

HKSCAN

THE NORDIC MEAT EXPERTS

**HKSCAN GROUP
INTERIM REPORT
Q1/2016
4 MAY 2016**



HKSCAN GROUP'S INTERIM REPORT 1 JANUARY—31 MARCH 2016: TOUGH BUSINESS ENVIRONMENT PUTS PRESSURE ON MARGINS

- * Net sales were EUR 439.1 (466.0) million in the first quarter.
- * Reported EBIT was EUR -4.3 (-0.8) million, and EBIT margin -1.0 (-0.2) per cent. EBIT excluding non-recurring items was EUR -3.1 (-0.8) million. The corresponding EBIT margin was -0.7 (-0.2) per cent.
- * Cash flow before debt service was EUR -16.1 (-0.6) million.
- * Profit/loss before taxes was EUR -7.3 (-3.1) million. Profit/loss before taxes excluding non-recurring items was EUR -6.1 (-3.1) million.
- * EPS was EUR -0.17 (-0.05).
- * Net financial expenses were EUR -2.2 (-2.5) million.
- * Net debt was EUR 164.3 (145.7) million, and net gearing 39.6 (32.9) per cent.
- * Outlook for 2016 (unchanged): HKScan expects operating profit (EBIT) to improve from 2015.

AKI LAIHO, HKSCAN'S DEPUTY CEO, COMMENTS ON THE FIRST QUARTER OF 2016:

“Financially, the quarter was behind the corresponding quarter in 2015. Sales decreased and EBIT margin was unsatisfactory. The most significant factors affecting the financial result were fierce price competition and oversupply of pork in Finland, as well as shortage of beef in Sweden, leading to high procurement prices and lower sales volumes. During the first quarter, we benefitted from the sales and efficiency measures in the domestic markets in Denmark and Baltics. Our cost cutting programmes in all Group companies could not fully compensate for the fall in EBIT margin.

We took clear steps forward in our strategy execution by progressing with our Rauma investment in Finland, by entering the Hong Kong market, and by launching new innovative products and concepts. Additionally, we informed today about an expansion investment in the bacon plant in Świnoujście, Poland. During 2016 and 2017, we shall invest in the newest technology and increase our production capacity. The investment amounts to approximately EUR 12 million.”



KEY FIGURES, Q1

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|---------------------------------------------------------|---------|---------|---------|
| Net sales | 439.1 | 466.0 | 1 917.1 |
| EBIT | -4.3 | -0.8 | 9.6 |
| - % of net sales | -1.0 | -0.2 | 0.5 |
| Profit/loss before taxes | -7.3 | -3.1 | 2.2 |
| - % of net sales | -1.7 | -0.7 | 0.1 |
| Profit/loss for the period | -9.4 | -2.8 | 1.9 |
| - % of net sales | -2.1 | -0.6 | 0.1 |
| EBIT, excluding non-recurring items | -3.1 | -0.8 | 21.5 |
| - % of net sales | -0.7 | -0.2 | 1.1 |
| Profit/loss before taxes, excluding non-recurring items | -6.1 | -3.1 | 14.1 |
| - % of net sales | -1.4 | -0.7 | 0.7 |
| EPS, EUR | -0.17 | -0.05 | 0.01 |
| Cash flow before debt service | -16.1 | -0.6 | 32.2 |
| Cash flow before financing activities | -17.2 | -3.9 | 25.0 |
| Return on capital employed (ROCE) before taxes, % | 1.5 | 11.5 | 2.3 |
| Net debt | 164.3 | 145.7 | 144.0 |
| Gearing, % | 41.4 | 37.4 | 36.1 |
| Net gearing, % | 39.6 | 32.9 | 33.8 |

JANUARY–MARCH

During the first quarter of 2016, demand grew on all the Group's home markets. Private labels continued to increase their market share. The market situation was tough and price competition was fierce, both further amplifying the first quarter seasonal effect. Sales margins declined in all market areas.

In Sweden, demand for domestic meat remained strong. Food service sales in Finland and domestic sales in Denmark developed well. Sales of HKScan's branded products grew in the Baltics.

The Group's financial result fell behind the previous year. Both net sales and comparable operating profit declined. However, operational efficiency measures advanced well, resulting in slightly improved EBIT for Denmark and the Baltics. The production cost cutting actions taken on all home markets mitigated a major part of the decline in the Group's sales margins.

The Group continued to execute its profitable growth strategy, with pleasing progress made with the new poultry production facility being constructed in Rauma, Finland. In March, HKScan was granted an environmental permit for the facility.

In January, HKScan opened a sales office in Hong Kong, where it launched Finnish Omega 3 pork under the Flodins® brand. Customers targeted in the first phase of the launch are high-end restaurants. The retail launch will follow later in 2016. The unique Omega 3 pork concept was well received by local customers and the media.

In February, HKScan Finland signed a pledge with WWF to ensure that all soy used throughout its production chain will be responsibly produced by 2020. HKScan Sweden has already implemented this change during 2014–2015.

The Group's CEO Hannu Kottonen and the Board of Directors jointly agreed on the discontinuation of Kottonen's duties on 20 January 2016. In the interim, Aki Laiho, Deputy CEO and COO, temporarily assumed the position of CEO.



MARKET AREA SWEDEN

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|------------------------------------|----------------|----------------|-------------|
| Net sales | 189.1 | 202.1 | 841.9 |
| EBIT | 1.1 | 2.0 | 21.1 |
| - EBIT margin, % | 0.6 | 1.0 | 2.5 |
| EBIT excluding non-recurring items | 1.1 | 2.0 | 21.6 |
| - EBIT margin, % | 0.6 | 1.0 | 2.6 |

In Sweden, net sales were EUR 189.1 (202.1) million and EBIT was EUR 1.1 (2.0) million.

The meat market is continuing to grow in Sweden, and demand for domestic meat remained strong resulting in intensified competition for domestic animals. Net sales declined, mainly due to a shortage of beef. Sales prices were higher, but they did not offset increased animal raw material costs. This applied especially to beef.

Health and sustainability are strengthening trends, to which the Group's new hybrid products are well matched. The novelties 'Korvish®' and 'Järpish®', which comprise 50 per cent meat and 50 per cent vegetables, have been well received by Swedish customers and consumers. Investments in further strengthening the Scan® brand continued during the first quarter.

Actions taken in previous years to restructure the production footprint yielded results. Operational efficiency measures were successful in the first quarter, and costs continued to decline, but this was not enough to keep profit at last year's level.



MARKET AREA FINLAND

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|------------------------------------|----------------|----------------|-------------|
| Net sales | 187.0 | 193.5 | 801.6 |
| EBIT | 0.8 | 3.6 | 4.9 |
| - EBIT margin, % | 0.4 | 1.8 | 0.6 |
| EBIT excluding non-recurring items | 0.8 | 3.6 | 16.3 |
| - EBIT margin, % | 0.4 | 1.8 | 2.0 |

In Finland, net sales were EUR 187.0 (193.5) million and EBIT was EUR 0.8 (3.6) million.

Competition remained very tough and the decline in sales prices continued. Sales volumes were lower and the sales mix was unfavourable, which explains the heavy drop in the first quarter EBIT. Animal raw material costs declined, but did not compensate for lower sales prices. The total meat market turned to a slight growth towards the end of the quarter. Food service sales saw pleasing growth well during the quarter. The subsidiaries, Lihatukku Harri Tamminen Oy, Kivikylän Kotipalvaamo Oy and Paimion Teurastamo Oy, improved their profitability in the first quarter.

HK Rypsiporsas® was relaunched, and the Kariniemen® product range was expanded during the first quarter. HK Kabanossi®, a Finnish sausage classic, is celebrating its 40th anniversary this year.

Operational measures were undertaken to improve cost efficiency, which contributed positively to EBIT. Oversupply of pork in Finland continued, resulting in decreased sales margins as well as increased frozen stock. Construction of the new Rauma poultry production facility was initiated as planned. In March, HKScan was granted an environmental permit for slaughterhouse and meat processing operations.



MARKET AREA DENMARK

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|------------------------------------|---------|---------|-------|
| Net sales | 44.7 | 48.8 | 175.9 |
| EBIT | -2.3 | -3.5 | -9.3 |
| - EBIT margin, % | -5.0 | -7.1 | -5.3 |
| EBIT excluding non-recurring items | -2.3 | -3.5 | -9.3 |
| - EBIT margin, % | -5.0 | -7.1 | -5.3 |

In Denmark, net sales in January-March were EUR 44.7 (48.8) million and EBIT was EUR -2.3 (-3.5) million.

Competition remained very tough in Denmark, and net sales continued to decline in the first quarter. Price competition continued to be fierce in export markets, and export sales lagged behind the previous year, resulting in a decline in total sales margin. However, in the domestic market, sales efforts proved successful, especially in fresh products.

Investment in Rose® brand awareness continued with good results. These efforts included online activities, corporate responsibility communications as well as on-pack storytelling supporting the new product launches. Flodins® snacks were successfully launched on the Danish market.

The restructured production footprint, improved production efficiency and other operational cost cutting measures yielded results, with a year-on-year EBIT improvement recorded.



MARKET AREA BALTICS

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|---------------------------------------|----------------|----------------|-------------|
| Net sales | 38.0 | 40.9 | 173.6 |
| EBIT | 0.3 | -0.1 | 5.4 |
| - EBIT margin, % | 0.7 | -0.2 | 3.1 |
| EBIT excluding non-recurring expenses | 0.3 | -0.1 | 5.4 |
| - EBIT margin, % | 0.7 | -0.2 | 3.1 |

In the Baltics, net sales were EUR 38.0 (40.9) million and EBIT EUR 0.3 (-0.1) million in the first quarter.

Competition remained tough and demand was weak in the Baltics. This, together with the divestment of the egg business in 2015, lowered volumes and resulted in a decline in net sales during the first quarter. The total sales margin decreased slightly. The market price for pork was record low, and exports continued to struggle.

However, demand for Rakvere® and Tallegg® branded products continued at a reasonable level, with their position remaining strong. Together with operational efficiency measures, this compensated for the decrease in sales margins, and profit increased compared to last year. Inventories were maintained on a healthy level.

Investments in transforming the Rakvere® and Tallegg® brands into pan-Baltic brands instead of serving only the Estonian market will reduce complexity and add a sharper focus to marketing communications.



FINANCING

The Group's interest-bearing debt at the end of March stood at EUR 172.0 (165.5) million. Net debt was EUR 164.3 (145.7) million and the net gearing ratio 39.6 (32.9) per cent.

The Group's liquidity was good. Committed credit facilities at 31 March stood at EUR 100.0 (136.5) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 32.0 (22.0) million.

Net financial expenses were EUR -2.2 (-2.5) million in the first quarter.

SHARES

At the end of March, HKScan Group's share capital stood at EUR 66 820 528. The Group's total number of shares issued, 55 026 522, were divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares, 5 400 000 (9.81%). The A Shares are quoted on the Nasdaq Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

At the end of March 2016, 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. After the reporting period, on 8 April 2016, the company transferred 44 885 treasury A shares as rewards according to the share based incentive plan 2013. Thereafter the amount of treasury shares held by the company is 1 008 849 corresponding 1.8 per cent of the company's total number of shares and 0.6 per cent of the total number of votes.

HKScan's market capitalization at the end of March stood at EUR 175.4 (314.7) million. It breaks down as follows: Series A shares had a market value of EUR 158.0 (283.2) million, and the unlisted Series K shares a calculational market value of EUR 17.6 (31.5) million.

In January-March, a total of 3 408 596 (6 624 146) of the company's shares with a total value of EUR 11 186 603 (34 489 835) were traded. The highest price quoted in the period under review was EUR 3.89 (6.19), and the lowest was EUR 3.06 (3.24). The average price was EUR 3.28 (5.20). At the end of March, the closing price was EUR 3.25 (5.83).

BOARD OF DIRECTORS' AUTHORIZATIONS

From January to March 2016, the Board did not exercise the authorizations given by the Annual General Meeting (AGM) on 14 April 2015. See also 'Events after the reporting period'.

The new authorizations, granted to the Board by the AGM on 13 April 2016, are described in the section 'Annual General Meeting'.

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.

In the food industry's raw material supply, the risks of animal diseases, such as the African swine fever (ASF) currently in Estonia, or any international or regional food scandals impacting the overall consumption outlook cannot be fully excluded.



EVENTS AFTER THE REPORTING PERIOD

On 8 April 2016, HKScan issued a stock exchange release reporting that the Board of HKScan Corporation had resolved on a directed share issue without consideration according to the Group's share based incentive plan 2013, payment of the rewards for the performance period 2013–2015. In total 44 885 HKScan Corporation's A shares owned by the Group were gratuitously transferred to the participants of the incentive plan according to its terms. The establishment and central terms of the incentive plan have been announced by a stock exchange release published on 20 December 2012. After the transfer, HKScan holds a total of 1 008 849 own shares.

On 4 May, the Group informed about an expansion investment in the bacon factory in Świnoujście, Poland. The expansion includes investing in the newest technology and increasing of production capacity during 2016–2017. The investment amounts to approximately EUR 12 million.”

ANNUAL GENERAL MEETING 2016

The Annual General Meeting of HKScan Corporation held on 13 April 2016 in Helsinki, 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 2015. The AGM resolved that a dividend of EUR 0.14 be paid for 2015.

The AGM also resolved on the annual remuneration of the Board's members, deputy members and the chairs of the committees. All the current Board members: Teija Andersen, Niels Borup, Tero Hemmilä, Mikko Nikula, Henrik Treschow and Pirjo Väliäho, as well as all the current deputy Board members: Per Nilsson and Marko Onnela were re-elected for a further term of office. At the organizational meeting, the Board re-elected Mikko Nikula as Chairman and Niels Borup as Vice Chairman.

PricewaterhouseCoopers Oy, authorized public accountants, with Jouko Malinen, 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 2017, revoking the authorizations given by the AGM 2015.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 13 April 2016, and they are also available on the company's website at www.hkscan.com.

OUTLOOK FOR 2016

HKScan expects its operating profit (EBIT) to improve from 2015.

HKScan expects the economic and demand outlook to remain challenging. Sales price competition will accordingly remain tough in 2016. The Group's strategy implementation, continuous improvement projects and active sales margin management contributes to better financial performance.

NEXT FINANCIAL REPORT

HKScan Group's interim report January–June 2016 will be published on 19 July 2016.

Vantaa, 4 May 2016

HKScan Corporation
Board of Directors



For further details, kindly contact Aki Laiho, Deputy CEO or Tuomo Valkonen, CFO, HKScan Corporation. Please submit a call-back request via Marja-Leena Dahlskog, SVP Communications, HKScan Corporation, marja-leena.dahlskog(at)hkscan.com or tel. +358 10 570 2142.

HKScan is the leading Nordic 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 2015, HKScan had net sales of approximately EUR 1.9 billion and some 7 400 employees.

DISTRIBUTION:

Nasdaq Helsinki

Main media

www.hkscan.com


CONSOLIDATED INTERIM REPORT 1 JANUARY – 31 MARCH 2016
CONSOLIDATED INCOME STATEMENT

| (EUR million) | Note | Q1/2016 | Q1/2015 | 2015 |
|---------------------------------------------------------------------------------------|-------------|----------------|----------------|-------------|
| Net sales | | 439.1 | 466.0 | 1 917.1 |
| Cost of goods sold | 1. | -413.6 | -438.7 | -1 799.5 |
| Gross profit | | 25.5 | 27.4 | 117.6 |
| Other operating items total | | 2.1 | 2.1 | 11.6 |
| Sales and marketing costs | | -14.1 | -14.9 | -57.8 |
| General administration costs | 1. | -17.8 | -15.3 | -61.9 |
| Operating profit | | -4.3 | -0.8 | 9.6 |
| Financial income and expenses | | -2.2 | -2.5 | -9.1 |
| Share of profit/loss in associates | | -0.7 | 0.2 | 1.7 |
| Profit/loss before taxes | | -7.3 | -3.1 | 2.2 |
| Income tax | | -2.1 | 0.3 | -0.3 |
| Profit/loss for the period | | -9.4 | -2.8 | 1.9 |
| Non-controlling interests | | 0.1 | 0.0 | -1.6 |
| Profit/loss for the period | | -9.3 | -2.7 | 0.3 |
| Earnings per share calculated on profit attributable to equity holders of the parent: | | | | |
| EPS, undiluted, continuing operations, EUR/share | | -0.17 | -0.05 | 0.01 |
| EPS, diluted, continuing operations, EUR/share | | -0.17 | -0.05 | 0.01 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|------------------------------------------------------------|----------------|----------------|-------------|
| Profit/loss for the period | -9.4 | -2.8 | 1.9 |
| OTHER COMPREHENSIVE INCOME (after taxes): | | | |
| Exchange differences on translating foreign operations | -0.3 | 1.4 | 2.6 |
| Cash flow hedging | -1.0 | -0.8 | 0.3 |
| Actuarial gains or losses | - | - | -1.5 |
| TOTAL OTHER COMPREHENSIVE INCOME | -1.3 | 0.6 | 1.4 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | -10.7 | -2.2 | 3.3 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO: | | | |
| Equity holders of the parent | -10.6 | -2.2 | 1.7 |
| Non-controlling interests | -0.1 | 0.0 | 1.6 |
| Total | -10.7 | -2.2 | 3.3 |



CONSOLIDATED BALANCE SHEET

| (EUR million) | Note | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|-----------------------------------------------|------|--------------|--------------|--------------|
| ASSETS | | | | |
| Intangible assets | 2. | 146.5 | 145.1 | 147.3 |
| Tangible assets | 3. | 361.9 | 366.4 | 361.8 |
| Holdings | | 35.7 | 36.9 | 36.6 |
| Other non-current assets | | 32.7 | 42.8 | 35.0 |
| TOTAL NON-CURRENT ASSETS | | 576.8 | 591.1 | 580.7 |
| Inventories | 4. | 130.6 | 125.6 | 124.2 |
| Current receivables | | 121.0 | 131.2 | 122.9 |
| Cash and cash equivalents | | 7.5 | 19.6 | 9.5 |
| TOTAL CURRENT ASSETS | | 259.1 | 276.5 | 256.6 |
| TOTAL ASSETS | | 835.9 | 867.6 | 837.3 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | 5. | 415.2 | 442.7 | 425.8 |
| Non-current loans, interest-bearing | | 134.4 | 118.2 | 117.2 |
| Non-current liabilities, non interest-bearing | | 37.8 | 39.7 | 39.4 |
| TOTAL NON-CURRENT LIABILITIES | | 172.3 | 158.0 | 156.6 |
| Current loans, interest-bearing | | 37.6 | 47.3 | 36.6 |
| Current liabilities, non interest-bearing | | 210.8 | 219.7 | 218.4 |
| TOTAL CURRENT LIABILITIES | | 248.4 | 267.0 | 255.0 |
| TOTAL EQUITY AND LIABILITIES | | 835.9 | 867.6 | 837.3 |



STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

| (EUR million) | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
|----------------------------------------------|-------------|-------------|--------------|--------------|-------------|-------------|------------|--------------|--------------|-------------|--------------|
| EQUITY AT 1.1.2016 | 66.8 | 72.9 | -12.4 | 143.5 | 10.2 | -3.7 | 0.0 | 134.7 | 412.0 | 13.8 | 425.8 |
| Result for the financial period | - | - | - | - | - | - | - | -9.3 | -9.3 | -0.1 | -9.4 |
| Other comprehensive income (+) / expense (-) | | | | | | | | | | | |
| Transl. diff. | - | - | - | - | - | -0.3 | - | - | -0.3 | - | -0.3 |
| Cash flow hedging | - | - | -1.0 | - | - | - | - | - | -1.0 | - | -1.0 |
| Actuarial gains or losses | - | - | - | - | - | - | - | - | - | - | - |
| Total compreh. income for the period | - | - | -1.0 | - | - | -0.3 | - | -9.3 | -10.6 | -0.1 | -10.7 |
| Direct recognitions | - | - | - | - | 0.0 | - | - | 0.1 | 0.1 | - | 0.1 |
| Transfers between items | - | - | - | - | - | - | - | - | - | - | - |
| Dividend distribut. | - | - | - | - | - | - | - | - | - | - | - |
| EQUITY AT 31.3.2016 | 66.8 | 72.9 | -13.4 | 143.5 | 10.2 | -4.0 | 0.0 | 125.6 | 401.5 | 13.7 | 415.2 |
| (EUR million) | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
| EQUITY AT 1.1.2015 | 66.8 | 72.9 | -12.7 | 143.5 | 10.1 | -6.3 | 0.0 | 162.2 | 436.5 | 8.7 | 445.2 |
| Result for the financial period | - | - | - | - | - | - | - | -2.7 | -2.7 | 0.0 | -2.8 |
| Other comprehensive income (+) / expense (-) | | | | | | | | | | | |
| Transl. diff. | - | - | - | - | - | 1.3 | - | - | 1.3 | - | 1.3 |
| Cash flow hedging | - | - | -0.8 | - | - | - | - | - | -0.8 | - | -0.8 |
| Actuarial gains or losses | - | - | - | - | - | - | - | - | - | - | - |
| Total compreh. income for the period | - | - | -0.8 | - | - | 1.3 | - | -2.7 | -2.2 | 0.0 | -2.2 |
| Direct recognitions | - | - | - | - | - | - | - | -0.3 | -0.3 | - | -0.3 |
| Transfers between items | - | - | - | - | 0.0 | - | - | - | 0.0 | - | 0.0 |
| Dividend distribut. | - | - | - | - | - | - | - | - | - | - | - |
| EQUITY AT 31.3.2015 | 66.8 | 72.9 | -13.5 | 143.5 | 10.1 | -5.0 | 0.0 | 159.2 | 434.0 | 8.7 | 442.7 |

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) | Q1/2016 | Q1/2015 | 2015 |
|--------------------------------------------------|----------------|----------------|--------------|
| Cash flow before change in net working capital | 6.3 | 13.7 | 78.1 |
| Change in net working capital | -14.7 | -12.6 | -2.2 |
| Financial items and taxes | -1.3 | -1.7 | -9.1 |
| CASH FLOW FROM OPERATING ACTIVITIES | -9.7 | -0.6 | 66.8 |
| Cash flow from investing activities | -7.5 | -3.3 | -41.8 |
| CASH FLOW AFTER INVESTING ACTIVITIES | -17.2 | -3.9 | 25.0 |
| Change in loans | 15.1 | 7.4 | -4.3 |
| Dividends paid | - | - | -26.7 |
| CASH FLOW FROM FINANCING ACTIVITIES | 15.1 | 7.4 | -31.0 |
| NET CASH FLOW | -2.1 | 3.5 | -6.0 |
| Cash and cash equivalents at beginning of period | 9.5 | 16.4 | 16.4 |
| Translation differences | 0.1 | -0.3 | -1.0 |
| Cash and cash equivalents at end of period | 7.5 | 19.6 | 9.5 |

FINANCIAL INDICATORS

| | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|---------------------------------------------|------------------|------------------|-------------------|
| Earnings per share (EPS), undiluted, EUR | -0.17 | -0.05 | 0.01 |
| Earnings per share (EPS), diluted, EUR | -0.17 | -0.05 | 0.01 |
| Equity per share, EUR | 7.44 | 8.04 | 7.63 |
| Equity ratio, % | 49.7 | 51.0 | 50.9 |
| Adjusted average number of shares, mill. | 54.0 | 54.0 | 54.0 |
| Gross capital expenditure on PPE, EUR mill. | 13.5 | 9.6 | 49.6 |
| Employees, end of month average | 6 950 | 7 303 | 7 437 |



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 2016 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 2015. 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 2015.

The interim report is unaudited.

ANALYSIS BY SEGMENT

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|------------------------------------|---------|---------|---------|
| NET SALES | | | |
| - Sweden | 189.1 | 202.1 | 841.9 |
| - Finland | 187.0 | 193.5 | 801.6 |
| - Denmark | 44.7 | 48.8 | 175.9 |
| - Baltics | 38.0 | 40.9 | 173.6 |
| - Between segments | -19.7 | -19.3 | -76.0 |
| Group total | 439.1 | 466.0 | 1 917.1 |
| EBIT | | | |
| - Sweden | 1.1 | 2.0 | 21.1 |
| - Finland | 0.8 | 3.6 | 4.9 |
| - Denmark | -2.3 | -3.5 | -9.3 |
| - Baltics | 0.3 | -0.1 | 5.4 |
| - Between segments | - | - | - |
| Segments total | -0.1 | 2.0 | 22.1 |
| Group administration costs | -4.2 | -2.8 | -12.5 |
| Group total | -4.3 | -0.8 | 9.6 |
| INVESTMENTS | | | |
| - Sweden | 4.7 | 2.0 | 13.7 |
| - Finland | 6.6 | 3.9 | 19.9 |
| - Denmark | 0.7 | 1.4 | 5.4 |
| - Baltics | 1.4 | 2.3 | 10.6 |
| Total | 13.5 | 9.6 | 49.6 |
| AVERAGE NUMBER OF EMPLOYEES | | | |
| - Sweden | 2 057 | 2 069 | 2 176 |
| - Finland | 2 636 | 2 739 | 2 840 |
| - Denmark | 671 | 740 | 726 |
| - Baltics | 1 586 | 1 755 | 1 696 |
| Total | 6 950 | 7 303 | 7 437 |



NOTES TO THE INCOME STATEMENT

1. NON-RECURRING ITEMS

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|-------------------------------------------------|---------|---------|-------|
| Impairment of assets, Finland ¹⁾ | - | - | -11.4 |
| Personnel costs, Sweden ²⁾ | - | - | -0.5 |
| Personnel costs, Group Management ²⁾ | -1.2 | - | - |
| Non-recurring items Total | -1.2 | - | -11.9 |

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

²⁾ Included in the Income Statement in the item "General administration costs"

NOTES TO THE STATEMENT OF FINANCIAL POSITION

2. CHANGES IN INTANGIBLE ASSETS

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|----------------------------------|---------|---------|-------|
| Opening balance | 147.3 | 144.3 | 144.3 |
| Translation differences | -0.4 | 1.0 | 2.0 |
| Additions | 0.1 | 0.3 | 0.9 |
| Additions, business acquisitions | - | - | 2.2 |
| Disposals | - | -0.2 | -0.1 |
| Depreciation and impairment | -0.6 | -0.6 | -2.6 |
| Reclassification between items | 0.0 | 0.4 | 0.5 |
| Closing balance | 146.5 | 145.1 | 147.3 |

3. CHANGES IN TANGIBLE ASSETS

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|----------------------------------|---------|---------|-------|
| Opening balance | 361.8 | 369.7 | 369.7 |
| Translation differences | -0.1 | 0.8 | 1.0 |
| Additions | 13.3 | 9.4 | 48.7 |
| Additions, business acquisitions | - | - | 7.8 |
| Disposals | -0.3 | -0.5 | -2.8 |
| Depreciation and impairment | -12.9 | -12.9 | -62.1 |
| Reclassification between items | 0.0 | -0.2 | -0.5 |
| Closing balance | 361.9 | 366.4 | 361.8 |

4. INVENTORIES

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|-------------------------------|---------|---------|-------|
| Materials and supplies | 77.2 | 71.3 | 71.5 |
| Semi-finished products | 4.8 | 4.3 | 5.0 |
| Finished products | 40.5 | 41.4 | 40.1 |
| Other inventories | 0.4 | 1.0 | 0.4 |
| Inventories, advance payments | 1.3 | 0.6 | 1.1 |
| Biological asset, IFRS 41 | 6.3 | 7.0 | 6.2 |
| Total inventories | 130.6 | 125.6 | 124.2 |



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 |
|-----------------------------------------------|------------------------------------|---------------|--------------------------|---------------------------------------------------|----------|-------|
| 1.1.2016 | 53 972 788 | 66.8 | 72.9 | 143.5 | 0.0 | 283.1 |
| 31.3.2016 | 53 972 788 | 66.8 | 72.9 | 143.5 | 0.0 | 283.1 |

DERIVATIVE INSTRUMENT LIABILITIES

| (EUR million) | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|------------------------------------------|------------------|------------------|-------------------|
| Nominal values of derivative instruments | | | |
| Foreign exchange derivatives | 36.6 | 67.6 | 57.7 |
| Interest rate derivatives | 128.4 | 148.1 | 128.5 |
| Electricity derivatives | 7.7 | 7.7 | 8.1 |
| Fair values of derivative instruments | | | |
| Foreign exchange derivatives | 0.0 | -0.5 | -0.2 |
| Interest rate derivatives | -15.4 | -16.5 | -14.0 |
| Electricity derivatives | -2.8 | -1.8 | -2.9 |

CONSOLIDATED OTHER CONTINGENT LIABILITIES

| (EUR million) | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|---------------------------------------|------------------|------------------|-------------------|
| Debts secured by pledges or mortgages | | | |
| - loans from financial institutions | 0.0 | 25.9 | 0.2 |
| On own behalf | | | |
| - Mortgages given | 0.0 | 10.7 | 0.4 |
| - Assets pledged | 3.2 | 3.2 | 3.2 |
| On behalf of others | | | |
| - guarantees and other commitments | 13.1 | 14.2 | 10.4 |
| Other contingencies | | | |
| Leasing commitments | 7.7 | 13.8 | 11.0 |
| Rent liabilities | 35.3 | 34.2 | 36.5 |



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.

| | 31.3.2016 | Level 1 | Level 2 | Level 3 |
|-----------------------------------------------------------------------|--------------|------------|--------------|------------|
| Assets measured at fair value | | | | |
| Financial assets recognized 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 |
| Total | 0.1 | 0.0 | 0.1 | 0.0 |
| Liabilities measured at fair value | | | | |
| Financial liabilities recognized at fair value through profit or loss | | | | |
| -Trading derivatives | | | | |
| - Interest rate swaps | -15.4 | 0.0 | -15.4 | 0.0 |
| of which subject to cash flow hedging | -15.4 | 0.0 | -15.4 | 0.0 |
| - Foreign exchange derivatives | -0.1 | 0.0 | -0.1 | 0.0 |
| of which subject to net investment hedging | - | - | - | - |
| - Commodity derivatives | -2.8 | 0.0 | -2.8 | 0.0 |
| of which subject to cash flow hedging | -2.8 | 0.0 | -2.8 | 0.0 |
| Total | -18.3 | 0.0 | -18.3 | 0.0 |

BUSINESS TRANSACTIONS WITH RELATED PARTIES

| (EUR million) | Q1/2016 | Q1/2015 | 2015 |
|-----------------------------|---------|---------|------|
| Sales to associates | 12.2 | 16.8 | 70.1 |
| Purchases from associates | 10.3 | 8.1 | 46.6 |
| Trade and other receivables | 1.4 | 2.2 | 1.4 |
| Trade and other payables | 3.9 | 3.1 | 5.3 |