

**HKSCAN**

# **THE NORDIC MEAT EXPERTS**

**HKSCAN GROUP  
INTERIM REPORT  
Q1/2015  
6 MAY 2015**



## **HKSCAN GROUP'S INTERIM REPORT 1 JANUARY — 31 MARCH 2015: UPTURN IN PERFORMANCE CONTINUES – DENMARK REMAINS CHALLENGING**

- \* Net sales were EUR 466.0 (465.4) million in the first quarter.
- \* Reported EBIT was EUR -0.8 (-17.5) million. EBIT excluding non-recurring expenses was EUR -0.8 (-7.1) million. The corresponding EBIT margin was -0.2 (-1.5) per cent.
- \* Cash flow before debt service was EUR -0.6 (-23.7) million.
- \* Profit/loss before taxes was EUR -3.1 (-16.3) million.
- \* EPS was EUR -0.05 (-0.23).
- \* Net financial expenses were EUR -2.5 (-4.5) million.
- \* Net debt was EUR 145.7 (363.0) million, and net gearing 32.9 (92.3) per cent.
- \* 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 CEO, COMMENTS ON THE FIRST QUARTER OF 2015:**

“HKScan’s performance turnaround was seen towards the end of last year, and it continued in the first quarter of 2015. The trend was visible in all home market areas except Denmark. Both Group EBIT and cash flow improved clearly from the previous year, although they still remain slightly negative. Our improved financial performance was driven by Finland and Sweden, whereas performance in the Baltics remained flat. Denmark continued to make a loss. The Group’s balance sheet remained strong and financial expenses declined significantly from the previous year.

Despite tough domestic competition in Finland, better sales and completed operational restructuring generated further clear improvement in profit and cash flow. Sweden continued steadily on its recovery track, and the new production setup has delivered results in full from the beginning of the year. Denmark is suffering the most from sales challenges, especially in exports. The restructuring of slaughtering and cutting operations were completed during the first quarter by centralising slaughtering and cutting operations from the Skovsgaard facility to the Vinderup plant. Overall Denmark as a whole is still in restructuring mode after the fire. Our result in the Baltics was modest, remaining largely unchanged from the previous year.

Group restructuring entered the home stretch, with majority of the Finnish hatchery operations and the whole Estonian egg business divested in the first quarter. The Group’s efforts and actions to support the strategic goal of profitable growth are advancing well. Good progress is being made in preparations for strategic investment projects, product category development and brand management work. Despite delays with official export permits from the authorities, the Group is well prepared to commence exports to China, and we plan to establish a local presence both in Hong Kong and in China.”



## KEY FIGURES, Q1

(EUR million)	Q1/2015	Q1/2014	2014
Net sales	466,0	465,4	1 988,7
EBIT	-0,8	-17,5	55,5
- % of net sales	-0,2	-3,8	2,8
Profit/loss before taxes	-3,1	-16,3	51,2
- % of net sales	-0,7	-3,5	2,6
Profit/loss for the period	-2,8	-12,9	57,1
- % of net sales	-0,6	-2,8	2,9
EBIT, excluding non-recurring income and expenses	-0,8	-7,1	12,4
- % of net sales	-0,2	-1,5	0,6
EPS, EUR	-0,05	-0,23	1,05
Cash flow before debt service (mEUR)	-0,6	-23,7	201,7
Cash flow before financing activities (mEUR)	-3,9	-30,8	198,9
Return on capital employed (ROCE) before taxes, %	11,5	2,9	9,7
Net debt (mEUR)	145,7	363,0	141,5
Gearing %	37,4	97,9	35,5
Net gearing %	32,9	92,3	31,8

\*) Return on capital employed (ROCE) before taxes excluding non-recurring items was 3.8% in Q1/2015; 3.6% in Q1/2014 and 3.6% in 2014.

## JANUARY - MARCH

Decline in the Group's net sales clearly slowed down in the first quarter compared to the corresponding quarter the previous year. Majority of Easter deliveries took place in March this year. Cash flow and EBIT saw clear improvement from the previous year. Financial expenses decreased and the balance sheet remained strong. Meat and inventory balances were well under control and in good shape.

Finland and Sweden recorded clear result improvements and achieved positive EBIT in the first quarter. The Baltics stayed close to break-even in EBIT, but Denmark was clearly in the red, a situation further worsened by one-time costs incurred through a Salmonella-related recall during the first quarter.

Demand remained low on all markets, but the decline is no longer as steep as it was. The Russian ban on pork imports from the EU continued, thus continuing to generate supply pressure on the Group's home markets. Sales price competition remained tough. Market price level for biotech products seemed to pick up.

Some growth in market share was realized, although private label products kept increasing their share, most of all in the Group's home markets. Animal purchase prices and primary production costs continued to decline somewhat.

In the first quarter the Group divested its non-core businesses, i.e. 80 per cent of hatchery operations in Finland and the egg business in Estonia. Group restructuring, started in 2012, was thereby completed.

The Group's strategic investment plans in Finland and in Estonia proceeded on schedule. Feasibility studies made in preparation for the investments are to be finalized in the summer, and decisions will be made by next autumn.

Action plans based on the results of last autumn's EES (Employee Engagement Survey) were completed during the first quarter. Implementation will continue throughout the year and progress is being monitored by the Group management. In the coming summer, HKScan will offer employment to 1 400 seasonal and temporary workers throughout the Group. A majority of these job opportunities are in production.



## MARKET AREA: FINLAND

(EUR million)	Q1/2015	Q1/2014	2014
Net sales	193.5	179.2	787.2
EBIT	3.6	-1.4	-4.5
- EBIT margin, %	1.8	-0.8	-0.6
EBIT excluding non-recurring items	3.6	-1.4	8.9
- EBIT margin, %	1.8	-0.8	1.1

In Finland, net sales were EUR 193.5 (179.2) million and EBIT was EUR 3.6 (-1.4) million.

In the first quarter, net sales improved clearly on the previous year, which applied to HKScan Finland, Kivikylän Kotipalvaamo and Lihatukku Harri Tamminen. Good sales volumes and a favourable product mix compensated somewhat for declining prices. In spite of the declining market, HKScan Finland's own brands continued making pleasing progress.

In January, the authorities announced that HKScan's Forssa facility is to gain export certification for direct pork exports from Finland to China. The certification was not, however, finalized during the first quarter.

As announced in December, HKScan Finland sold its hatchery business and related real estate assets to DanHatch Finland, a new associated company co-owned by HKScan Finland and DanHatch AS of Denmark. The agreement was completed on 31 March 2015. HKScan Finland has a 20 per cent minority holding in the associate, and DanHatch owns the remaining 80 per cent.

In the first quarter the Group initiated modernization and investment in its Finnish beef slaughterhouse in Outokumpu by renewing the entire beef cutting area and a part of the slaughter line. The work is to be finalized in the summer of 2015.

Statutory negotiations at the Mellilä production facility were concluded in January. To improve efficiency, slaughter capacity is being downsized in Mellilä and moved to the Forssa facility. The personnel reduction amounted to about 20 employees, some of whom were offered work at HKScan's other facilities. These changes were carried out during January, generating annual savings of approximately EUR 1 million.


**MARKET AREA: BALTICS**

(EUR million)	Q1/2015	Q1/2014	2014
Net sales	40.9	40.8	173.0
EBIT	-0.1	0.2	2.8
- EBIT margin. %	-0.2	0.4	1.6
EBIT excluding non-recurring expenses	-0.1	0.2	4.8
- EBIT margin. %	-0.2	0.4	2.8

In the Baltics, net sales were EUR 40.9 (40.8) million and EBIT EUR -0.1 (0.2) million.

Net sales remained flat compared to the previous year. This was partly due to growing availability of unprocessed meat at lower retail prices, and intensifying competition in processed meat products. The market, however, showed a slight improvement on the previous year.

HKScan has paid a lot of attention to building product portfolio synergies between the three Baltic countries. During the quarter plenty of novelties were launched, including BBQ ribs, cold-smoked English style bacon and the pulled meat series offered under the Group brand Flodins®.

A study carried out by Nielsen related to the most successful meat product novelties of 2014 in the FMCG (Fast Moving Consumer Goods) category in the Baltic countries resulted in HKScan products winning the three top places both in Estonia and in Latvia.



## MARKET AREA: SWEDEN

(EUR million)	Q1/2015	Q1/2014	2014
Net sales	202.1	210.4	911.0
EBIT	2.0	-12.1	1.7
- EBIT margin, %	1.0	-5.7	0.2
EBIT excluding non-recurring items	2.0	-1.7	13.4
- EBIT margin, %	1.0	-0.8	1.5

In Sweden, net sales were EUR 202.1 (210.4) million. Calculated in Swedish crowns, net sales growth was 1.7 per cent. EBIT excluding non-recurring items was EUR 2.0 (-1.7) million.

Net sales continued improving but were affected negatively by the weaker Swedish crown's exchange rate. EBIT in Sweden showed again improvement from the previous year. The profit impact of production restructuring, completed last year, was visible in the quarter.

Import pressure of pork meat eased up during the quarter compared to the previous year. Private label products continued to seize market share during the quarter. Sweden will focus more on processed and other branded products in the future.

Many new actions were taken as part of the "HKScan goes green" climate footprint initiative. These included HKScan Sweden's pledge to use only green electricity. Other improvements include the usage of bio steam at the Linköping facility, the use of environmentally sound packaging, as well as the launch of Rose<sup>®</sup> eco chicken.

As final part of a Group-wide structural harmonization process and the strategic development programme ongoing in Sweden, HKScan sold its minor wholly-owned subsidiary Bertil Erikssons Slakteri AB to its Swedish associate Siljans Chark AB in January. HKScan continues to own a 39.3 per cent stake in Siljans Chark AB.



### MARKET AREA: DENMARK

(EUR million)	Q1/2015	Q1/2014	2014
Net sales	48.8	54.0	204.3
EBIT	-3.5	-0.7	-11.9
- EBIT margin, %	-7.1	-1.3	-5.8
EBIT excluding non-recurring items	-3.5	-0.7	-4.4
- EBIT margin, %	-7.1	-1.3	-2.1

In Denmark, net sales in January-March amounted to EUR 48.8 (54.0) million and the EBIT was EUR -3.5 (-0.7) million.

The market and competition remained tough through the first quarter of 2015. Fresh chicken products generated satisfactory margin, but volumes were low. In frozen products, sales price competition was tough and some business was lost, leading to lower production volumes. An outbreak of Salmonella in a flock of birds resulted in one-off recall costs of EUR 1.0 million during the first quarter. Novelties launched in the first quarter included Rose<sup>®</sup> Majs Kylling corn-fed chicken products, which continued to grow on the Danish market, and the first halal brand product 'Aafiyah<sup>™</sup>' for the UK market.

The supply chain was adjusted through ongoing restructuring of the production setup. In early January, HKScan announced the Group's restructuring of its production capacity in Denmark. Poultry slaughtering and cutting would be centralized at the Vinderup facility, and packaging and warehousing would remain in Skovsgaard. The targeted annualized cost reduction and profit improvement in excess of EUR 5 million are to materialize from the second quarter 2015 onwards. On January 28, HKScan announced that the related statutory employee negotiations were concluded, resulting in a net headcount reduction of close to 90 positions.



## INVESTMENTS

The Group's investments in the first quarter were EUR 9.6 (11.4) million and divided by market area as follows:

(EUR million)	Q1/2015	Q1/2014	2014
Finland	3.9	2.8	14.7
Baltics	2.3	5.1	11.7
Sweden	2.0	1.1	7.6
Denmark	1.4	2.4	14.7
<b>Total</b>	<b>9.6</b>	<b>11.4</b>	<b>48.7</b>

Group investments during the first quarter were biggest in Finland, where modernisation in the Outokumpu production facility continued. All in all, the Group's investments were at a lower level than in the corresponding quarter the previous year. In the future, the annual investment level will be some EUR 20 – 25 million higher than currently.

## FINANCING

The Group's interest-bearing debt at the end of March stood at EUR 165.5 (384.7) million. Net debt decreased to EUR 145.7 (as against EUR 363.0 million in the corresponding period the previous year). The net gearing ratio decreased significantly and was 32.9 (92.3) per cent.

The Group's liquidity was good. Undrawn committed credit facilities at 31 March 2015 stood at EUR 136.5 (161.5) million. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 22.0 (120.5) million.

Net financial expenses decreased due to the lower net debt level and were EUR -2.5 (-4.5) million.

## SHARES

At the end of March, the 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 OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed. The company held 1 053 734 A Shares as treasury shares corresponding 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 March stood at EUR 314.7 (234.2) million. It breaks down as follows: Series A shares had a market value of EUR 283.2 (210.8) million, and the unlisted Series K shares a calculational market value of EUR 31.5 (23.4) million.

In January-March, a total of 6 624 146 (3 252 242) of the company's shares with a total value of EUR 34 489 835 (13 114 562) were traded. The highest price quoted in the period under review was EUR 6.19 (4.34), and the lowest was EUR 3.24 (3.62). The average price was EUR 5.20 (3.91). At the end of March, the closing price was EUR 5.83 (4.34).

## BOARD OF DIRECTORS' AUTHORIZATIONS

From January to March 2015, the Board did not exercise the authorizations given by the Annual General Meeting (AGM) on 10 April 2014. The new authorizations granted to the Board by the AGM on 14 April 2015 are described in the section "Resolutions passed by the Annual General Meeting".

## PERSONNEL

In the first quarter HKScan had an average of 7 303 (7 341) personnel.

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

	Q1/2015	Q1/2014	2014
Finland	2 739	2 561	2 771
Baltics	1 755	1 728	1 769
Sweden	2 069	2 238	2 305
Denmark	740	814	817
<b>Total</b>	<b>7 303</b>	<b>7 341</b>	<b>7 662</b>

The division of personnel by market area at the end of March was as follows:

	31.3.2015	31.3.2014	31.12.2014
Finland	2 789	2 652	2 644
Baltics	1 735	1 729	1 766
Sweden	2 096	2 226	2 152
Denmark	704	811	765
<b>Total</b>	<b>7 324</b>	<b>7 418</b>	<b>7 327</b>

## CLAIM BY OY PRIMULA AB'S BANKRUPTCY ESTATE REJECTED

The District Court of Southwest Finland issued on 2 February 2015 its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy by the bankruptcy estate of Oy Primula Ab. Primula sued HKScan for breach of contract concerning initial investigations carried out in 2009 and 2010 by HK Ruokatalo (today HKScan Finland Oy) and Primula related to potential collaboration between HKScan and Primula's Järvenpää production site (Järvenpään Herkkutehdas Oy). The ruling is final and binding. The District Court denied the claim for damages and additionally ordered Oy Primula Ab's bankruptcy estate to pay HKScan's legal fees.

## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

The most significant uncertainty factors in HKScan Group's business are connected – through price increases for feed raw material in particular and other production inputs related to primary production – to price trends and the availability of local meat raw material, as well as to the adequacy of sales price increases in relation to cost trends.

The risks include various unexpected actions by the authorities and political instability both globally and locally that may impose restrictions on the business. The risk of animal diseases in the food industry's raw meat supply or any international or regional food scandals impacting on the overall consumption outlook can never be fully excluded.



## RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of HKScan Corporation held on 14 April 2015 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 the year 2014. The AGM resolved that a dividend of EUR 0.10 and an additional dividend of EUR 0.39 per share be paid for 2014.

The AGM also resolved on the annual remuneration of the Board's members, deputy members and the chairs of the committees. In addition, compensation per meeting will be paid for each Board and Board committee meeting attended.

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.

PricewaterhouseCoopers Oy, an audit firm chartered by the Central Chamber of Commerce, with APA Jouko Malinen as the main auditor, was elected as the actual auditor until the close of the next AGM.

The AGM authorised the Board to decide on share issue, option rights as well as other special rights entitling to shares, 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 authorisations will be effective until 30 June 2016, revoking the authorisations given by the AGM 2014.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 14 April 2015, and they are also available on the company's website at [www.hkscan.com](http://www.hkscan.com).

## EVENTS AFTER THE REPORTING PERIOD

In early April, HKScan purchased the Mikkeli production facility and related real estate where it has been operating under lease since 2011. The purchase price was EUR 4.2 million. The Mikkeli facility is one of HKScan's newest, state-of-the-art facilities in Finland, and active efforts have been made over the past few years to enhance its efficiency. The facility produces processed meats and convenience food.

As part of its strategy for profitable growth, HKScan announced in mid-April that it will invest in its export business by establishing a sales office in Hong Kong and China.

## OUTLOOK FOR 2015

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-June 2015 will be published on 5 August 2015.

Vantaa, 6 May 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 – 31 MARCH 2015**
**CONSOLIDATED INCOME STATEMENT**

(EUR million)	Note	Q1/2015	Q1/2014	2014
Net sales		466.0	465.4	1 988.7
Cost of goods sold	1.	-438.7	-457.1	-1 905.2
Gross Profit		27.4	8.4	83.5
Other operating items total	1.	2.1	6.5	94.1
Sales and marketing costs	1.	-14.9	-14.8	-62.1
General administration costs	1.	-15.3	-17.5	-60.1
Operating Profit		-0.8	-17.5	55.5
Financial income and expenses		-2.5	-4.5	-15.5
Share of profit/loss in associates		0.2	5.7	11.2
Profit/loss before taxes		-3.1	-16.3	51.2
Income tax		0.3	3.4	5.9
Profit/loss for the period		-2.8	-12.9	57.1
Non-controlling interests		0.0	0.3	-0.5
Profit/loss for the period		-2.7	-12.6	56.7
Earnings per share calculated on profit attributable to equity holders of the parent:				
EPS, undiluted, continuing operations, EUR/share		-0.05	-0.23	1.05
EPS, diluted, continuing operations, EUR/share		-0.05	-0.23	1.05

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(EUR million)	Q1/2015	Q1/2014	2014
Profit/loss for the period	-2.8	-12.9	57.1
OTHER COMPREHENSIVE INCOME (after taxes):			
Exchange differences on translating foreign operations	1.4	-1.3	-8.3
Cash flow hedging	-0.8	-1.1	-1.9
Actuarial gains or losses	-	-	-4.9
TOTAL OTHER COMPREHENSIVE INCOME	0.6	-2.4	-15.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-2.2	-15.3	42.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	-2.2	-15.0	41.6
Non-controlling interests	0.0	-0.3	0.5
Total	-2.2	-15.3	42.1


**CONSOLIDATED BALANCE SHEET**
**(EUR million)**

	Note	31.3.2015	31.3.2014	31.12.2014
<b>ASSETS</b>				
Intangible assets	2.	145.1	150.2	144.3
Tangible assets	3.	366.4	404.9	369.7
Holdings		36.9	38.5	35.9
Other non-current assets		42.8	34.0	40.8
<b>TOTAL NON-CURRENT ASSETS</b>		<b>591.1</b>	<b>627.7</b>	<b>590.7</b>
Inventories	4.	125.6	160.1	125.4
Current receivables		131.2	134.7	122.4
Cash and cash equivalents		19.6	18.7	16.4
<b>TOTAL CURRENT ASSETS</b>		<b>276.5</b>	<b>313.5</b>	<b>264.3</b>
Assets of disposal group classified as held for sale		0.0	110.9	9.4
<b>TOTAL ASSETS</b>		<b>867.6</b>	<b>1 052.0</b>	<b>864.3</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>	5.	<b>442.7</b>	<b>393.1</b>	<b>445.2</b>
Non-current loans, interest-bearing		118.2	235.6	121.8
Non-current liabilities, non-interest-bearing		39.7	34.9	40.8
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>158.0</b>	<b>270.5</b>	<b>162.6</b>
Current loans, interest-bearing		47.3	149.1	36.4
Current liabilities, non-interest-bearing		219.7	239.3	219.4
<b>TOTAL CURRENT LIABILITIES</b>		<b>267.0</b>	<b>388.4</b>	<b>255.8</b>
Liabilities of disposal group classified as held for sale		0.0	0.0	0.8
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>867.6</b>	<b>1 052.0</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	-	-	-	-	-	-	-	-2.7	-2.7	0.0	-2.8
Other comprehensive income (+) / expense (-)											
Translation differences	-	-	-	-	-	1.4	-	-	1.4	-	1.4
Cash flow hedging	-	-	-0.8	-	-	-	-	-	-0.8	-	-0.8
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-0.8</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>-2.7</b>	<b>-2.2</b>	<b>0.0</b>	<b>-2.2</b>
Direct recognition in retained earnings	-	-	-	-	0.0	-	-	-0.3	-0.3	-	-0.3
Transfers between items	-	-	-	-	0.0	-	-	-	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-
<b>EQUITY AT 31.3.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-13.5</b>	<b>143.5</b>	<b>10.1</b>	<b>-4.9</b>	<b>0.0</b>	<b>159.1</b>	<b>434.0</b>	<b>8.7</b>	<b>442.7</b>
(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<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	-	-	-	-	-	-	-	-12.6	-12.6	-0.3	-12.9
Other comprehensive income (+) / expense (-)											
Translation differences	-	-	-	-	-	-1.3	-	-	-1.3	-	-1.3
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>-1.3</b>	<b>-</b>	<b>-12.6</b>	<b>-15.0</b>	<b>-0.3</b>	<b>-15.3</b>
Direct recognition in retained earnings	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Transfers between items	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-0.6	-0.6
<b>EQUITY AT 31.3.2014</b>	<b>66.8</b>	<b>73.5</b>	<b>-11.9</b>	<b>143.5</b>	<b>32.0</b>	<b>0.7</b>	<b>0.0</b>	<b>80.5</b>	<b>385.0</b>	<b>8.1</b>	<b>393.1</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)	Q1/2015	Q1/2014	2014
Cash flow before change in net working capital	13.7	0.4	52.6
Change in net working capital	-12.6	-15.0	14.2
Financial items and taxes	-1.7	-5.0	-3.6
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-0.6</b>	<b>-19.6</b>	<b>63.3</b>
Cash flow from investing activities	-3.3	-11.2	135.7
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-3.9</b>	<b>-30.8</b>	<b>198.9</b>
Change in loans	7.4	-18.9	-244.1
Dividends paid	0.0	-0.6	-6.1
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>7.4</b>	<b>-19.5</b>	<b>-250.2</b>
<b>NET CASH FLOW</b>	<b>3.5</b>	<b>-50.3</b>	<b>-51.2</b>
Cash and cash equivalents at beginning of period	16.4	68.7	68.7
Translation differences	-0.3	0.3	-1.0
Cash and cash equivalents at end of period	19.6	18.7	16.4

### FINANCIAL INDICATORS

	31.3.2015	31.3.2014	31.12.2014
Earnings per share (EPS), undiluted, EUR	-0.05	-0.23	1.05
Earnings per share (EPS), diluted, EUR	-0.05	-0.23	1.05
Equity per share, EUR	8.0	7.1	8.1
Equity ratio, %	51.0	37.4	51.5
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	9.6	11.4	48.7
Employees, end of month average	7 303	7 341	7 662



## 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



## NOTES TO CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January – 31 March 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

(EUR million)	Q1/2015	Q1/2014	2014
NET SALES			
- Finland	193.5	179.2	787.2
- Baltics	40.9	40.8	173.0
- Sweden	202.1	210.4	911.0
- Denmark	48.8	54.0	204.3
- Between segments	-19.3	-19.0	-86.8
Group total	466.0	465.4	1 988.7
EBIT			
- Finland	3.6	-1.4	-4.5
- Baltics	-0.1	0.2	2.8
- Sweden	2.0	-12.1	1.7
- Denmark	-3.5	-0.7	-11.9
- Between segments	-	-	-
Segments total	2.0	-14.0	-11.9
Group administration costs	-2.8	-3.4	-10.2
Capital gain in sales of shares of Saturn Nordic Holding Ab			77.6
Group total	-0.8	-17.5	55.5



### 1. NON-RECURRING ITEMS

(EUR million)	Q1/2015	Q1/2014	2014
Restructuring redundancy expenses COGS, Finland 1)	-	-	-1.0
Restructuring redundancy expenses SGA, Finland 2)	-	-	-0.4
Impairment of assets, Finland 1)	-	-	-12.0
Restructuring expenses for closed operations, Sweden 1)	-	-3.7	-4.0
Impairment of assets, Sweden 1)	-	-6.6	-6.7
Impairment of inventory 2011-2012, Sweden 1)	-	-	-0.8
Losses on sales of holdings, Sweden 3)	-	-	-0.2
Impairment of assets, Denmark 1)	-	-	-5.2
Restructuring expenses COGS, Denmark 1)	-	-	-1.5
Cover of loss in associated company based on SHA, Denmark 3)	-	-	-0.8
Capital gain in sales of shares of Saturn Nordic Holding Ab 3)	-	-	77.6
Impairment of assets, Latvia 1)	-	-	-2.1
Non-recurring items Total	-	-10.3	43.0

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

2) Included in the Income Statement in the item "SGA Total"

3) Included in the Income Statement in the item "Other operating items total"

### NOTES TO THE STATEMENT OF FINANCIAL POSITION

#### 2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	Q1/2015	Q1/2014	2014
Opening balance	144.3	152.1	152.1
Translation differences	1.0	-1.0	-5.5
Additions	0.3	0.4	1.4
Additions, business acquisitions	-	0.8	0.8
Disposals	-0.2	0.0	-0.1
Depreciation and impairment	-0.6	-2.1	-4.1
Reclassification between items	0.4	0.0	-0.2
Closing balance	145.1	150.2	144.3

#### 3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q1/2015	Q1/2014	2014
Opening balance	369.7	411.5	411.5
Translation differences	0.8	-0.7	-3.5
Additions	9.4	11.3	51.3
Additions, business acquisitions	-	0.0	0.9
Disposals	-0.5	-0.8	-13.3
Depreciation and impairment	-12.9	-17.1	-77.3
Reclassification between items	-0.2	0.6	0.0
Closing balance	366.4	404.9	369.7



#### 4. INVENTORIES

(EUR million)	Q1/2015	Q1/2014	2014
Materials and supplies	71.3	93.4	73.2
Semi-finished products	4.3	4.2	5.3
Finished products	41.4	46.0	36.9
Other inventories	1.0	4.9	1.8
Inventories, advance payments	0.6	1.4	0.5
Biological asset. IFRS 41	7.0	10.2	7.7
Total inventories	125.6	160.1	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
31.3.2015	53 972 788	66.8	72.9	143.5	0.0	283.1

#### DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	31.3.2015	31.3.2014	31.12.2014
Nominal values of derivative instruments			
Foreign exchange derivatives	67.6	72.5	70.5
Interest rate derivatives	148.1	210.5	157.6
Electricity derivatives	7.7	8.6	7.6
Fair values of derivative instruments			
Foreign exchange derivatives	-0.5	-0.1	0.3
Interest rate derivatives	-16.5	-17.3	-15.7
Electricity derivatives	-1.8	-2.5	-1.7

#### CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	31.3.2015	31.3.2014	31.12.2014
Debts secured by pledges or mortgages			
- loans from financial institutions	25.9	262.8	29.5
On own behalf			
- Mortgages given	10.7	12.3	10.7
- Assets pledged	3.2	0.3	3.2
On behalf of others			
- guarantees and other commitments	14.2	27.6	13.6
Other contingencies			
Leasing commitments	13.8	17.1	14.7
Rent liabilities	34.2	48.1	39.8



## 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.

	31.3.2015	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
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>
<b>Liabilities measured at fair value</b>				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-16.5	0.0	-16.5	0.0
of which subject to cash flow hedging	-16.3	0.0	-16.3	0.0
- Foreign exchange derivatives	-0.6	0.0	-0.6	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.8	0.0	-1.8	0.0
of which subject to cash flow hedging	-1.8	0.0	-1.8	0.0
<b>Total</b>	<b>-18.9</b>	<b>0.0</b>	<b>-18.9</b>	<b>0.0</b>

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1/2015	Q1/2014	2014
Sales to associates	16.8	15.8	65.9
Purchases from associates	8.1	10.5	40.2
Trade and other receivables	2.2	2.8	2.4
Trade and other payables	3.1	4.2	2.8