niels Borup as Vice Chairman.



## PERSONNEL

During the first half of the year, HKScan had an average of 7 544 (7 717) personnel.

The average number of employees in each market area was as follows:

	Q1-Q2/2015	Q1-Q2/2014	2014
Finland	2 878	2 786	2 771
Baltics	1 749	1 767	1 769
Sweden	2 180	2 323	2 305
Denmark	738	841	817
<b>Total</b>	<b>7 544</b>	<b>7 717</b>	<b>7 662</b>

Division of employees by market area at the end of June is as follows:

	30.6.2015	30.6.2014	31.12.2014
Finland	3 194	3 225	2 644
Baltics	1 759	1 791	1 766
Sweden	2 569	2 681	2 152
Denmark	806	961	765
<b>Total</b>	<b>8 328</b>	<b>8 658</b>	<b>7 327</b>

## 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 the authorities which may cause restrictions to the business. Additionally, the Group's ongoing development projects may create uncertainties and unforeseen extra costs.

The risks of animal diseases in the food industry's raw meat supply or eventual international or regional food scandals impacting the overall consumption outlook can never be fully excluded.

## EVENTS AFTER THE REPORTING PERIOD

Early July HKScan announced the acquisition of a 50 per cent stake in Paimion Teurastamo as part of Group's strategy to boost profitable growth. The beef slaughterhouse was owned by Turku-based Kaivon Liha Kaunismaa Oy, which retains 50 per cent of the company. Paimion Teurastamo is now HKScan Group's subsidiary.

## OUTLOOK (UNCHANGED)

HKScan expects operating profit (EBIT) excluding non-recurring items to improve from 2014, and anticipates the last quarter to be the strongest.

HKScan expects the economic and demand outlook and, accordingly, sales price competition to remain tough in 2015. However, the Group's strategy work, restructuring and development programmes together with active sales margin management should contribute to better financial performance.

## NEXT FINANCIAL REPORT

HKScan Group's interim report January–September 2015 will be published on 4 November 2015.



Vantaa, 5 August 2015

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](mailto:firstname.surname@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 2014, HKScan had net sales of approximately EUR 2.0 billion and some 7 700 employees.*

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**CONSOLIDATED INTERIM REPORT 1 JANUARY–30 JUNE 2015**
**CONSOLIDATED INCOME STATEMENT**

<b>(EUR million)</b>	<b>Note</b>	<b>Q2/2015</b>	<b>Q2/2014</b>	<b>Q1-Q2/2015</b>	<b>Q1-Q2/2014</b>	<b>2014</b>
Net sales		474.8	501.7	940.8	967.1	1 988.7
Cost of goods sold	1.	-442.6	-493.9	-881.2	-951.0	-1 905.2
Gross profit		32.2	7.8	59.6	16.2	83.5
Other operating items total	1.	2.7	83.1	4.8	89.6	94.1
Sales and marketing costs	1.	-15.1	-17.5	-30.0	-32.3	-62.1
General administration costs	1.	-16.1	-14.9	-31.4	-32.4	-60.1
Operating profit		3.7	58.5	2.9	41.1	55.5
Financial income and expenses		-2.3	-5.2	-4.8	-9.6	-15.5
Share of profit/loss in associates		-0.3	4.0	0.0	9.7	11.2
Profit/loss before taxes		1.2	57.4	-1.9	41.1	51.2
Income tax		-0.2	1.9	0.1	5.3	5.9
Profit/loss for the period		1.0	59.3	-1.8	46.4	57.1
Non-controlling interests		-0.3	-0.1	-0.2	0.2	-0.5
Profit/loss for the period		0.7	59.2	-2.0	46.6	56.7
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		0.01	1.10	-0.04	0.86	1.05
EPS, diluted, continuing operations, EUR/share		0.01	1.10	-0.04	0.86	1.05

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>(EUR million)</b>	<b>Q2/2015</b>	<b>Q2/2014</b>	<b>Q1-Q2/2015</b>	<b>Q1-Q2/2014</b>	<b>2014</b>
Profit/loss for the period	1.0	59.3	-1.8	46.4	57.1
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	0.9	-3.9	2.3	-5.3	-8.3
Cash flow hedging	1.9	-0.1	1.1	-1.2	-1.9
Actuarial gains or losses	-	-	-	-	-4.9
TOTAL OTHER COMPREHENSIVE INCOME	2.8	-4.1	3.4	-6.5	-15.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3.8	55.2	1.6	39.9	42.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	3.5	55.1	1.4	40.1	41.6
Non-controlling interests	0.3	0.1	0.2	-0.2	0.5
Total	3.8	55.2	1.6	39.9	42.1



### CONSOLIDATED BALANCE SHEET

(EUR million)	Note	30.6.2015	30.6.2014	31.12.2014
<b>ASSETS</b>				
Intangible assets	2.	145.5	147.3	144.3
Tangible assets	3.	369.5	381.9	369.7
Holdings		35.9	40.9	35.9
Other non-current assets		39.8	34.9	40.8
<b>TOTAL NON-CURRENT ASSETS</b>		<b>590.6</b>	<b>604.9</b>	<b>590.7</b>
Inventories	4.	115.5	140.8	125.4
Current receivables		120.8	142.3	122.4
Cash and cash equivalents		11.6	13.1	16.4
<b>TOTAL CURRENT ASSETS</b>		<b>247.8</b>	<b>296.3</b>	<b>264.3</b>
Assets of disposal group classified as held for sale		-	-	9.4
<b>TOTAL ASSETS</b>		<b>838.4</b>	<b>901.2</b>	<b>864.3</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>	5.	<b>419.9</b>	<b>442.9</b>	<b>445.2</b>
Non-current loans, interest-bearing		121.8	62.2	121.8
Non-current liabilities, non-interest-bearing		38.5	32.9	40.8
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>160.4</b>	<b>95.1</b>	<b>162.6</b>
Current loans, interest-bearing		40.2	137.5	36.4
Current liabilities, non-interest-bearing		218.0	225.7	219.4
<b>TOTAL CURRENT LIABILITIES</b>		<b>258.2</b>	<b>363.2</b>	<b>255.8</b>
Liabilities of disposal group classified as held for sale		-	-	0.8
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>838.4</b>	<b>901.2</b>	<b>864.3</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT</b>											
<b>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>-6.2</b>	<b>0.0</b>	<b>162.1</b>	<b>436.5</b>	<b>8.7</b>	<b>445.2</b>
Result for the financial period	-	-	-	-	-	-	-	-2.0	-2.0	0.2	-1.8
Other comprehensive income (+) / expense (-)											
Transl. differences.	-	-	-	-	-	2.3	-	-	2.3	-	2.3
Cash flow hedging	-	-	1.1	-	-	-	-	-	1.1	-	1.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>-</b>	<b>2.3</b>	<b>-</b>	<b>-2.0</b>	<b>1.4</b>	<b>0.2</b>	<b>1.6</b>
Direct recognition in retained earnings	-	-	-	-	0.0	-	-	-0.2	-0.2	-	-0.2
Transfers between items	0.0	-	-	-	0.0	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-26.4	-26.4	-0.3	-26.7
<b>EQUITY AT</b>											
<b>30.6.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-11.7</b>	<b>143.5</b>	<b>10.1</b>	<b>-4.0</b>	<b>0.0</b>	<b>133.5</b>	<b>411.2</b>	<b>8.7</b>	<b>419.9</b>
<b>(EUR million)</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>	<b>6.</b>	<b>7.</b>	<b>8.</b>	<b>9.</b>	<b>10.</b>	<b>11.</b>
<b>EQUITY AT</b>											
<b>1.1.2014</b>	<b>66.8</b>	<b>73.5</b>	<b>-10.8</b>	<b>143.5</b>	<b>32.0</b>	<b>2.0</b>	<b>0.0</b>	<b>93.0</b>	<b>400.0</b>	<b>9.0</b>	<b>409.0</b>
Result for the financial period	-	-	-	-	-	-	-	46.6	46.6	-0.2	46.4
Other comprehensive income (+) / expense (-)											
Transl. differences	-	-	-	-	-	-5.3	-	-	-5.3	-	-5.3
Cash flow hedging	-	-	-1.2	-	-	-	-	-	-1.2	-	-1.2
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-1.2</b>	<b>-</b>	<b>-</b>	<b>-5.3</b>	<b>-</b>	<b>46.6</b>	<b>40.1</b>	<b>-0.2</b>	<b>39.9</b>
Direct recognit. in retained earnings	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Transfers between items	-	-0.6	-	-	-21.9	-	-	22.5	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-5.4	-5.4	-0.7	-6.1
<b>EQUITY AT</b>											
<b>30.6.2014</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.0</b>	<b>143.5</b>	<b>10.1</b>	<b>-3.3</b>	<b>0.0</b>	<b>156.8</b>	<b>434.8</b>	<b>8.1</b>	<b>442.9</b>

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

## CASH FLOW STATEMENT

(EUR million)	Q1-Q2/2015	Q1-Q2/2014	2014
Cash flow before change in net working capital	30.9	7.0	52.6
Change in net working capital	6.1	-10.2	14.2
Financial items and taxes	-2.2	-4.0	-3.6
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>34.8</b>	<b>-7.2</b>	<b>63.3</b>
Cash flow from investing activities	-16.5	160.0	135.7
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>18.3</b>	<b>152.8</b>	<b>198.9</b>
Change in loans	4.0	-202.1	-244.1
Dividends paid	-26.7	-6.1	-6.1
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-22.7</b>	<b>-208.2</b>	<b>-250.2</b>
<b>NET CASH FLOW</b>	<b>-4.4</b>	<b>-55.4</b>	<b>-51.2</b>
Cash and cash equivalents at beginning of period	16.4	68.7	68.7
Translation differences	-0.4	-0.2	-1.0
Cash and cash equivalents at end of period	11.6	13.1	16.4

## FINANCIAL INDICATORS

	30.6.2015	30.6.2014	31.12.2014
Earnings per share (EPS), undiluted, EUR	-0.04	0.86	1.05
Earnings per share (EPS), diluted, EUR	-0.04	0.86	1.05
Equity per share, EUR	7.62	8.06	8.09
Equity ratio, %	50.1	49.1	51.5
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	25.6	21.2	48.7
Employees, end of month average	7 544	7 717	7 662

## CALCULATION OF FINANCIAL INDICATORS

Return on capital employed (ROCE) before tax (%)	$\frac{\text{Profit before tax + interest and other financial exp.}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$
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

## NOTES TO CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January–30 June 2015 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 2014. 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 2014.

The interim report is unaudited.

### ANALYSIS BY SEGMENT

Net sales and EBIT by market area

<b>(EUR million)</b>	<b>Q2/2015</b>	<b>Q2/2014</b>	<b>Q1-Q2/2015</b>	<b>Q1-Q2/2014</b>	<b>2014</b>
<b>NET SALES</b>					
- Finland	195.5	199.5	389.0	378.7	787.2
- Baltics	44.6	41.2	85.5	82.0	173.0
- Sweden	208.3	232.7	410.4	443.1	911.0
- Denmark	45.6	52.6	94.5	106.6	204.3
- Between segments	-19.3	-24.3	-38.6	-43.2	-86.8
Group total	474.8	501.7	940.8	967.1	1 988.7
<b>EBIT</b>					
- Finland	3.8	-12.7	7.4	-14.1	-4.5
- Baltics	2.6	1.8	2.5	2.0	2.8
- Sweden	3.4	0.6	5.4	-11.4	1.7
- Denmark	-2.4	-6.0	-5.9	-6.7	-11.9
- Between segments	-	-	-	-	-
Segments total	7.4	-16.2	9.4	-30.3	-11.9
Group administration costs	-3.7	-2.8	-6.5	-6.3	-10.2
Capital gain in sales of shares of Saturn Nordic Holding Ab	-	77.6	-	77.6	77.6
Group total	3.7	58.5	2.9	41.1	55.5



## NOTES TO THE INCOME STATEMENT

### 1. NON-RECURRING ITEMS

(EUR million)	Q2/2015	Q2/2014	Q1-Q2/2015	Q1-Q2/2014	2014
Restructuring redundancy expenses COGS, Finland <sup>1)</sup>	-	-	-	-	-1.0
Restructuring redundancy expenses SGA, Finland <sup>2)</sup>	-	-	-	-	-0.4
Impairment of assets, Finland <sup>1)</sup>	-	-12.0	-	-12.0	-12.0
Restructuring expenses for closed operations, Sweden <sup>1)</sup>	-	-	-	-3.7	-4.0
Impairment of assets, Sweden <sup>1)</sup>	-	-	-	-6.6	-6.7
Impairment of inventory 2011-2012, Sweden <sup>1)</sup>	-	-0.8	-	-0.8	-0.8
Losses on sales of holdings, Sweden <sup>3)</sup>	-	-	-	-	-0.2
Impairment of assets, Denmark <sup>1)</sup>	-	-5.2	-	-5.2	-5.2
Restructuring expenses COGS, Denmark <sup>1)</sup>	-	-	-	-	-1.5
Cover of loss in associated company based on SHA, Denmark <sup>3)</sup>	-	-	-	-	-0.8
Capital gain in sales of shares of Saturn Nordic Holding Ab <sup>3)</sup>	-	77.6	-	77.6	77.6
Impairment of assets, Latvia <sup>1)</sup>	-	-	-	-	-2.1
Non-recurring items Total	-	59.6	-	49.3	43.0

<sup>1)</sup> Included in the Income Statement in the item "COGS Total"

<sup>2)</sup> Included in the Income Statement in the item "SGA Total"

<sup>3)</sup> 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)	Q2/2015	Q2/2014	2014
Opening balance	144.3	152.1	152.1
Translation differences	1.7	-3.3	-5.5
Additions	0.6	0.6	1.4
Additions, business acquisitions	0.0	0.8	0.8
Disposals	-0.2	0.0	-0.1
Depreciation and impairment	-1.3	-2.9	-4.1
Reclassification between items	0.4	0.0	-0.2
Closing balance	145.5	147.3	144.3

### 3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q2/2015	Q2/2014	2014
Opening balance	369.7	411.5	411.5
Translation differences	1.1	-2.1	-3.5
Additions	25.1	20.9	51.3
Additions, business acquisitions	0.0	0.0	0.9
Disposals	-0.5	-1.1	-13.3
Depreciation and impairment	-25.6	-47.9	-77.3
Reclassification between items	-0.2	0.5	0.0
Closing balance	369.5	381.9	369.7

#### 4. INVENTORIES

(EUR million)	Q2/2015	Q2/2014	2014
Materials and supplies	67.4	78.8	73.2
Semi-finished products	4.9	4.2	5.3
Finished products	34.6	42.9	36.9
Other inventories	0.5	3.2	1.8
Inventories, advance payments	1.2	1.9	0.5
Biological asset, IFRS 41	6.9	9.8	7.7
Total inventories	115.5	140.8	125.4

#### 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
1.1.2015	53 972 788	66.8	72.9	143.5	0.0	283.1
30.6.2015	53 972 788	66.8	72.9	143.5	0.0	283.1

#### DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	30.6.2015	30.6.2014	31.12.2014
Nominal values of derivative instruments			
Foreign exchange derivatives	61.9	85.4	70.5
Interest rate derivatives	148.4	180.4	157.6
Electricity derivatives	8.6	7.8	7.6
Fair values of derivative instruments			
Foreign exchange derivatives	-0.1	0.5	0.3
Interest rate derivatives	-13.9	-14.8	-15.7
Electricity derivatives	-2.0	-1.9	-1.7

#### CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	30.6.2015	30.6.2014	31.12.2014
Debts secured by pledges or mortgages			
- loans from financial institutions	0.2	72.1	29.5
On own behalf			
- Mortgages given	0.6	12.3	10.7
- Assets pledged	3.2	0.4	3.2
On behalf of others			
- guarantees and other commitments	12.6	16.2	13.6
Other contingencies			
Leasing commitments	12.5	15.3	14.7
Rent liabilities	33.7	45.5	39.8

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

### Derivatives

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

	30.6.2015	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	0.0	0.1	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</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	-13.9	0.0	-13.9	0.0
of which subject to cash flow hedging	-13.8	0.0	-13.8	0.0
- Foreign exchange derivatives	-0.2	0.0	-0.2	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-2.0	0.0	-2.0	0.0
of which subject to cash flow hedging	-2.0	0.0	-2.0	0.0
<b>Total</b>	<b>-16.1</b>	<b>0.0</b>	<b>-16.1</b>	<b>0.0</b>

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q2/2015	Q1-Q2/2014	2014
Sales to associates	33.4	32.2	65.9
Purchases from associates	21.2	20.3	40.2
Trade and other receivables	2.2	2.4	2.4
Trade and other payables	4.5	2.9	2.8