

**HKSCAN**

**HKSCAN GROUP**

**HALF YEAR FINANCIAL REPORT  
1 JANUARY–30 JUNE 2017**

**19 July 2017**



## **HKSCAN CORPORATION'S HALF YEAR FINANCIAL REPORT 1 JANUARY—30 JUNE 2017: CHALLENGES CONTINUED – OPERATIONAL RESTRUCTURING FINALIZED**

- \* Net sales for January-June were EUR 880.3 (921.8) million and EUR 459.6 (482.7) million in the second quarter.
- \* EBIT for January-June was EUR -17.3 (-2.6) million, and the EBIT margin -2.0 (-0.3) per cent. Comparable EBIT was EUR -8.0 (-0.9) million. The corresponding EBIT margin was -0.9 (-0.1) per cent.
- \* For the second quarter, EBIT was EUR -10.5 (1.7) million. Comparable EBIT was EUR -1.2 (2.2) million. The corresponding EBIT margin was -0.3 (0.5) per cent.
- \* Cash flow before investments for January-June was EUR 12.0 (23.6) and before debt service EUR -26.4 (0.1) million.
- \* For the second quarter, cash flow before investments was EUR 34.4 (32.0) and before debt service EUR 15.5 (16.2) million.
- \* Profit/loss before taxes for January-June was EUR -20.8 (-7.1) million. Comparable profit/loss before taxes was EUR -11.6 (-5.4) million.
- \* For the second quarter, profit/loss before taxes was EUR -12.6 (0.2) million. Comparable profit/loss before taxes was EUR -3.3 (0.7) million.
- \* EPS was EUR -0.36 (-0.18) for January-June, and EUR -0.22 (-0.01) in the second quarter.
- \* Net financial expenses were EUR -4.4 (-4.0) million for January-June and EUR -2.2 (-1.8) million in the second quarter.
- \* Net debt was EUR 177.3 (156.4) million and net gearing 46.8 (38.6) per cent.
- \* Outlook for 2017 (revised on 12 July): HKScan estimates its comparable operating profit (EBIT) for 2017 to stay below the previous year's level (EUR 13.2 million).

*As of the beginning of 2017, the Group has amended its segment reporting. The net sales and EBIT for specific market areas 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 for 2016 are given in the notes to the consolidated interim report in this bulletin.*

### **JARI LATVANEN, HKSCAN'S PRESIDENT AND CEO, COMMENTS ON THE SECOND QUARTER OF 2017:**

“The Group's second quarter was again challenging. Both the half-year and the second-quarter EBIT lagged behind last year. The main reason was the EBIT decline in our biggest markets, Sweden and Finland. EBIT improved slightly in Denmark and remained unchanged in the Baltics during the second quarter. Moreover, the ramp-up costs of the Rauma poultry production plant in Finland impacted the result to the value of one million euros during the first half of the year.

Beef raw material remained scarce both in Sweden and in Finland, which influenced the second-quarter results. Finland successfully stabilized its pork meat balance further which, together with a good sales mix, improved pork margins. The cold weather in May and June delayed the barbeque season start on all home markets and hampered the sales of both barbeque sausages and meat. Meanwhile, the bacon and meal component category sales improved.

Our consistent work to improve the efficiency of the Danish operations paid off in the form of reduced costs and the loss in EBIT reduced in Denmark. Also the Baltic market area succeeded well in managing its operations.

The Rauma poultry investment programme proceeded according to plan, with an important milestone reached after the reporting period in July: testing in production started on time and with positive results. The new, state-of-the-art poultry plant will support our strategy implementation in many ways.



As announced in February, the Group's operating model was reviewed and the model was assessed in Group-wide statutory negotiations completed in May. The changes resulted in a headcount reduction of 160 employees, with the reductions mainly focusing on the biggest market areas and Group functions.

Despite the challenges we have succeeded to complete all the milestones of our development roadmap. The Group Leadership Team has been appointed, the operating model has been renewed and the new organization has been in effect since 1 June 2017. During the spring, we have also been evaluating our strategic market presence and the cornerstones of our future success. We have made good progress in this area and are now finalizing the definition of our renewed strategic direction. We will communicate the strategy during the third quarter and start a firm implementation of it during the fall."

## KEY FIGURES, Q2

(EUR million)	Q2/2017	Q2/2016	Q1- Q2/2017	Q1- Q2/2016	2016
Net sales	459.6	482.7	880.3	921.8	1 872.9
EBIT	-10.5	1.7	-17.3	-2.6	9.7
- % of net sales	-2.3	0.4	-2.0	-0.3	0.5
Profit/loss before taxes	-12.6	0.2	-20.8	-7.1	0.9
- % of net sales	-2.7	0.0	-2.4	-0.8	0.0
Profit/loss for the period	-11.3	-0.2	-18.3	-9.6	-3.6
- % of net sales	-2.5	0.0	-2.1	-1.0	-0.2
Comparable EBIT	-1.2	2.2	-8.0	-0.9	13.2
- % of net sales	-0.3	0.5	-0.9	-0.1	0.7
Comparable profit/loss before taxes	-3.3	0.7	-11.6	-5.4	4.4
- % of net sales	-0.7	0.1	-1.3	-0.6	0.2
EPS, EUR	-0.22	-0.01	-0.36	-0.18	-0.10
Cash flow before debt service (mEUR)	15.5	16.2	-26.4	0.1	23.7
Cash flow before financing activities (mEUR)	16.8	16.1	-26.9	-1.1	17.1
Return on capital employed (ROCE) before taxes, %			-0.3	1.3	2.1
Net debt (mEUR)			177.3	156.4	137.2
Gearing %			52.1	40.6	35.2
Net Gearing %			46.8	38.6	33.5

## JANUARY–JUNE

HKScan Group's net sales decreased in the first half of the year due to the continuing net sales decline of market area Sweden and Finland. The net sales of the other market areas were close to the previous year's level. Although Denmark slightly improved its EBIT and the Baltics remained unchanged, Finland and Sweden showed a decline, bigger than estimated, resulting in the Group's comparable EBIT being lower than in the first half of 2016. The Rauma poultry plant ramp-up costs and consultation costs also weakened EBIT.

Cash flow in the second quarter improved from 2016. The Group's cash flow in the first half remained anyhow below the previous year mainly as a result of increased inventories and the Rauma poultry plant investment spend.

In the red meat category, HKScan suffered from a beef shortage, keeping the costs of animal raw material high in Finland and Sweden, although availability is now improving in Sweden.



As for pork, volumes decreased both in Sweden and in Finland. The volume decrease resulted in scarcity of pork in Sweden and resulted in sales decrease. In Finland, on the contrary, the development was positive compared to last year as the meat balance improved and excess inventory sales were avoided. This improved pork sales margins in Finland. Positive development in the pork category was also seen in the Baltics, where exports saw an upturn and new export channels were launched to New Zealand among others.

In the poultry category, the profitability of the business in Finland maintained a good balance, excluding the ramp-up cost impact of the Rauma investment, which is making good progress. In Denmark, efforts to improve operational efficiency have paid off, and production efficiency has improved significantly. In the Baltics, margins improved as a result of recovered poultry sales prices.

For the processed food category, the market situation remained challenging in all market areas. This was due to fierce sales price competition as well as the cold spring, which delayed the barbeque season and hampered the sales of barbeque sausages and meat. The bacon and meal component category sales developed positively, while margins were kept unchanged.

In February, HKScan announced new Group Leadership Team appointments and informed that the Company would initiate a review of its operating model. As part of the review, HKScan also embarked on planning a partial re-organization of its operations. The resultant impacts on personnel were assessed in Group-wide statutory negotiations. These negotiations were completed in May, resulting in a headcount reduction of 160 employees. The new operating model was in place on 1 June 2017 and its implementation proceeded well throughout the month.

The costs related to the employment termination of EUR 5,1 million and the impairments of assets of EUR 4,2 million in the second quarter were reported as items affecting the comparability.



## MARKET AREA SWEDEN

(EUR million)	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Net sales	191.5	201.5	362.8	387.3	790.8
EBIT	-1.8	2.5	-2.3	2.2	9.5
- EBIT margin, %	-0.9	1.2	-0.6	0.6	1.2
Comparable EBIT	1.4	2.5	0.8	2.2	11.1
- EBIT margin, %	0.7	1.2	0.2	0.6	1.4

In Sweden, net sales for January-June were EUR 362.8 (387.3) million and EUR 191.5 (201.5) million in the second quarter. Comparable EBIT for January-June totaled EUR 0.8 (2.2) million and EUR 1.4 (2.5) million in the second quarter.

Net sales continued to decline as a result of volume and sales price decreases in the pork and processed product categories. Meanwhile, there was growth in net sales of bacon and meal components, especially meatballs. Beef sales picked up from the previous year's low level. The overall meat market continued to grow in value in Sweden although at a slower rate than the previous year. HKScan market share declined further especially due to weak sales of pork and cold cuts.

Margins developed positively in the bacon and meal component categories, whereas the trend in other product categories was negative. The cold spring and summer weather had a negative impact especially on the sales volumes of sausages and other barbecue products. The shortage of beef continued and animal purchase prices in beef were higher than the previous year. However, the price level has now stabilized for the time being. There was also an increase in animal raw material prices of pork.



## MARKET AREA FINLAND

(EUR million)	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Net sales	189.6	199.4	366.2	379.1	774.9
EBIT	-0.8	2.4	-1.8	3.3	15.3
- EBIT margin, %	-0.4	1.2	-0.5	0.9	2.0
Comparable EBIT	0.4	2.4	-0.6	3.3	15.5
- EBIT margin, %	0.2	1.2	-0.2	0.9	2.0

In Finland, net sales for January–June were EUR 366.2 (379.1) million and EUR 189.6 (199.4) million in the second quarter. Comparable EBIT for January–June totaled EUR -0.6 (3.3) and EUR 0.4 (2.4) million in the second quarter.

Net sales declined due to a shortage of beef, and as a result of fierce price competition in the processed product category. A decrease in pork export volumes also decreased net sales but improved sales mix. Sales of bacon and meal components increased and sales of poultry remained at the previous year's level. A slight gain in HKScan's market share was achieved in value terms. The raw material prices of pork increased in Europe, which was also reflected in animal purchase prices in Finland. Meanwhile, poultry price levels were on a par with last year.

Pork margins recovered thanks to a better sales mix and meat balance. In beef, on the other hand, the scarcity of raw material resulted in reduced volumes, increased animal purchase prices and thereby had a negative impact on EBIT margins. The profitability of the poultry and meal component categories, including bacon, remained at the previous year's level. Meanwhile, margins in the processed product category have declined significantly due to lowered sales prices. In addition, the cold spring and summer weather also had a negative impact on sausage and other barbecue product sales volume in Finland.

In April HKScan announced the launch of 100% antibiotic-free pork production in Finland. The first batch of antibiotic-free meat will be available on the market in July 2017.

The investment in the Rauma poultry production facility proceeded according to plan during the second quarter, with production line testing launched successfully after the reporting period, in July. The ramp-up costs of the Rauma plant were one million euros during the first half of the year.



## MARKET AREA DENMARK

(EUR million)	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Net sales	38.0	41.4	74.0	77.8	149.5
EBIT	-4.8	-1.9	-5.9	-2.9	-6.6
- EBIT margin, %	-12.6	-4.6	-8.0	-3.7	-4.4
Comparable EBIT	-0.9	-1.4	-2.1	-2.4	-6.2
- EBIT margin, %	-2.5	-3.4	-2.8	-3.1	-4.1

In Denmark, net sales for January–June amounted to EUR 74.0 (77.8) million and EUR 38.0 (41.4) million in the second quarter. Comparable EBIT for January–June was EUR -2.1 (-2.4) million and EUR -0.9 (-1.4) million in the second quarter.

Net sales declined from the previous year mainly due to weaker domestic sales of frozen products. The fresh products segment continued to grow but did not manage to compensate the adverse development of frozen products. Export sales were higher than in the previous year despite the export ban to certain Asian countries due to avian flu. The Danish retail market continued to grow, although at a slower pace than in 2016.

Lowered animal raw material costs partly offset the decrease in sales prices. Costs decreased also as a result of improved operational efficiency. These savings contributed to counterbalancing the decline in sales margin and the EBIT loss decreased.



## MARKET AREA BALTICS

(EUR million)	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Net sales	40.4	40.5	77.3	77.5	157.7
EBIT	1.7	1.7	2.1	1.9	6.2
- EBIT margin, %	4.1	4.2	2.7	2.5	3.9
Comparable EBIT	1.7	1.7	2.1	1.9	6.2
- EBIT margin, %	4.2	4.2	2.7	2.5	3.9

In the Baltics, net sales for January–June were EUR 77.3 (77.5) million and EUR 40.4 (40.5) million in the second quarter. Comparable EBIT for January–June was EUR 2.1 (1.9) million and EUR 1.7 (1.7) million in the second quarter.

Net sales remained at the level of the previous year. Pork and poultry sales increased, meal components remained at the level of last year whereas the sales of processed products decreased. Both pork and poultry sales price levels showed signs of recovery from the low level of the previous year. Pork prices in the Baltics were above the average EU level due to the scarcity of pig raw materials.

The domestic market demand strengthened and there was a slight growth in value. Exports developed positively in the Baltics and new export channels have been launched. Margins in poultry and pork recovered in line with positive sales price development. In the meal components category, margins remained at the previous year's level. In the processed products category and bacon sales prices continued to decrease, thus leading to lower profitability.

A considerable proportion of Baltic pig farms remained in a protection zone or African Swine Fever, i.e. there are limitations on handling and selling meat.

A decrease in operational costs contributed positively to the sales margin. In total, EBIT development was on par with the previous year in the second quarter. The change in the fair value of biological assets amounted to EUR 0.5 (0.6) million in the period.





## FINANCING

The Group's interest-bearing debt at the end of June increased to EUR 197.3 (164.5) million due to lowered cash flow before change in net working capital and the Rauma poultry plant investment. Net debt was EUR 177.3 (156.4) million and the net gearing ratio 46.8 (38.6) per cent. In the second quarter, a total amount of EUR 8.6 million was paid as dividend for 2016 (EUR 7.6 million for 2015).

The Group's liquidity was good. Committed credit facilities at 30 June 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 43.0 (23.0) million.

During the quarter, the Group rearranged its bilateral committed credit facility of EUR 25 million maturing in 2018. The new arrangement will mature in 2021 and there is also an option for an extension.

Net financial expenses were EUR -4.4 (-4.0) million for January–June and EUR -2.2 (-1.8) million in the second quarter.

## SHARES

At the end of June, HKScan Corporation's share capital stood at EUR 66 820 528. The Corporation'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 June 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 calculational capitalization at the end of June stood at EUR 169.6 (167.5) million, breaking down as follows: Series A shares had a market value of EUR 152.7 (150.7) million, and the unlisted Series K shares a calculational value of EUR 17.0 (16.7) million.

In January-June, a total of 5 382 103 (7 275 746) of the company's shares with a total value of EUR 17 812 457 (23 354 718) were traded. The highest price quoted in the period under review was EUR 3.60 (3.89), and the lowest was EUR 3.06 (3.24). The average price was EUR 3.31 (3.21). At the end of June, the closing price was EUR 3.14 (3.10)

## ANNUAL GENERAL MEETING 2017 AND BOARD OF DIRECTORS' AUTHORIZATIONS

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, Veikko Kemppe and Carl-Peter Thorwid were elected as deputy Board members 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](http://www.hkscan.com)

## **SHARE-BASED LONG-TERM INCENTIVE PLAN**

On 10 April, HKScan announced that the Board of Directors of HKScan Corporation has 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.

## **CHANGES IN THE GROUP MANAGEMENT**

On 8 February, HKScan informed on a renewed Group Leadership Team.

On May 24, HKScan announced that Mikko Saariaho (M.Sc., Business Administration) has been appointed as Executive Vice President, Corporate Communications and as a member of the Group Leadership Team of HKScan Corporation. He will report to the President and CEO Jari Latvanen and will start in his new position by 1 October 2017.

On 5 June, HKScan announced that Markku Suvanto, HKScan's EVP, Legal will pursue new challenges outside the Group.

## **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 is also involved in some juridical proceedings in its home markets.

In the food industry's raw material supply, the risks of animal diseases, such as the African Swine Fever (ASF), 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**

On 12 July 2017, HKScan lowered its outlook for 2017.

The reason for the revised outlook is weaker than expected sales and lower profitability in market area Sweden and Finland. The ramp-up costs of the new Rauma poultry production plant will also burden profitability in 2017, as earlier communicated.



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

### **OUTLOOK FOR 2017 (REVISED ON 12 JULY)**

HKScan estimates its comparable operating profit (EBIT) for 2017 to stay below the previous year's level (EUR 13.2 million).

### **NEXT FINANCIAL REPORT**

HKScan Corporation's interim report for January–September 2017 will be published on 8 November 2017.

Vantaa, 19 July 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, VP 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.*

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## CONSOLIDATED HALF YEAR FINANCIAL REPORT 1 JANUARY–30 JUNE 2017

### CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Net sales		459.6	482.7	880.3	921.8	1 872.9
Cost of goods sold	1.	-437.9	-452.2	-837.3	-865.8	-1 750.8
Gross profit		21.7	30.5	42.9	56.0	122.2
Other operating items total	1.	1.8	2.3	3.4	4.5	8.3
Sales and marketing costs	1.	-13.5	-14.8	-26.6	-28.9	-56.5
General administration costs	1.	-20.5	-16.3	-37.1	-34.1	-64.4
Operating profit		-10.5	1.7	-17.3	-2.6	9.7
Financial income		0.7	1.0	1.1	1.4	2.3
Financial expenses		-2.8	-2.7	-5.5	-5.4	-11.1
Share of profit/loss in associates and joint ventures		0.1	0.3	0.9	-0.5	-0.1
Profit/loss before taxes		-12.6	0.2	-20.8	-7.1	0.9
Income tax		1.3	-0.5	2.5	-2.5	-4.4
Profit/loss for the period		-11.3	-0.2	-18.3	-9.6	-3.6
Non-controlling interests		-0.7	-0.5	-1.0	-0.4	-1.8
Profit/loss for the period		-12.0	-0.7	-19.3	-10.0	-5.4
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.22	-0.01	-0.36	-0.18	-0.10
EPS, diluted, continuing operations, EUR/share		-0.22	-0.01	-0.36	-0.18	-0.10

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q2/2017	Q2/2016	Q1-Q2/2017	Q1-Q2/2016	2016
Profit/loss for the period	-11.3	-0.2	-18.3	-9.6	-3.6
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	-1.2	-2.5	-0.7	-2.8	-4.1
Cash flow hedging	1.1	0.6	1.3	-0.4	2.5
Actuarial gains or losses	-	-	-	-	-2.9
TOTAL OTHER COMPREHENSIVE INCOME	-0.1	-1.8	0.5	-3.1	-4.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-11.4	-2.1	-17.8	-12.7	-8.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-12.1	-2.5	-18.8	-13.1	-9.8
Non-controlling interests	0.7	0.5	1.0	0.4	1.8
Total	-11.4	-2.1	-17.8	-12.7	-8.0



## CONSOLIDATED BALANCE SHEET

(EUR million)

	Note	30.6.2017	30.6.2016	31.12.2016
<b>ASSETS</b>				
Intangible assets	2.	144.1	144.3	143.0
Tangible assets	3.	424.9	367.5	401.7
Holdings		35.0	35.6	34.9
Other non-current assets		28.2	31.8	28.5
<b>TOTAL NON-CURRENT ASSETS</b>		<b>632.2</b>	<b>579.2</b>	<b>608.1</b>
Inventories	4.	120.4	119.6	116.1
Current receivables		124.1	123.4	123.9
Cash and cash equivalents		19.9	7.9	6.6
<b>TOTAL CURRENT ASSETS</b>		<b>264.3</b>	<b>250.9</b>	<b>246.6</b>
<b>TOTAL ASSETS</b>		<b>896.5</b>	<b>830.1</b>	<b>854.8</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>	5.	<b>378.4</b>	<b>405.0</b>	<b>409.7</b>
Non-current loans, interest-bearing		144.2	132.2	126.9
Non-current liabilities, non interest-bearing		36.1	35.1	39.8
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>180.3</b>	<b>167.3</b>	<b>166.7</b>
Current loans, interest-bearing		53.1	32.3	17.2
Current liabilities, non interest-bearing		284.7	225.5	261.2
<b>TOTAL CURRENT LIABILITIES</b>		<b>337.9</b>	<b>257.8</b>	<b>278.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>896.5</b>	<b>830.1</b>	<b>854.8</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>1.1.2017</b>	<b>66.8</b>	<b>72.9</b>	<b>-9.9</b>	<b>143.5</b>	<b>10.3</b>	<b>-5.3</b>	<b>0.0</b>	<b>116.5</b>	<b>394.8</b>	<b>14.9</b>	<b>409.7</b>
Result for the financial period	-	-	-	-	-	-	-	-19.3	-19.3	1.0	-18.3
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-0.7	-	-	-0.7	-	-0.7
Cash flow hedging	-	-	1.3	-	-	-	-	-	1.3	-	1.3
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>-0.7</b>	<b>-</b>	<b>-19.3</b>	<b>-18.8</b>	<b>1.0</b>	<b>-17.8</b>
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 distribut.	-	-	-	-	-	-	-	-8.6	-8.6	-0.4	-9.0
<b>EQUITY AT</b>											
<b>30.6.2017</b>	<b>66.8</b>	<b>72.9</b>	<b>-8.6</b>	<b>143.5</b>	<b>10.3</b>	<b>-6.0</b>	<b>0.0</b>	<b>87.2</b>	<b>366.0</b>	<b>12.4</b>	<b>378.4</b>

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT</b>											
<b>1.1.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.4</b>	<b>143.5</b>	<b>10.2</b>	<b>-3.7</b>	<b>0.0</b>	<b>134.7</b>	<b>412.0</b>	<b>13.8</b>	<b>425.8</b>
Result for the financial period	-	-	-	-	-	-	-	-10.0	-10.0	0.4	-9.6
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-2.8	-	-	-2.8	-	-2.8
Cash flow hedging	-	-	-0.4	-	-	-	-	-	-0.4	-	-0.4
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>	<b>-</b>	<b>-</b>	<b>-0.4</b>	<b>-</b>	<b>-</b>	<b>-2.8</b>	<b>-</b>	<b>-10.0</b>	<b>-13.1</b>	<b>0.4</b>	<b>-12.7</b>
Direct recognitions	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-7.6	-7.6	-0.7	-8.2
<b>EQUITY AT</b>											
<b>30.6.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.8</b>	<b>143.5</b>	<b>10.3</b>	<b>-6.5</b>	<b>0.0</b>	<b>117.3</b>	<b>391.5</b>	<b>13.5</b>	<b>405.0</b>

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



## CASH FLOW STATEMENT

<b>(EUR million)</b>	Q1-Q2/2017	Q1-Q2/2016	2016
Cash flow before change in net working capital	12.9	20.7	58.4
Change in net working capital	-0.9	2.9	21.4
Financial items and taxes	-3.9	-2.6	-8.9
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>8.2</b>	<b>21.0</b>	<b>70.9</b>
Cash flow from investing activities	-35.0	-22.1	-53.9
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-26.9</b>	<b>-1.1</b>	<b>17.1</b>
Change in loans	53.4	8.0	-12.3
Dividends paid	-9.0	-8.2	-8.2
Transactions with non-controlling interests	-4.5	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>39.9</b>	<b>-0.3</b>	<b>-20.6</b>
<b>NET CASH FLOW</b>	<b>13.0</b>	<b>-1.4</b>	<b>-3.5</b>
Cash and cash equivalents at beginning of period	6.6	9.5	9.5
Translation differences	0.2	-0.2	0.7
Cash and cash equivalents at end of period	19.9	7.9	6.6

## FINANCIAL INDICATORS

	30.6.2017	30.6.2016	31.12.2016
Earnings per share (EPS), undiluted, EUR	-0.36	-0.18	-0.10
Earnings per share (EPS), diluted, EUR	-0.36	-0.18	-0.10
Equity per share, EUR	6.78	7.25	7.31
Equity ratio, %	42.2	48.8	47.9
Adjusted average number of shares, mill.	55.0	55.0	55.0
Gross capital expenditure on PPE, EUR mill.	57.1	35.4	97.6
Employees, end of month average	7 367	7 341	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 HALF YEAR FINANCIAL REPORT

### ACCOUNTING POLICIES

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

<b>(EUR million)</b>	<b>Q1/2016</b>	<b>Q2/2016</b>	<b>Q3/2016</b>	<b>Q4/2016</b>	<b>2016</b>
<b>NET SALES</b>					
- 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
<b>EBIT</b>					
- 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
<b>COMPARABLE EBIT</b>					
- 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

<b>(EUR million)</b>	<b>Q1/2016</b>	<b>Q2/2016</b>	<b>Q3/2016</b>	<b>Q4/2016</b>	<b>2016</b>
<b>NET SALES</b>					
- 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
<b>EBIT</b>					
- 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
<b>COMPARABLE EBIT</b>					
- 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

(EUR million)	Q2/2017	Q2/2016	Q1- Q2/2017	Q1- Q2/2016	2016
<b>NET SALES</b>					
- Sweden	191.5	201.5	362.8	387.3	790.8
- Finland	189.6	199.4	366.2	379.1	774.9
- Denmark	38.0	41.4	74.0	77.8	149.5
- Baltics	40.4	40.5	77.3	77.5	157.7
- Between segments	0.0	0.0	0.0	0.0	0.0
Group total	459.6	482.7	880.3	921.8	1 872.9
<b>EBIT</b>					
- Sweden	-1.8	2.5	-2.3	2.2	9.5
- Finland	-0.8	2.4	-1.8	3.3	15.3
- Denmark	-4.8	-1.9	-5.9	-2.9	-6.6
- Baltics	1.7	1.7	2.1	1.9	6.2
- Between segments	-	-	-	-	-
Segments total	-5.6	4.6	-8.0	4.5	24.3
Group administration costs	-4.9	-2.9	-9.3	-7.1	-14.7
Group total	-10.5	1.7	-17.3	-2.6	9.7
<b>INVESTMENTS</b>					
- Sweden	2.7	4.4	5.6	9.1	19.8
- Finland	27.3	13.7	45.5	20.4	64.0
- Denmark	0.4	0.9	0.6	1.6	3.1
- Baltics	3.0	2.9	5.4	4.4	10.8
Total	33.3	21.9	57.1	35.4	97.6
<b>AVERAGE NUMBER OF EMPLOYEES</b>					
- Sweden			2 145	2 164	2 162
- Finland			3 026	2 899	2 912
- Denmark			667	690	686
- Baltics			1 529	1 588	1 560
Total			7 367	7 341	7 319



## NOTES TO THE INCOME STATEMENT

### 1. ITEMS AFFECTING COMPARABILITY

(EUR million)	Q2/2017	Q2/2016	Q1- Q2/2017	Q1- Q2/2016	2016
<b>Comparable EBIT</b>	<b>-1.2</b>	<b>2.2</b>	<b>-8.0</b>	<b>-0.9</b>	<b>13.2</b>
Personnel costs, Group Administration 1)	-	-	-	-1.2	-1.2
Termination of employment, Group Administration 1)	-1.0	-	-1.0	-	-
Environmental provision, Sweden 2)	-	-	-	-	-1.5
Termination of employment, Sweden 1)	-3.2	-	-3.2	-	-
Termination of employment, Finland 1)	-0.2	-	-0.2	-	-0.3
Termination of employment, Finland 3)	-0.3	-	-0.3	-	-
Impairment of assets, Finland 3)	-0.7	-	-0.7	-	-
Termination of employment, Denmark 1)	-0.2	-0.5	-0.2	-0.5	-0.5
Termination of employment, Denmark 3)	-0.3	-	-0.3	-	-
Impairment of assets, Denmark 3) 4)	-3.4	-	-3.4	-	-
<b>EBIT</b>	<b>-10.5</b>	<b>1.7</b>	<b>-17.3</b>	<b>-2.6</b>	<b>9.7</b>

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

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

3) Included in the Income Statement in the item "Cost of goods sold"

4) Assets impairment to match their book value with estimated future profit

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	Q2/2017	Q2/2016	2016
Opening Balance	143.0	147.3	147.3
Translation differences	-0.8	-2.3	-3.5
Additions	0.8	0.3	0.9
Additions, business acquisitions	-	-	-
Disposals	-	-	0.0
Depreciation and impairment	-1.1	-1.1	-2.1
Reclassification between items	2.3	0.1	0.4
Closing balance	144.1	144.3	143.0

### 3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q2/2017	Q2/2016	2016
Opening Balance	401.7	361.8	361.8
Translation differences	-0.1	-1.6	-2.1
Additions	56.3	35.1	96.7
Additions, business acquisitions	-	-	-
Disposals	-1.2	-1.3	-1.9
Depreciation and impairment	-29.3	-26.4	-52.4
Reclassification between items	-2.3	-0.1	-0.4
Closing balance	424.9	367.5	401.7



#### 4. INVENTORIES

(EUR million)	Q2/2017	Q2/2016	2016
Materials and supplies	65.9	68.5	61.5
Semi-finished products	3.9	5.4	4.7
Finished products	42.7	38.5	42.0
Other inventories	0.3	0.4	0.3
Inventories, advance payments	0.6	0.6	0.9
Biological asset	6.9	6.1	6.7
Total inventories	120.4	119.6	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
30.6.2017	54 017 673	66.8	72.9	143.5	0.0	283.1

#### DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	30.6.2017	30.6.2016	31.12.2016
Nominal values of derivative instruments			
Foreign exchange derivatives	53.8	50.9	43.6
Interest rate derivatives	121.3	127.4	126.9
Electricity derivatives	5.7	6.8	7.2
Fair values of derivative instruments			
Foreign exchange derivatives	-0.2	0.2	-0.2
Interest rate derivatives	-11.5	-15.3	-13.4
Electricity derivatives	0.0	-1.8	0.1

#### CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	30.6.2017	30.6.2016	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	3.1	3.2
On behalf of others			
- guarantees and other commitments	13.2	13.1	13.0
Other contingencies			
Leasing commitments	6.6	7.6	7.5
Rent liabilities	33.1	33.7	31.7

The Eura facility will be closed after the Rauma facility has been completed in 2017. Procedures related to the Eura facility, after the production has ended there, are still being investigated. The alternatives are



selling, renting, renovation and demolition. Because of the future use is open, potential renovation or demolition obligations cannot yet be measured with sufficient reliability. Due to this, no provision has been recorded.

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

### Derivatives

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

	30.6.2017	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	0.4	-	0.4	-
of which subject to cash flow hedging	0.4	-	0.4	-
<b>Total</b>	<b>0.5</b>	-	<b>0.5</b>	-
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-11.5	-	-11.5	-
of which subject to cash flow hedging	-11.5	-	-11.5	-
- Foreign exchange derivatives	-0.2	-	-0.2	-
- Commodity derivatives	-0.4	-	-0.4	-
of which subject to cash flow hedging	-0.4	-	-0.4	-
<b>Total</b>	<b>-12.1</b>	-	<b>-12.1</b>	-

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q2/2017	Q1-Q2/2016	2016
Sales to associates	8.5	25.8	46.9
Purchases from associates	16.3	19.7	39.2
Trade and other receivables	2.1	1.5	2.3
Trade and other payables	6.1	5.0	5.5