HKSCAN

HKSCAN GROUP

INTERIM REPORT
1 JANUARY–30 SEPTEMBER 2017

8 November 2017

HKSCAN GROUP'S INTERIM REPORT 1 JANUARY—30 SEPTEMBER 2017: WEAK RESULT – EFFICIENCY IMPROVEMENT ACTIONS ON GOING

• Net sales for January–September were EUR 1 332.7 (1 387.7) million and in the third quarter EUR 452.4 (465.9) million.

• EBIT for January–September was EUR -18.1 (5.5) million. Comparable EBIT was EUR -5.3 (7.2) million. The corresponding EBIT margin was -0.4 (0.5) per cent.

• EBIT for the third quarter was EUR -0.8 (8.1) million. Comparable EBIT was EUR 2.7 (8.1) million. The corresponding EBIT margin was 0.6 (1.7) per cent.

• Cash flow before debt service for January–September was EUR -38.4 (-5.3) million and in the third quarter EUR -12.0 (-5.4) million.

• Comparable profit before taxes for January–September was EUR -11.7 (0.4) million and in the third quarter EUR -0.1 (5.7) million.

• EPS for January–September was EUR -0.43 (-0.12) and in the third quarter EUR -0.07 (0.07).

• Net financial expenses for January–September were EUR -6.9 (-6.5) million and in the third quarter EUR -2.5 (-2.5) million.

• Net debt was EUR 193.4 (162.7) million and net gearing 51.4 (39.8) per cent.

• Outlook for 2017 (revised on 31 October 2017): HKScan estimates its comparable operating profit (EBIT) for 2017 to be at loss. The reasons for the revised outlook is the higher than anticipated ramp up cost of the new Rauma unit and also the temporary decreased delivery capability in poultry in Finland.

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 THIRD QUARTER OF 2017:

"The third quarter result was a clear disappointment. HKScan is in the middle of a turnaround process. The Rauma poultry unit ramp up phase has been more challenging than anticipated. Our result was burdened by the ramp-up costs of the unit. The cost amounted to some EUR 2 million. We also faced temporary weakening in our poultry delivery capability. We estimate the ramp-up to have an impact on our fourth quarter performance too. All in all, the Rauma unit will substantially improve our efficiency and competitiveness and enable us to introduce new concepts in 2018. The new unit will improve the overall profitability of the Farm to Fork chain and give a boost to domestic poultry farming and local employment. Full-scale production is planned to start at the beginning of 2018.

We have initiated efficiency improvement and cost saving actions to mitigate the adverse development. Our efforts to stabilize our performance in our home markets are beginning to yield their first visible results.

In addition to the Rauma investment, we are also taking another important step towards our strategic target of becoming the leader in the poultry category. Our new, unique hatching concept enables chickens to be born at the farm where they are grown. This will improve animal welfare. HKScan is the first in Finland to introduce the concept and the parties have agreed on a three-year exclusivity to this innovation. The first products will be launched during Q2 in 2018.

As far as our home markets are concerned, we are seeing some positive signs of a turnaround. In Finland, our red meat margins improved from the previous year. In Sweden net sales based on product sales turned to growth. HKScan's market share in value terms showed an upturn during the third quarter in Sweden. In the Baltics, net sales increased slightly from the previous year. In Denmark, our result improved mainly thanks to continued cost savings in operations.

During the third quarter we initiated various operational excellence actions to improve our productivity and cost-competitiveness in line with our long-term strategic targets. The programme will be rolled out with at full speed across all our operations in Finland, Sweden, Denmark and the Baltics. The preparations for the programme have included a pilot case run at our Vantaa unit in Finland since August, which has indicated significant potential to improve our operational efficiency and productivity.

A further step in the execution of HKScan’s strategy is a new, long-term beef development programme aiming at generally increasing beef farming in Finland and securing the availability of sustainably produced, high-quality beef in Finland. The programme was communicated after the reporting period in October.

After the reporting period on 7 November we received a confirmation of an agreement between Finnish and Chinese food authorities allowing HKScan’s Forssa plant to prepare for launching exports to China. We will thereby start the preparations for exporting high quality pork grown at family farms in Finland to China. Exports are scheduled to commence during the first half of the year 2018.

On 8 November we announced that the Group Leadership Team will be renewed. Sami Sivuranta, MSc (Tech), will start as the new EVP Operations at the latest in the beginning of 2018, and Pia Nybäck, VP Animal Sourcing and Primary Production, has been appointed as member of the Group Leadership Team, EVP Animal Sourcing and Primary Production.

Our turnaround has clearly met with challenges because our company has not been able to improve its competitiveness fast enough in previous years. It will take at least another two years before we will be able to show a sizeable improvement of our competitiveness. We are systematically implementing our Group strategy and taking prompt action to fulfill our stakeholders’ expectations. By improving our efficiency and by investing in innovative concepts and products, we aim at gaining food value chain leadership with our Farm to Fork strategy.”

KEY FIGURES, Q3

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales	452.4	465.9	1 332.7	1 387.7	1 872.9
EBIT	-0.8	8.1	-18.1	5.5	9.7
- % of net sales	-0.2	1.7	-1.4	0.4	0.5
Profit/loss before taxes	-3.6	5.7	-24.4	-1.3	0.9
- % of net sales	-0.8	1.2	-1.8	-0.1	0.0
Profit/loss for the period	-2.9	4.3	-21.3	-5.3	-3.6
- % of net sales	-0.6	0.9	-1.6	-0.4	-0.2
Comparable EBIT	2.7	8.1	-5.3	7.2	13.2
- % of net sales	0.6	1.7	-0.4	0.5	0.7
Comparable profit/loss before taxes	-0.1	5.7	-11.7	0.4	4.4
- % of net sales	0.0	1.2	-0.9	0.0	0.2
EPS, EUR	-0.07	0.07	-0.43	-0.12	-0.10
Cash flow before debt service (mEUR)	-12.0	-5.4	-38.4	-5.3	23.7
Cash flow before financing activities (mEUR)	-15.9	-6.8	-42.8	-7.9	17.1

Return on capital employed (ROCE) before taxes, %	-1.9	1.3	2.1
Net debt (mEUR)	193.4	162.7	137.2
Gearing %	60.9	41.9	35.2
Net Gearing %	51.4	39.8	33.5

JANUARY–SEPTEMBER

The Group’s net sales decreased both in the third quarter and for January–September period compared to the corresponding periods of the previous year. In the third quarter Denmark and the Baltics improved from the previous year, but Sweden and especially Finland lagged behind.

The Group’s comparable EBIT was behind 2016 for both January-September period and the third quarter. Only the market area Denmark improved its third quarter EBIT from the previous year. Market Area Baltics almost reached the previous year’s level, but Sweden and Finland were clearly behind in the third quarter. Sweden managed to stop the decline in its sales margin but third-quarter EBIT was eroded by increased operational costs. Third quarter EBIT in Finland was burdened by the ramp-up costs of the new Rauma plant, which amounted to some EUR 2 million (EUR 3 million in January-September). Ramp-up activities also weakened poultry delivery capability at the end of the quarter. Excluding poultry, Finland nearly reached the previous year’s EBIT in the third quarter.

Cash flow before investments in the third quarter improved from 2016. However, the Group’s cash flow for January-September remained below the previous year mainly as a result of increased inventories. Due to the Rauma unit investment, total cash flow was significantly lower than in the previous year.

In the red meat category, HKScan suffered from a beef shortage, keeping the costs of animal raw material high in Finland and Sweden. Red meat availability has nevertheless improved in Sweden and margins have also recovered. Finland has successfully improved its margins despite a decline in volume.

As for pork, volumes decreased both in Sweden and in Finland between January and September, with Sweden showing a slight volume recovery in the third quarter. As Finland has last year suffered of pork overcapacity, the volume decrease improved the meat balance, which improved pork sales margins. The pork category showed improvement in the Baltics, where exports increased and new export channels were launched. Towards the end of the third quarter, there was shortage of raw material. Several actions have been initiated to strengthen the market position in animal sourcing and availability of the animal raw material together with the farming community

In the poultry category, profitability in Finland was hit by the ramp-up of the new Rauma unit. The ramp-up process, including the parallel run of the old Eura unit, caused a temporary increase in costs and decrease in delivery capability. In Denmark, efforts to improve operational efficiency have paid off, and production efficiency has improved significantly. In the Baltics, margins have improved as a result of greater cost efficiency in primary production, but also thanks to recovered poultry sales prices.

As for the processed food category, the market situation remained challenging in all market areas. This was due to fierce competition in sausages and cold cuts where both sales prices and volume have decreased. By contrast, the meal component category including bacon showed strong growth and stable margins.

The total capital expenditure estimate of the Rauma unit was sharpened from the earlier communicated EUR 80 million to be approximately EUR 100 million. The revised estimate includes cost increases deriving from a decision to increase automation level and to invest in own infrastructure instead of renting the services. The impairment of assets of EUR 3.4 million in the third quarter in relation to the Eura plant in Finland were reported as items affecting the comparability.

MARKET AREA SWEDEN

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales	193.9	197.5	556.7	584.8	790.8
EBIT	3.0	4.7	0.6	6.9	9.5
- EBIT margin, %	1.5	2.4	0.1	1.2	1.2
Comparable EBIT	3.0	4.7	3.8	6.9	11.1
- EBIT margin, %	1.5	2.4	0.7	1.2	1.4

In Sweden, net sales for January-September were EUR 556.7 (584.8) million and EUR 193.9 (197.5) in the third quarter. Comparable EBIT for January-September totaled EUR 3.8 (6.9) million and EUR 3.0 (4.7) for the third quarter.

The product net sales turned to a growth in the third quarter, however net sales in total decreased due to the greater decline in animal trading. HKScan’s market share in value terms showed an upturn during the third quarter which also turned it positive for January-September. Net sales of pork and sausages remained unchanged whereas cold cuts kept declining however the decline slowed down in the third quarter. The growth in net sales of meal components continued in the third quarter. Beef sales improved from the previous year’s low level.

In the third quarter, sales margin in total increased slightly thanks to a positive trend in the margins for pork. Margins nevertheless fell short of the previous year for January-September. Pork and beef supply improved and animal raw material prices were approximately at the previous year’s level in the third quarter. Margins were nevertheless affected negatively by cost increases in operations.

MARKET AREA FINLAND

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales	179.0	190.8	545.2	570.0	774.9
EBIT	-2.4	4.7	-4.3	8.0	15.3
- EBIT margin, %	-1.4	2.5	-0.8	1.4	2.0
Comparable EBIT	1.0	4.7	0.4	8.0	15.5
- EBIT margin, %	0.6	2.5	0.1	1.4	2.0

In Finland, net sales for January-September were EUR 545.2 (570.0) million and EUR 179.0 (190.8) million in the third quarter. Comparable EBIT for January-September totaled EUR 0.4 (8.0) million, and EUR 1.0 (4.7) million in the third quarter.

Net sales kept declining due to a shortage of beef and as a result of fierce price competition in the processed product category. Sales of meal components continued to increase. HKScan lost some market share in value terms in the third quarter which made the market share on whole slightly negative for January-September.

Margin in total clearly decreased but margin in red meat improved from the previous year. In beef, however, the scarcity of raw material remained and resulted in reduced volumes, which had a negative impact on EBIT regardless the fact that profitability in relative terms improved. Operating costs lowered from the previous year excluding the ramp-up costs of the new Rauma plant, which amounted to three million euros for January-September and two million euros in the third quarter. The ramp-up also impacted delivery capability and pulled down poultry sales and margins towards the end of the third-quarter.

The new Rauma poultry unit was inaugurated in August. The efficient new unit will enable the development of innovative Kariniemen® novelties, as well as improves the competitiveness and the overall profitability of the farm-to-fork chain, also giving a boost to domestic poultry farming and local employment. Full-scale production is planned to start in the beginning of 2018.

The demand for high-quality beef is increasing in Finland. In October, HKScan announced the launch of ROTUKARJA 2025, a long-term beef development programme aiming at increasing beef farming in Finland. HKScan develops further its product range based on totally antibiotic free breeding and launches new special edition pork product for the Christmas season. Our totally antibiotic free grown Omega 3 Pork got an honorable mention in Lidl’s export competition.

The Finnish and Chinese food authorities signed an agreement in November which allows HKScan’s Forssa plant in Finland to prepare for launching exports of high quality pork grown at family farms in Finland to China. Exports are scheduled to commence during the first half of the year 2018.

MARKET AREA DENMARK

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales	37.9	36.8	111.8	114.7	149.5
EBIT	-0.6	-1.5	-6.5	-4.4	-6.6
- EBIT margin, %	-1.5	-4.1	-5.8	-3.8	-4.4
Comparable EBIT	-0.6	-1.5	-2.6	-3.9	-6.2
- EBIT margin, %	-1.5	-4.1	-2.4	-3.4	-4.1

In Denmark, net sales for January-September were EUR 111.8 (114.7) million and EUR 37.9 (36.8) in the third quarter. Comparable EBIT for January-September was EUR -2.6 (-3.9) million and EUR -0.6 (-1.5) in the third quarter.

During the third quarter net sales turned to growth from the previous year. The fresh products segment continued to perform well but the frozen segment continued to face difficulties in the retail sector in the home market. Also the organic chicken category faced sales challenges and increased stock levels. Export sales remained higher than the previous year.

Lowered animal raw material costs offset the decrease in sales prices. Cost savings in operations continued and stemmed further EBIT loss.

After the reporting period, in October, HKScan announced that it will streamline its organization and strengthen collaboration between its export team and Market Area Denmark. Jukka Nikkinen, who leads the export business as EVP Market Area International & Biotech, took also the lead of Market Area Denmark.

MARKET AREA BALTICS

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales	41.7	40.7	119.0	118.3	157.7
EBIT	2.8	3.2	4.9	5.1	6.2
- EBIT margin, %	6.8	7.8	4.1	4.3	3.9
Comparable EBIT	2.8	3.2	4.9	5.1	6.2
- EBIT margin, %	6.8	7.8	4.1	4.3	3.9

January-September net sales in the Baltics were EUR 119.0 (118.3) million and in the third quarter EUR 41.7 (40.7) million. Comparable EBIT for January-September was EUR 4.9 (5.1) million and EUR 2.8 (3.2) in the third quarter.

The Baltic market recovered and net sales increased slightly from the previous year. Both pork and poultry sales price levels improved from the low level of the previous year. Pig raw material shortages increased. The demand for branded products picked up and exports showed positive growth with the launch of new export channels. Margins in poultry and pork recovered in step with positive sales price development.

A considerable proportion of Baltic pig farms remained in the protection zone for African Swine Fever, i.e. there are limitations on handling and selling meat. Operational costs remained at the same level as the previous year. The change in the fair value of biological assets amounted to EUR 0.8 (1.0) million in the period of January-September.

FINANCING

The Group’s interest-bearing debt at the end of September stood at EUR 228.9 (171.2) million due to lowered cash flow from operating activities and the Rauma poultry plant investment. Net debt was EUR 193.4 (162.7) million and the net gearing ratio 51.4 (39.8) per cent.

The Group’s liquidity was good. Committed credit facilities at 30 September stood at EUR 100.0 (100.0) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme was also entirely unused at the end of the quarter (34.5 million).

During the quarter the Group issued a new 135 million euro senior unsecured bond and redeemed 67 million euros of its existing corresponding EUR 100m bond maturing in 2019. The new bond matures in 2022 and it carries a fixed annual interest of 2,625 percent.

Net financial expenses were EUR -2.5 (-2.5) million in the third quarter and EUR -6.9 (-6.5) million in January–September.

SHARES

At the end of September, 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 September 2017, the company held 1 008 849 (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 September stood at EUR 184.7 (177.7) million, breaking down as follows: Series A shares had a market value of EUR 166.3 (160.0) million, and the unlisted Series K shares a calculational value of EUR 18.5 (17.7) million.

In January-September, a total of 7 941 889 (9 159 761) of the company's shares with a total value of EUR 26 012 657 (29 520 999) were traded. The highest price quoted in the period under review was EUR 3.60 (3.89), and the lowest was EUR 2.98 (3.24). The average price was EUR 3.28 (3.22). At the end of September, the closing price was EUR 3.42 (3.29).

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 Väliaho, 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 Kemppi 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

CHANGES IN THE GROUP MANAGEMENT

On 27 September, the Group announced that Olli Huuskonen was appointed as HKScan Corporation's new Head of Legal as of October 1, 2017. Huuskonen reports to the Group President and CEO, Jari Latvanen.

On 1 October 2017, Mikko Saariaho started as Executive Vice President, Corporate Communications and as a member of the Group Leadership Team. He reports to the President and CEO Jari Latvanen. The appointment was announced on 24 May.

After the reporting period on 8 November, HKScan announced that it will renew the Group Leadership Team. Sami Sivuranta, MSc (Tech), will start as the new EVP Operations at the latest in the beginning of 2018. The current EVP Operations Aki Laiho will be leaving the company. Pia Nybäck has been appointed EVP Animal

Sourcing and Primary Production as of 8 November, she has worked for HKScan since 2013. Both Sivuranta and Nybäck report to President and CEO Jari Latvanen.

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 tax authorities, other authorities or pressure groups, which may cause restrictions to the business, volatility in demand or increased taxes or other fees. 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 Fewer (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 4 October HKScan announced that Jukka Nikkinen, who had previously been leading the export business as EVP Market Area International & Biotech, would also head Market Area Denmark. Nikkinen continues as a member of the Group Leadership Team and reports to the President and CEO Jari Latvanen. Svend Schou Borch, EVP of Market Area Denmark has left his position at HKScan on 4 October 2017.

On 31 October, HKScan lowered its outlook for 2017. HKScan is currently ramping up the new poultry unit in Rauma, Finland. The reasons for the revised outlook is the higher than anticipated ramp up cost of the new Rauma unit and also the temporary decreased delivery capability in poultry in Finland.

On 7 November, HKScan announced that the Finnish and Chinese food authorities had signed an agreement which allows HKScan's Forssa plant in Finland to prepare for launching exports of high quality pork grown at family farms in Finland to China. Exports are scheduled to commence during the first half of the year 2018.

On 8 November, HKScan announced that it will renew the Group Leadership Team. Sami Sivuranta, MSc (Tech), will start as the new EVP Operations latest at the beginning of 2018. The current EVP Operations Aki Laiho will be leaving the company. Pia Nybäck has been appointed EVP Animal Sourcing and Primary Production as of 8 November, she has worked for HKScan since 2013. Both Sivuranta and Nybäck report to President and CEO Jari Latvanen.

OUTLOOK FOR 2017 (REVISED ON 31 OCTOBER)

HKScan estimates its comparable operating profit (EBIT) for 2017 to be at loss.

NEXT FINANCIAL REPORT

HKScan Corporation's Financial Statements bulletin 2017 will be published on 7 February 2018.

Vantaa, 8 November 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.

DISTRIBUTION:
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www.hkscan.com

CONSOLIDATED INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2017

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Net sales		452.4	465.9	1 332.7	1 387.7	1 872.9
Cost of goods sold	1.	-428.0	-433.0	-1 265.8	-1 298.8	-1 750.8
Gross profit		24.4	32.9	66.9	88.9	122.2
Other operating items total	1.	1.7	2.6	5.2	7.1	8.3
Sales and marketing costs	1.	-11.2	-12.9	-39.1	-41.8	-56.5
General administration costs	1.	-15.7	-14.6	-51.0	-48.7	-64.4
Operating profit		-0.8	8.1	-18.1	5.5	9.7
Financial income		0.5	0.5	1.5	1.8	2.3
Financial expenses		-3.0	-3.0	-8.5	-8.3	-11.1
Share of profit/loss in associates and joint ventures		-0.3	0.2	0.6	-0.3	-0.1
Profit/loss before taxes		-3.6	5.7	-24.4	-1.3	0.9
Income tax		0.6	-1.5	3.2	-4.0	-4.4
Profit/loss for the period		-2.9	4.3	-21.3	-5.3	-3.6
Non-controlling interests		-0.8	-0.6	-1.8	-1.0	-1.8
Profit/loss for the period		-3.8	3.6	-23.1	-6.3	-5.4
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.07	0.07	-0.43	-0.12	-0.10
EPS, diluted, continuing operations, EUR/share		-0.07	0.07	-0.43	-0.12	-0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Profit/loss for the period	-2.9	4.3	-21.3	-5.3	-3.6
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	-0.2	-2.0	-1.0	-4.7	-4.1
Cash flow hedging	0.8	1.3	2.1	0.9	2.5
Actuarial gains or losses	0.0	0.0	0.0	0.0	-2.9
TOTAL OTHER COMPREHENSIVE INCOME	0.6	-0.7	1.1	-3.8	-4.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-2.4	3.6	-20.1	-9.1	-8.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-3.2	3.0	-22.0	-10.1	-9.8
Non-controlling interests	0.8	0.6	1.8	1.0	1.8
Total	-2.4	3.6	-20.1	-9.1	-8.0

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	30.9.2017	30.9.2016	31.12.2016
ASSETS				
Intangible assets	2.	144.1	142.3	143.0
Tangible assets	3.	432.3	378.9	401.7
Holdings		34.4	35.4	34.9
Other non-current assets		30.4	30.3	28.5
TOTAL NON-CURRENT ASSETS		641.2	586.9	608.1
Inventories	4.	126.6	122.0	116.1
Current receivables		121.5	120.2	123.9
Cash and cash equivalents		35.4	8.3	6.6
TOTAL CURRENT ASSETS		283.5	250.5	246.6
TOTAL ASSETS		924.6	837.4	854.8
EQUITY AND LIABILITIES				
EQUITY	5.	376.0	408.6	409.7
Non-current loans, interest-bearing		222.0	127.2	126.9
Non-current liabilities, non interest-bearing		35.6	32.8	39.8
TOTAL NON-CURRENT LIABILITIES		257.5	160.0	166.7
Current loans, interest-bearing		6.9	44.0	17.2

Current liabilities, non interest-bearing	284.2	224.9	261.2
TOTAL CURRENT LIABILITIES	291.1	268.9	278.4
TOTAL EQUITY AND LIABILITIES	924.6	837.4	854.8

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2017	**66.8**	**72.9**	**-9.9**	**143.5**	**10.3**	**-5.3**	**0.0**	**116.5**	**394.8**	**14.9**	**409.7**
Result for the financial period	-	-	-	-	-	-	-	-23.1	-23.1	1.8	-21.3
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-1.0	-	-	-1.0	-	-1.0
Cash flow hedging	-	-	2.1	-	-	-	-	-	2.1	-	2.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	-	-	**2.1**	-	-	**-1.0**	-	**-23.1**	**-22.0**	**1.8**	**-20.1**
Direct recognitions	-	-	-	-	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
EQUITY AT 30.9.2017	**66.8**	**72.9**	**-7.9**	**143.5**	**10.3**	**-6.2**	**0.0**	**83.4**	**362.8**	**13.2**	**376.0**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2016	**66.8**	**72.9**	**-12.4**	**143.5**	**10.2**	**-3.7**	**0.0**	**134.7**	**412.0**	**13.8**	**425.8**
Result for the financial period	-	-	-	-	-	-	-	-6.3	-6.3	1.0	-5.3
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-4.7	-	-	-4.7	-	-4.7
Cash flow hedging	-	-	0.9	-	-	-	-	-	0.9	-	0.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	-	-	**0.9**	-	-	**-4.7**	-	**-6.3**	**-10.1**	**1.0**	**-9.1**
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

	1	2	3	4	5	6	7	8	9	10	11
EQUITY AT 30.9.2016	**66.8**	**72.9**	**-11.5**	**143.5**		**10.3**	**-8.5**	**0.0**	**120.9**	**394.4**	**14.1**	**408.6**

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)	Q3/ 2017	Q3/2016	Q1-Q3 /2017	Q1-Q3/2016	2016
Cash flow before change in net working capital	16,5	20,9	29.4	41.6	58.4
Change in net working capital	-1,6	-9,9	-2.5	-7.0	21.4
Financial items and taxes	-3,9	-1,7	-7.8	-4.3	-8.9
CASH FLOW FROM OPERATING ACTIVITIES	10,9	9,3	19.1	30.3	70.9
Cash flow from investing activities	-26,8	-16,1	-61.9	-38.2	-53.9
CASH FLOW AFTER INVESTING ACTIVITIES	-15,9	-6,8	-42.8	-7.9	17.1
Change in loans	31,6	7,0	84.9	15.0	-12.3
Dividends paid	-	-	-9.0	-8.2	-8.2
Transactions with non-controlling interests	-	-	-4.5	-	-
CASH FLOW FROM FINANCING ACTIVITIES	31,6	7,0	71.4	6.8	-20.6
NET CASH FLOW	15,6	0,2	28.6	-1.2	-3.5
Cash and cash equivalents at beginning of period	19,9	7,9	6.6	9.5	9.5
Translation differences	-0,1	0,2	0.1	-0.1	0.7
Cash and cash equivalents at end of period	35,4	8,3	35.4	8.3	6.6

FINANCIAL INDICATORS

	30.9.2017	30.9.2016	31.12.2016
Earnings per share (EPS), undiluted, EUR	-0.43	-0.12	-0.10
Earnings per share (EPS), diluted, EUR	-0.43	-0.12	-0.10
Equity per share, EUR	6.72	7.30	7.31
Equity ratio, %	40.7	48.8	47.9
Adjusted average number of shares, mill.	55.0	55.0	55.0
Gross capital expenditure on PPE, EUR mill.	82.1	61.6	97.6
Employees, end of month average	7 394	7 400	7 319

CALCULATION OF FINANCIAL INDICATORS

Return on capital employed (ROCE) before tax, last 12 months (%)	Profit before tax + interest and other financial expenses / Balance sheet total – non-interest-bearing liabilities (average	x 100
Equity ratio (%)	Total equity / Balance sheet total – advances received	x 100
Net gearing ratio (%)	Net interest-bearing liabilities / Total equity	x 100
Earnings per share (EPS)	Profit for the period attributable to equity holders of the parent / Average number of outstanding shares during period	
Equity per share	Equity attributable to holders of the parent / 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 CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January–30 September 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.

Group has evaluated the effects of new IFRS 9 and IFRS 15 standards that are effective starting from 1.1.2018. According to IFRS 9 bond modification costs from 2017 that have been treated with effective interest rate method will be recorded as expense. This will result in EUR 4,3 million deduction of retained earnings and corresponding increase in interest bearing liabilities in the opening balance sheet 1.1.2018. Regarding IFRS 15 sales contracts with customers have been reviewed according to the 5 step model. Based on review there is no material impact to current revenue recognition.

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

ANALYSIS BY SEGMENT 2016 (reported)

Net sales and EBIT by market area

(EUR million)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	2016
NET SALES					
- Sweden	189.1	205.0	201.1	209.1	804.4
- Finland	187.0	207.4	198.7	213.4	806.5
- Denmark	44.7	46.6	42.6	39.3	173.2
- Baltics	38.0	41.5	41.4	40.4	161.3
- Between segments	-19.7	-17.7	-18.0	-17.0	-72.4
Group total	439.1	482.7	465.9	485.2	1 872.9
EBIT					
- Sweden	1.1	3.3	5.3	3.2	12.9
- Finland	0.8	2.2	4.6	7.0	14.6
- Denmark	-2.3	-2.6	-2.1	-2.6	-9.5
- Baltics	0.3	1.8	3.3	1.0	6.4
- Group administration costs	-4.2	-2.9	-3.1	-4.5	-14.7
Group total	-4.3	1.7	8.1	4.2	9.7
COMPARABLE EBIT					
- Sweden	1.1	3.3	5.3	4.8	14.5
- Finland	0.8	2.2	4.6	7.2	14.8
- Denmark	-2.3	-2.1	-2.1	-2.6	-9.1
- Baltics	0.3	1.8	3.3	1.0	6.4
- Group administration costs	-3.0	-2.9	-3.1	-4.5	-13.5
Group total	-3.1	2.2	8.1	6.0	13.2

ANALYSIS BY SEGMENT 2016 (restated)

Net sales and EBIT by market area

(EUR million)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	2016
NET SALES					
- Sweden	185.8	201.5	197.5	206.1	790.8
- Finland	179.8	199.4	190.8	204.9	774.9
- Denmark	36.5	41.4	36.8	34.8	149.5
- Baltics	37.1	40.5	40.7	39.5	157.7
- Between segments	-	-	-	-	-
Group total	439.1	482.7	465.9	485.2	1 872.9
EBIT					
- Sweden	-0.3	2.5	4.7	2.7	9.5
- Finland	0.9	2.4	4.7	7.2	15.3
- Denmark	-1.0	-1.9	-1.5	-2.2	-6.6
- Baltics	0.3	1.7	3.2	1.0	6.2
- Group administration costs	-4.2	-2.9	-3.1	-4.5	-14.7
Group total	-4.3	1.7	8.1	4.2	9.7
COMPARABLE EBIT					
- Sweden	-0.3	2.5	4.7	4.2	11.1
- Finland	0.9	2.4	4.7	7.5	15.5
- Denmark	-1.0	-1.4	-1.5	-2.2	-6.2
- Baltics	0.3	1.7	3.2	1.0	6.2
- Group administration costs	-3.0	-2.9	-3.1	-4.5	-13.5
Group total	-3.1	2.2	8.1	6.0	13.2

ANALYSIS BY SEGMENT 2017

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
NET SALES					
- Sweden	193.9	197.5	556.7	584.8	790.8
- Finland	179.0	190.8	545.2	570.0	774.9
- Denmark	37.9	36.8	111.8	114.7	149.5
- Baltics	41.7	40.7	119.0	118.3	157.7
- Between segments	0.0	0.0	0.0	0.0	0.0
Group total	452.4	465.9	1 332.7	1 387.7	1 872.9
EBIT					
- Sweden	3.0	4.7	0.6	6.9	9.5
- Finland	-2.4	4.7	-4.3	8.0	15.3
- Denmark	-0.6	-1.5	-6.5	-4.4	-6.6
- Baltics	2.8	3.2	4.9	5.1	6.2
- Between segments	-	-	-	-	-
Segments total	2.8	11.1	-5.2	15.7	24.3
Group administration costs	-3.6	-3.1	-12.9	-10.2	-14.7
Group total	-0.8	8.1	-18.1	5.5	9.7
INVESTMENTS					
- Sweden	2.8	2.5	8.4	11.6	19.8
- Finland	19.7	19.8	65.3	40.2	64.0
- Denmark	0.2	1.2	0.8	2.7	3.1
- Baltics	2.3	2.7	7.6	7.1	10.8
Total	25.0	26.2	82.1	61.6	97.6
AVERAGE NUMBER OF EMPLOYEES					
- Sweden			2 162	2 192	2 162
- Finland			3 029	2 940	2 912
- Denmark			673	696	686
- Baltics			1 530	1 571	1 560
Total			7 394	7 400	7 319

NOTES TO THE INCOME STATEMENT

1. ITEMS AFFECTING COMPARABILITY

(EUR million)	Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	2016
Comparable EBIT	**2.7**	**8.1**	**-5.3**	**7.2**	**13.2**
Personnel costs, Group Administration 1)	-	-	-	-1.2	-1.2
Termination of employment, Group Management 1)	-	-	-1.0	-	-
Environmental provision, Sweden 2)	-	-	-	-	-1.5

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Termination of employment, Sweden 1)	-	-	-2.7	-	-
Termination of employment, Sweden 3)	-	-	-0.5	-	-
Termination of employment, Finland 1)	-	-	-0.2	-	-0.3
Termination of employment, Finland 3)	-	-	-0.3	-	-
Impairment of assets, Finland 3) 4)	-3.4	-	-4.2	-	-
Termination of employment, Denmark 1)	-	-	-0.2	-0.5	-0.5
Termination of employment, Denmark 3)	-	-	-0.3	-	-
Impairment of assets, Denmark 3) 4)	-	-	-3.4	-	-
EBIT	**-0.8**	**8.1**	**-18.1**	**5.5**	**9.7**

[1] Included in the Income Statement in the item ”General administration costs”
[2] Included in the Income Statement in the item ”Other operating items total”
[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)	Q3/2017	Q3/2016	2016
Opening Balance	143.0	147.3	147.3
Translation differences	-0.9	-4.1	-3.5
Additions	1.2	0.5	0.9
Additions, business acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Depreciation and impairment	-1.7	-1.6	-2.1
Reclassification between items	2.5	0.3	0.4
Closing balance	144.1	142.3	143.0

3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q3/2017	Q3/2016	2016
Opening Balance	401.7	361.8	361.8
Translation differences	-0.4	-2.6	-2.1
Additions	80.9	61.1	96.7
Additions, business acquisitions	0	0	0.0
Disposals	-1.4	-1.9	-1.9
Depreciation and impairment	-45.9	-39.3	-52.4
Reclassification between items	-2.5	-0.3	-0.4
Closing balance	432.3	378.9	401.7

4. INVENTORIES

(EUR million)	Q3/2017	Q3/2016	2016
Materials and supplies	66.9	64.3	61.5
Semi-finished products	4.2	5.6	4.7
Finished products	46.5	44.5	42.0
Other inventories	0.3	0.4	0.3

Inventories, advance payments	1.0	0.8	0.9
Biological asset	7.6	6.4	6.7
Total inventories	126.6	122.0	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
30.9.2017	54 017 673	66.8	72.9	143.5	0.0	283.1

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	30.9.2017	30.9.2016	31.12.2016
Nominal values of derivative instruments			
Foreign exchange derivatives	49.2	56.0	43.6
Interest rate derivatives	121.3	126.6	126.9
Electricity derivatives	5.7	6.6	7.2
Fair values of derivative instruments			
Foreign exchange derivatives	0.3	0.2	-0.2
Interest rate derivatives	-11.1	-14.6	-13.4
Electricity derivatives	0.5	-0.7	0.1

CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	30.9.2017	30.9.2016	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	3.1	3.2	3.2
On behalf of others			
- guarantees and other commitments	12.9	13.0	13.0
Other contingencies			
Leasing commitments	7.1	7.6	7.5
Rent liabilities	32.1	32.2	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.

	30.9.2017	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	0.3	-	0.3	-
- Commodity derivatives	0.7	-	0.7	-
of which subject to cash flow hedging	0.7	-	0.7	-
Total	**1.0**	**-**	**1.0**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-11.1	-	-11.1	-
of which subject to cash flow hedging	-11.1	-	-11.1	-
- Foreign exchange derivatives	0.0	-	0.0	-
- Commodity derivatives	-0.2	-	-0.2	-
of which subject to cash flow hedging	-0.2	-	-0.2	-
Total	**-11.3**	**-**	**-11.3**	**-**

BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q3/2017	Q1-Q3/2016	2016
Sales to associates	13.0	39.8	46.9
Purchases from associates	24.7	29.1	39.2
Trade and other receivables	2.3	1.9	2.3
Trade and other payables	6.3	5.2	5.5