HKSCAN

FINANCIAL STATEMENTS BULLETIN 2018

HKScan Group's Financial Statements Release 1 January–31 December 2018:

Fourth quarter result improved but still in loss – further corrective actions under way

October–December 2018 in brief

- Net sales in October–December were EUR 454.7 (475.3) million.
- EBIT was EUR -3.8 (-22.2) million. Comparable EBIT was EUR -2.2 (-12.3) million. The corresponding EBIT margin was -0.5 (-2.6) per cent.
- EPS was EUR -0.20 (-0.39).
- Cash flow before investments was EUR 31.9 (30.9) million and before debt service EUR 18.9 (-11.3) million.
- The negative impact of the Rauma unit ramp-up on the Group's comparable EBIT decreased from the previous quarter, amounting to approximately EUR -4.8 million in the fourth quarter (EUR -8.1 million in third quarter). In addition, delivery capability improved further.

January–December 2018 in brief

- Net sales in January–December were EUR 1,715.4 (1,808.1) million.
- EBIT was EUR -49.5 (-40.3) million, and the EBIT margin -2.9 (-2.2) per cent. Comparable EBIT was EUR -47.5 (-17.6) million. The corresponding EBIT margin was -2.8 (-1.0) per cent.
- EPS was EUR -1.00 (-0.79).
- Cash flow before investments was EUR -15.1 (57.8) million and before debt service EUR -107.2 (-49.6) million.
- Net debt was EUR 289.4 (208.2) million and net gearing stood at 88.6 (59.3) per cent. The increase was mainly caused by the Rauma poultry plant investment.
- The challenges related to the Rauma unit ramp-up impacted the Group's comparable EBIT by EUR -35.7 million in January–December.

The figures in parentheses refer to the comparison period, i.e. the same period in the previous year, unless otherwise mentioned.

Outlook 2019

Global meat consumption is projected to increase during the coming years. Within HKScan's home markets, consumption growth is estimated to be led by poultry and meal categories, while demand in other categories is expected to remain stable. HKScan expects its improvement programmes and other corrective actions to start recording results in 2019.

Key figures, Q4

EUR million	10-12/2018	10-12/2017	2018	2017
Net sales	454.7	475.3	1 715.4	1 808.1
EBIT	-3.8	-22.2	-49.5	-40.3
- % of net sales	-0.8	-4.7	-2.9	-2.2
Profit/loss before taxes	-6.6	-23.5	-58.3	-45.5
- % of net sales	-1.5	-4.9	-3.4	-2.5
Profit/loss for the period	-9.2	-20.1	-51.2	-39.5
- % of net sales	-2.0	-4.2	-3.0	-2.2
Comparable EBIT	-2.2	-12.3	-47.5	-17.6
- % of net sales	-0.5	-2.6	-2.8	-1.0
Comparable profit/loss before taxes	-5.0	-13.6	-56.3	-22.9
- % of net sales	-1.1	-2.9	-3.3	-1.3
EPS, EUR	-0.20	-0.39	-1.00	-0.79
Cash flow before investments	31.9	30.9	-15.1	57.8
Cash flow before debt service	18.9	-11.3	-107.2	-49.6
Cash flow before financing activities	16.6	-15.5	-114.4	-58.3
Return on capital employed (ROCE) before taxes, %			-7.4	-6.3
Net debt			289.4	208.2
Net gearing, %			88.6	59.3

Tero Hemmilä, HKScan's CEO:

HKScan's full-year result was disappointing. The implementation of the From Farm to Fork strategy has not yielded the desired change in the company's profitability. Firm actions are now needed to correct the negative development.

The Group's From Farm to Fork strategy is a relevant framework for us. As a part of our annual strategy process, we will update the strategy and re-define our strategic focus areas. The strategy work will start immediately and proceed during the first half of the year.

It is evident that we need to strengthen our foundation based on strong meat industry competences and focus more firmly on leading the meat value chain efficiently. This requires more active management of all parts of the long value chain. These capabilities have somewhat eroded in our company, which has been one factor causing inefficiency and weak financial performance. Once we have corrected these basic issues, we can start shifting our focus towards actions targeting renewal.

To ensure our focus on our customers and consumers we aim to put stronger emphasis on market area level management of the value chain and the product portfolio. Our aim is to operate in a more dynamic and efficient way, closer to our customers. Increasing net sales and improving productivity and cost efficiency will remain our key focus areas when building a more solid foundation for our business.

During the second half of the year, HKScan succeeded in improving further the delivery capability from the Rauma poultry unit, but there were still challenges that strongly burdened the result. There is still plenty of work to be done in order to reach the targeted level of operational efficiency. In the near future, we will further strengthen our focus and level of special expertise needed in Rauma to improve the unit's efficiency and thereby its financial performance.

The group-wide efficiency improvement programme, specified in July 2018 is ongoing. The programme targets EUR 40 million annual savings during the year 2020 and onwards. We expect the most significant savings to stem from improved operational efficiency and reduced administrative costs. Effects of the programme are not showing yet in the 2018 results.

Despite the challenges, HKScan has several important strengths supporting our profitability improvement efforts. We have skilled personnel, strong consumer brands, a large selection of great products and a strong place on the consumer's dinner table. I firmly believe that, together with our personnel, we will be able to improve the company's competitiveness.

Group net sales and performance

October–December

The Group's net sales were EUR 454.7 (475.3) million in the fourth quarter. Net sales decreased mainly due to decreased sales of red meat in Sweden and Finland as well as the weaker Swedish krona compared to the previous year. Poultry sales in Finland continued to recover due to the improved delivery capability of the Rauma plant. In Denmark, net sales remained on par with the previous year thanks to higher retail volumes. The improved branded sales and product mix increased net sales in the Baltics.

The Group's comparable EBIT was EUR -2.2 (-12.3) million. Despite the decrease in loss, EBIT was still burdened by the ramp-up costs of the Rauma poultry unit. However, the negative impact decreased again from the previous quarter. The total effect of Rauma on the EBIT was approximately EUR -4.8 million during the fourth quarter (EUR -8.1 million in third quarter). Excluding the Rauma ramp-up impact, the Group's comparable EBIT was EUR 2.6 million.

In Sweden, despite the weaker Swedish krona, EBIT improved from the previous year both in reported and local currency, thanks to improved efficiency in operations and lower administrative costs. In Denmark, EBIT lagged behind the previous year due to changes in sales mix. In the Baltics, higher personnel and primary production costs, together with lower pork price level, continued to erode performance.

January–December

The Group's net sales were EUR 1,715.4 (1,808.1) million in January–December. Net sales decreased mainly as a result of the weakening of the Swedish krona, the Rauma poultry unit's ramp-up challenges and decreased sales in red meat both in Sweden and Finland. In Denmark, net sales increased slightly from the previous year as a result of boosted export volumes. A small increase in net sales was recorded also in the Baltics.

The Group's comparable EBIT was EUR -47.5 (-17.6) million. It was burdened by the ramp-up costs of the Rauma poultry unit by EUR -35.7 million due to increased production costs, material loss as well as lost sales.

In Sweden, EBIT improved from the previous year despite the weaker Swedish Krona, due to operational efficiency measures and lower administration costs. Denmark's EBIT decreased from the comparison period despite the improvement in operational efficiency and cost control. This was caused by increased raw material costs and changes in sales mix. In the Baltics, EBIT decrease was driven by increased personnel costs and the lowered market price of pork.

During the third quarter, HKScan specified further the content, financial targets and schedule of its ongoing efficiency improvement programme. The goal of the programme is to improve profitability and its full impact will be EUR 40 million in annual savings during the year 2020 and onwards. The programme covers all functions in the company's home markets – Finland, Sweden, Denmark and the Baltics.

In February 2018, HKScan signed an agreement to establish a joint venture in China. The company will commercialise, sell and market Finnish premium quality pork products in the Chinese market. Exports commenced in April, creating new revenue opportunities throughout the entire value chain.

The overall meat market showed positive development in all market areas. While fierce price competition continued and private labels increased their market share, the domestic origin of meat continued to raise growing interest among consumers in the Group's main market areas.

Market area Sweden

EUR million	10-12/2018	10-12/2017	2018	2017
Net sales	181.9	202.7	682.1	759.4
EBIT	5.5	4.8	8.6	5.4
- EBIT margin, %	3.0	2.4	1.3	0.7
Comparable EBIT	5.5	4.8	8.9	8.6
- EBIT margin, %	3.0	2.4	1.3	1.1

October–December

In Sweden, net sales were EUR 181.9 (202.7) million and comparable EBIT was EUR 5.5 (4.8) million. Net sales decreased mainly due to the weakened Swedish krona. Product sales decreased slightly also in local currency, although Christmas season sales developed positively from the previous year.

Despite the weaker currency, comparable EBIT increased from the previous year mainly as a result of improved margins as well as improved efficiency in operations and lower administration costs.

January–December

Net sales were EUR 682.1 (759.4) million and comparable EBIT was EUR 8.9 (8.6) million. Net sales decreased from the previous year mainly due to the weakened Swedish krona.

Despite good development in processed categories, product sales also decreased slightly in local currency. The hot and dry summer and the resulting barbeque ban lowered the demand in the red meat category. This together with fierce price competition had a negative impact on net sales.

Despite the negative currency effect, Comparable EBIT increased from the comparable period as a result of the operational efficiency measures and lower administration costs.

Both pork and beef animal raw material prices decreased due to increased availability on the market. Swedish meat continued to increase its share of the total Swedish meat market as well as its share in private label products in all categories. Stock levels remained close to par with the previous year during the whole reporting period.

Market area Finland

EUR million	10-12/2018	10-12/2017	2018	2017
Net sales	195.6	197.0	721.9	742.2
EBIT	-2.6	-12.2	-36.6	-16.5
- EBIT margin, %	-1.3	-6.2	-5.1	-2.2
Comparable EBIT	-2.1	-9.7	-36.1	-9.3
- EBIT margin, %	-1.1	-4.9	-5.0	-1.3

October-December

In Finland, net sales were EUR 195.6 (197.0) million and comparable EBIT was EUR -2.1 (-9.7) million. Net sales were close to par with the previous year mainly as a result of higher poultry sales that needed to be postponed during the comparison period. Sales of red meat decreased but meals and meal components continued their positive development.

Comparable EBIT improved clearly from the previous year as the operations of the Rauma unit developed positively. Improved delivery capability enabled an increase in poultry volumes. Comparable EBIT was still burdened by the ramp-up costs amounting to approximately EUR -4.8 million. However, the negative impact continued to decrease compared to the previous quarter (EUR -8.1 million).

During the reporting period, HKScan published the result of the statutory negotiations initiated in July. The number of employees in Finland will decrease by a total of 165. Additionally, all units within the scope of the negotiations will prepare for location-specific temporary layoffs due to seasonal fluctuations.

January-December

Net sales were EUR 721.9 (742.2) million and comparable EBIT was EUR -36.1 (-9.3) million. Net sales decreased due to postponed poultry campaigns and ramp-up challenges with the new poultry unit in Rauma. Special measures for improving delivery capability were taken in close cooperation with the customers throughout the year and the overall delivery capability of poultry products increased clearly towards the end of the year.

Total sales in other product groups decreased from the previous year mainly due to lower sales in the red meat category. However, meals and meal components developed well. HKScan's exports from Finland to China commenced and the first deliveries took place in April.

The Rauma plant ramp-up phase started at the end of the third quarter in 2017. Ramp-up challenges decreased the EBIT by EUR -35.7 million due to higher production costs and material losses together with lost sales and market share. Operations in the old Eura unit were closed at the end of the second quarter in 2018. Overall inventory levels were higher compared to the previous year during the entire year.

Market area Denmark

EUR million	10-12/2018	10-12/2017	2018	2017
Net sales	35.7	35.9	149.3	147.8
EBIT	-2.5	-7.4	-5.9	-13.9
- EBIT margin, %	-6.9	-20.7	-4.0	-9.4
Comparable EBIT	-2.5	-0.6	-5.9	-3.2
- EBIT margin, %	-6.9	-1.7	-4.0	-2.2

October–December

In Denmark, net sales were EUR 35.7 (35.9) million and comparable EBIT was EUR -2.5 (-0.6) million. Net sales were close to par with the previous year thanks to increased retail and food service sales, which offset the lower export volumes during the quarter.

Comparable EBIT fell from the corresponding quarter in the previous year due to increased raw material costs and changes in the sales mix. The decrease was partly offset by improved operational efficiency.

January–December

Net sales were EUR 149.3 (147.8) million and comparable EBIT was EUR -5.9 (-3.2) million. The increase in net sales was attributed to boosted export volumes, while domestic retail sales decreased slightly due to fierce price competition.

Comparable EBIT decreased from the previous year despite the positive development in operational efficiency and lower administration costs. Branded sales in retail were kept under pressure by fierce price competition, which decreased margins together with increased raw material costs and changes in the sales mix. The share of the fresh chicken category in domestic retail continued its increase compared to the frozen category.

Market area Baltics

EUR million	10-12/2018	10-12/2017	2018	2017
Net sales	41.4	39.7	162.1	158.7
EBIT	-0.9	-0.5	-0.7	4.4
- EBIT margin, %	-2.2	-1.2	-0.5	2.8
Comparable EBIT	-0.9	-0.5	-0.7	4.4
- EBIT margin, %	-2.2	-1.2	-0.5	2.8

October–December

In the Baltics, net sales were EUR 41.4 (39.7) million and comparable EBIT EUR -0.9 (-0.5) million in the fourth quarter. The increase in net sales was driven by well-developed branded sales and an improved product mix.

Comparable EBIT for the fourth quarter fell short of the previous year. This was mainly due to the lower European market price level of pork, which impacts the Baltic meat market prices. Moreover, increased costs in primary production as well as rising personnel costs continued to weaken the EBIT.

The change in the fair value of biological assets amounted to EUR -0.2 (-0.7) million in the October–December period.

January–December

Net sales were EUR 162.1 (158.7) million and comparable EBIT EUR -0.7 (4.4) million. Net sales were boosted by the continuing good growth in domestic retail sales and improved product mix, which offset the impact of lower slaughter volumes and slaughterhouse strike activities at the Rakvere unit during the first half of the year. The share of novelties increased as well.

Comparable EBIT decreased from the previous year due to increased animal procurement costs together with the low European meat market prices. In addition, increased personnel costs and additional costs from strike activities in the Rakvere unit during February–April eroded the performance.

The change in the fair value of biological assets amounted to EUR -0.7 (0.1) million in the January–December period.

Strategy implementation

HKScan's From Farm to Fork strategy and relating strategic focus areas were launched in August 2017. The five focus areas were defined as: Focus on meat, Leadership in poultry, Continue growing the meals business, Cooperate with our farming community and Drive efficiency and cost-competitiveness. The Group's strategy execution was initiated in autumn 2017, but it has not resulted in the desired profitability.

HKScan's strategy will be updated this year, during the annual strategy process. As part of the process, we will re-define our strategic focus areas. The strategy work will start immediately and proceed during the first half of the year.

It is evident that we need to strengthen our foundation based on strong meat industry competences and focus more firmly on leading the meat value chain efficiently. This requires active management of all processes along the long value chain. These capabilities have somewhat eroded in HKScan, which has been one of the factors causing inefficiency and weak financial performance. Once we have corrected these basic issues, we can start shifting our focus towards actions targeting renewal.

To ensure a full focus on our customers and consumers we aim to put stronger emphasis on market area level management of the value chain and the product portfolio. Our aim is to operate in a more dynamic and efficient way, closer to our customers in local markets. Increasing net sales and improving productivity and cost efficiency will remain our key focus areas when building a more solid foundation for our business.

The Rauma poultry unit investment has had a significant role in the implementation of the current strategy. The unit will enable new, innovative products in the attractive poultry category. In the long run, the unit will also improve HKScan's competitiveness. Regardless of challenges related to the ramp-up phase of the Rauma unit, operations at the old Eura unit were terminated during the second quarter. During the third and fourth quarter, the performance of the Rauma operations developed gradually and delivery capability improved. There is nevertheless plenty of work to do in order to reach the targeted level of operational efficiency.

A programme for improving our operational efficiency was launched in the third quarter of 2017. The programme has been rolled out simultaneously at several production units. HKScan is improving on-site efficiency and developing asset utilisation in its production network with positive results.

The group-wide efficiency improvement programme, specified in July 2018 is ongoing. The programme targets EUR 40 million annual savings during the year 2020 and onwards. We expect the most significant savings to stem from improved operational efficiency and reduced administrative costs. Effects of the programme are not showing yet in the 2018 results.

Together with its farming community, HKScan has launched several strategic initiatives to secure the availability of responsibly produced, domestic, high-quality meat. Examples of these actions comprise pork, poultry and beef products based on completely antibiotic-free rearing, which is among the company's key competitive assets in export markets. During the third quarter, HKScan launched in Finland an education programme targeted for young farmers with an aim to support generation shifts of farming entrepreneurs. HKScan strives to safeguard the long-term competitiveness of sustainable Nordic primary production.

To strengthen the Group's position in the attractive and growing meals business, a decision to invest in the expansion of the Group's meals production capacity in Rakvere, Estonia was made in December 2017. The investment project has proceeded according to plan.

An important milestone in strategy implementation was achieved in April 2018, when HKScan launched pork exports form its Finnish Forssa plant to China. The export activities in China are proceeding well.

The growing demand for sustainably produced, high-quality food will be in the company's focus also in the near future. By stressing quality and sustainability in all its operations, HKScan continues to build a differentiating edge for both the Nordic and international markets.

Balance sheet, cash flow and financing

The Group's interest-bearing debt at the end of the year was EUR 319.0 (259.2) million. Net debt was EUR 289.4 (208.2) million. It increased by EUR 81.2 million from the previous year-end due to ramp-up costs and investment payments of the Rauma poultry plant. However, net debt decreased during the last quarter by EUR 16.2 million. The net gearing ratio was 88.6 (59.3) per cent. Cash flow before investments decreased to EUR -15.1 (57.8) million.

The Group's liquidity remained good. Committed credit facilities at the end of the year 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 35.5 (0.0) million.

During the first quarter, the Group withdrew a new bilateral 4-year term loan (bullet) of EUR 40 million in relation to the Rauma investment. During the third quarter, HKScan issued a EUR 40 million hybrid bond to strengthen the company's capital structure. A hybrid bond is treated as equity in consolidated financial statements prepared in accordance with IFRS. The coupon of the hybrid bond is 8.00 per cent per annum. The hybrid bond does not have a specified maturity date but HKScan is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date, and subsequently, on each annual coupon interest payment date.

Net financial expenses in the fourth quarter were EUR -3.0 (-2.4) million and EUR -9.9 (-6.9) million in January–December, including fair value change for interest rate derivatives to the amount of EUR 1.9 (3.2) million. Net financial expenses increased due to the increase in interest-bearing debt.

With IFRS 16 introduction from 1 January 2019 onwards, assets and interest-bearing liabilities will grow by approximately EUR 45 million. With this increase the net gearing at year end 2018 would be approximately 102 per cent.

Research and development

HKScan's research and development activities aim to develop the Group's offering to customers and consumers by leveraging consumer insight and foresight as well as capabilities, resources and investments in innovation and concept development across all markets.

Product development is part of HKScan's Culinary Competence Centre, where teams of R&D, nutrition expertise, chefs and product developers meet. The R&D team cooperates with universities in Sweden and Finland, and HKScan's personnel also engage in academic research, e.g. in the field of veterinary sciences. The Group also offers trainee positions for students completing their studies in food and business sciences.

Corporate responsibility

Corporate responsibility is an integral part of HKScan's From Farm to Fork strategy. HKScan's corporate responsibility work focuses on four main areas: Economic responsibility, Social responsibility, Animal health and welfare and Environment.

Corporate Responsibility at HKScan has been described on HKScan's web page. This information will be complemented by the Group's 2018 Report of Non-financial Information and the Group's Annual Report 2018, to be published in March 2019.

During the year, HKScan has revisited some of its policies and updated the Group Code of Conduct and Disclosure Policy. Both documents have been published on the Group web site.

Personnel

HKScan employed 6,801 (6,832) people at the end of December 2018. The average number of employees in January–December was 7,179 (7,292). Of that number, 29.6 (29.3) per cent were located in Sweden, 40.1 (40.6) per cent in Finland, 8.9 (9.1) per cent in Denmark and 21.4 (20.9) per cent in the Baltics.

Salaries and remunerations to employees, including social costs, totalled EUR 316.7 (328.4) million in January–December 2018 and 79.3 (79.5) in the fourth quarter.

At the end of the second quarter, HKScan published its plan to rationalise and adjust production operations in Finland. During the third quarter, related statutory negotiations covering the company's production and logistics personnel in the Vantaa, Forssa, Mikkeli, Paimio and Outokumpu units were started. After the third quarter, HKScan published the result of the cooperation negotiations. The number of employees would decrease by a total of 165. Additionally, all units within the scope of the negotiations have prepared for location-specific layoffs due to seasonal fluctuations.

During the second quarter and the latter part of the year, Group-wide actions for cascading HKScan's values were taken. Cross-functional workshops were arranged at all HKScan's offices and production units.

Shares and shareholders

At the end of December 2018, 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 Nasdaq Helsinki Oy. The K Shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek. för. (665,000 shares) and are not listed. There were no changes in the number of shares and in the holdings of LSO Osuuskunta and Lantmännen ek. för.

On 20 April 2018, a total of 16,501 HKScan Corporation's A shares owned by the company were transferred without consideration to the participants of the share-based incentive plan according to its terms. At the end of December 2018, the company held 992,348 (1,008,849) A shares as treasury shares, corresponding to 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 market cap at the end of December 2018 stood at EUR 76.7 (169.1) million, breaking down as follows: Series A shares had a market value of EUR 69.1 (152.2) million, and the unlisted Series K shares a calculational value of EUR 7.7 (16.9) million.

In January–December, a total of 11,399,917 (10,426,342) of the company's shares, with a total value of EUR 27,366,358 (33,784,168), were traded. The highest price quoted in the period under review was EUR 3.23 (3.60), and the lowest was EUR 1.29 (2.96). The average price was EUR 2.40 (3.24). At the end of December 2018, the closing price was EUR 1.42 (3.13).

Share-based long-term incentive plan

On 7 February 2018, HKScan announced that the Board of Directors of HKScan Corporation approved a share-based long-term incentive plan for the Group's top management and selected key employees for 2018–2020. It comprises a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure.

The first plan (PSP 2018–2020) commenced at the beginning of 2018 and the potential share rewards thereunder will be paid in spring 2021 if the performance targets set by the Board of Directors are reached. The potential rewards will be paid in class A shares of HKScan. Approximately 30 individuals are eligible to participate in PSP 2018–2020.

The complementary Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year vesting period after which the allocated restricted share grants will be paid to the participants in class A shares of HKScan. The first plan (RSP 2018–2020) within the Restricted Share Plan structure commenced at the beginning of 2018 and the potential share rewards thereunder will be paid in the spring 2021. Eleven individuals belonging to the top management are eligible to participate in RSP 2018–2020.

Board authorisations

The new authorisations, granted to the Board by the AGM 2018 on 12 April 2018, are described in the section 'Annual General Meeting 2018'.

On 20 April 2018, HKScan reported that the Board of HKScan Corporation had resolved on a directed share issue according to the Group's share-based incentive plan 2013, as payment of the rewards for the performance period 2015. In total 16,501 HKScan Corporation's A shares owned by the Group were gratuitously transferred to the participants of the incentive plan, the terms of which have been announced by a stock exchange release published on 20 December 2012.

Changes in senior management and board of directors

On 27 November 2018, HKScan Corporation's Board of Directors elected Board member Reijo Kiskola as its new Chairman. Mikko Nikula left his position as the Chairman of the Board of Directors and as Board member. In connection with the change, President and CEO Jari Latvanen left his position in HKScan.

On 28 November 2018, HKScan announced that Tero Hemmilä, M.Sc. (agr. econ.) had been appointed as HKScan Corporation's new CEO. After the reporting period, on 30 January 2019, HKScan announced that Tero Hemmilä will start working at Company on 4 February 2019.
On 14 December, HKScan announced that the Board members Marko Onnela, Riitta Palomäki and Tuomas Salusjärvi had announced their resignation from HKScan Corporation's Board of Directors.

Short-terms risks and uncertainty factors

Potential challenges related to the targeted efficiency improvement of the Rauma unit may impact on the Group's financial performance.

The risks related to impairment of assets or breaching financial covenants under finance agreements will increase and have an effect on the financial position in case the Group is not able to improve its financial performance and strengthen its balance sheet. Breaches of covenants could result in a default of an essential part of loans.

Significant uncertainty factors in HKScan Group's business are also related to sales and raw material prices, as well as management of global and local meat balances. Increased primary production costs put pressure on increasing raw material prices.

Other 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 significant increases of taxes or other fees. Public discussion related to meat consumption and climate change may also have an impact on demand.

HKScan is also involved in some juridical proceedings in its home markets. Breaches of business principles and the Group's Code of Conduct are also recognised as operational risks.

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 in more detail in the risk management section of the Annual Report 2017. The Group's 2018 Report of Non-financial Information and the Group's Annual Report 2018 will be published in March 2019.

Events after the reporting period

After the reporting period, on 30 January 2019, HKScan announced that Tero Hemmilä would start working as the CEO of the Company on 4 February 2019.

Annual general meeting 2018

The Annual General Meeting (AGM) of HKScan Corporation was held on 12 April 2018 in Turku, Finland. The AGM resolved that a dividend of EUR 0.09 shall be paid for 2017.

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, Mikko Nikula, Per Olof Nyman, Marko Onnela, Riitta Palomäki and Tuomas Salusjärvi were re-elected, and Reijo Kiskola was elected as a new member until the end of the Annual General Meeting 2019. In addition, Carl-Peter Thorwid was re-elected and Jari Mäkilä was elected as deputy Board member until the end of the Annual General Meeting 2019.

At the organisational meeting after the AGM, the Board re-elected Mikko Nikula as Chairman and elected Marko Onnela as the Vice Chairman.

Ernst & Young Oy, the firm of authorised public accountants, with Erkka Talvinko, APA, as the lead audit partner, was elected as the auditor until the closing of the next AGM.

The AGM authorised the Board to decide on share issues, 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 pledges. The authorisations will be effective until 30 June 2019, revoking the authorisations given by the AGM 2017.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 12 April 2018 and are also available on the company's website at www.hkscan.com.

Extraordinary general meeting

After the reporting period, on 7 January 2019, HKScan published a Notice of the Extraordinary General Meeting that was held on Wednesday, 30 January 2019, in Turku, Finland.

The Extraordinary General Meeting resolved that the number of ordinary members of the Board of Directors would be five (5) and the number of deputy members would be two (2).

Jari Mäkilä, Harri Suutari and Terhi Tuomi were elected as new members of the Board of Directors until the end of the Annual General Meeting 2019, In addition, Ilkka Uusitalo was elected as new deputy Board member until the end of the Annual General Meeting 2019.

Reijo Kiskola and Per Olof Nyman continue as Board members and Carl-Peter Thorwid as a deputy Board member until the end of the Annual General Meeting 2019.

Board of directors' proposal on the distribution of profit

The parent company's distributable equity stands at EUR 221.6 (239.3) million including the reserve for invested unrestricted equity, which holds EUR 143.3 (143.2) million.

The Board of Directors recommends that the company will not pay a dividend for 2018. Dividend for 2017 was EUR 0.09 per share, a total of approximately EUR 4.9 million.

Annual general meeting 2019

HKScan's Annual General Meeting will be held on Thursday, 11 April 2019 at 10.00 in Turku, Finland.

To be eligible to attend the Annual General Meeting, shareholders should register by 1 April 2019 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd. A notice to the Annual General Meeting will be published at a later date.

Next financial report

HKScan Group's January–March 2019 interim report will be published on Wednesday, 8 May 2019.

Press conference for analysts and media

Information meeting related to HKScan Corporation's financial statements report for analysts, institutional investors and media will be organised at Hotel Haven's auditorium (address: Eteläranta 16, Helsinki, Finland) at 10–11 a.m. on 6 February 2019.

The financial statements will be presented by Tero Hemmilä, CEO, and Mikko Forsell, CFO. The event will be held in Finnish.

Conference calls in English will be arranged upon separate request. Those interested in the calls, kindly contact HKScan Communications, communications@hkscan.com (phone +358 10 570 5700) to make an appointment.

Outlook for 2019

Global meat consumption is projected to increase during the coming years. Within HKScan's home markets, consumption growth is estimated to be led by poultry and meal categories, while demand in other categories is expected to remain stable. HKScan expects its improvement programmes and other corrective actions to start recording results in 2019.

Vantaa, 6 February 2019

HKScan Corporation
Board of Directors

Further information: HKScan Media Service Desk +358 (0)10 570 5700 or email: communications@hkscan.com

HKScan is a Nordic meat and meals company. We employ close to 7 200 professionals in striving to serve the world´s most demanding consumers, maintaining quality throughout the full chain of operations, From Farm to Fork. HKScan produces, markets and sells high-quality, sustainably produced pork, beef, poultry and lamb products, as well as charcuterie and meals, with strong consumer brands, including HK®, Scan®, Rakvere®, Kariniemen®, Rose®, Pärsons® and Tallegg®. Our customers are the retail, food service, industrial and export sectors, and our home market comprises of Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. In 2018, HKScan had net sales of EUR 1.7 billion.

DISTRIBUTION: Nasdaq Helsinki • Main media • www.hkscan.com

Consolidated Financial Statements 1 January – 31 December 2018

Consolidated income statement

EUR million	Note	10-12/2018	10-12/2017	2018	2017
Net sales		454.7	475.3	1 715.4	1 808.1
Cost of goods sold	1.	-432.9	-465.5	-1 660.5	-1 731.4
Gross profit		21.7	9.8	54.8	76.7
Other operating items total	1.	1.9	-0.4	6.9	4.8
Sales and marketing costs	1.	-10.7	-11.3	-43.6	-50.4
General administration costs	1.	-16.8	-20.3	-67.6	-71.3
Operating profit		-3.8	-22.2	-49.5	-40.3
Financial income		0.4	0.4	2.0	2.0
Financial expenses		-3.4	-2.8	-11.9	-8.9
Share of profit/loss in associates and joint ventures		0.2	1.1	1.1	1.7
Profit/loss before taxes		-6.6	-23.5	-58.3	-45.5
Income tax		-2.6	3.3	7.1	6.0
Profit/loss for the period		-9.2	-20.1	-51.2	-39.5
Non-controlling interests		-0.9	-1.2	-1.7	-3.0
Profit/loss for the period		-10.2	-21.3	-52.9	-42.5

Earnings per share calculated on profit attributable to equity holders of the parent:

EPS, undiluted, continuing operations, EUR/share		-0.20	-0.39	-1.00	-0.79
EPS, diluted, continuing operations, EUR/share		-0.20	-0.39	-1.00	-0.79

Consolidated statement of comprehensive income

EUR million	10-12/2018	10-12/2017	2018	2017
Profit/loss for the period	-9.2	-20.1	-51.2	-39.5
OTHER COMPREHENSIVE INCOME (after taxes):				
Exchange differences on translating foreign operations	0.4	-1.7	-4.0	-2.7
Cash flow hedging	1.6	0.0	4.2	0.2
Actuarial gains or losses	-6.9	-3.1	-6.9	-3.1
TOTAL OTHER COMPREHENSIVE INCOME	-4.9	-4.8	-6.7	-5.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-14.1	-24.9	-57.9	-45.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent	-15.0	-26.1	-59.6	-48.1
Non-controlling interests	0.9	1.2	1.7	3.0
Total	-14.1	-24.9	-57.9	-45.1

Consolidated balance sheet

EUR million	Note	31 Dec. 2018	31 Dec. 2017
ASSETS			
Intangible assets	2.	137.5	137.2
Tangible assets	3.	434.2	458.2
Holdings		33.0	34.9
Deferred tax asset		42.9	33.2
Other non-current assets		2.5	2.8
TOTAL NON-CURRENT ASSETS		650.2	666.3
Inventories	4.	121.4	111.8
Current receivables		130.9	123.7
Cash and cash equivalents		29.4	50.9
TOTAL CURRENT ASSETS		281.7	286.4
TOTAL ASSETS		931.9	952.7
EQUITY AND LIABILITIES			
EQUITY	5.	326.6	351.0
Non-current loans, interest-bearing		242.0	245.1
Non-current liabilities, non-interest-bearing		63.3	58.7
TOTAL NON-CURRENT LIABILITIES		305.4	303.8
Current loans, interest-bearing		77.0	14.1
Current liabilities, non-interest-bearing		223.0	283.8
TOTAL CURRENT LIABILITIES		300.0	297.8
TOTAL EQUITY AND LIABILITIES		931.9	952.7

Statement of changes in consolidated equity

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2018	**66.8**	**72.9**	**1.0**	**143.5**	**0.0**	**10.3**	**-7.9**	**0.0**	**50.1**	**336.6**	**14.4**	**351.0**
IFRS 9, Change in opening balance	-	-	-	-	-	-	-	-	-1.0	-1.0	-	-1.0
Result for the financial period	-	-	-	-	-	-	-	-	-52.9	-52.9	1.7	-51.2
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-0.1	-	-	-	-4.0	-	-	-4.0	-	-4.0
Cash flow hedging	-	-	4.2	-	-	-	-	-	-	4.2	-	4.2
Actuarial gains or losses	-	-	-	-	-	-	-	-	-6.9	-6.9	-	-6.9
Total compreh. income for the period	**-**	**-**	**4.2**	**-**	**-**	**-**	**-4.0**	**-**	**-59.7**	**-59.6**	**1.7**	**-57.9**
Direct recognitions	-	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-4.9	-4.9	-0.6	-5.5
Hybrid loan, issue	-	-	-	-	40.0	-	-	-	-0.2	39.8	-	39.8
EQUITY ON 30.9.2018	**66.8**	**72.9**	**5.1**	**143.5**	**40.0**	**10.3**	**-11.9**	**0.0**	**-15.6**	**311.2**	**15.4**	**326.6**

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2017	**66.8**	**72.9**	**-9.9**	**143.5**	**0.0**	**10.3**	**-5.3**	**0.0**	**116.5**	**394.8**	**14.9**	**409.7**
Opening balance restatement*	-	-	10.7	-	-	-	-	-	-10.7	0.0	-	0.0
Result for the financial period	-	-	-	-	-	-	-	-	-42.5	-42.5	3.0	-39.5
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-2.7	-	-	-2.7	-	-2.7
Cash flow hedging	-	-	0.2	-	-	-	-	-	-	0.2	-	0.2
Actuarial gains or losses	-	-	-	-	-	-	-	-	-3.1	-3.1	-	-3.1
Total compreh. income for the period	**-**	**-**	**0.2**	**-**	**-**	**-**	**-2.7**	**-**	**-45.6**	**-48.1**	**3.0**	**-45.1**
Direct recognitions	-	-	-	-	-	0.0	-	-	-0.1	0.0	-	0.0
Transfers between items	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-1.3	-1.3	-3.2	-4.5
Dividend distribution	-	-	-	-	-	-	-	-	-8.6	-8.6	-0.4	-9.0
EQUITY ON 31 Dec. 2017	**66.8**	**72.9**	**1.0**	**143.5**	**0.0**	**10.3**	**-7.9**	**0.0**	**50.1**	**336.6**	**14.4**	**351.0**

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Hybrid loan, 6. Other reserves, 7. Translation differences, 8. Treasury shares, 9. Retained earnings, 10. Equity holders of the parent, 11. Non-controlling interests, 12. Total

* See restatement from notes.

Cash flow statement

EUR million	10-12/2018	10-12/2017	2018	2017
Cash flow before change in net working capital	11.4	0.6	7.6	30.0
Change in net working capital	20.4	30.4	-22.7	27.9
Financial items and taxes	-2.6	-4.3	-9.5	-12.1
CASH FLOW FROM OPERATING ACTIVITIES	29.3	26.6	-24.6	45.7
Cash flow from investing activities	-12.6	-42.1	-89.8	-104.0
CASH FLOW AFTER INVESTING ACTIVITIES	16.6	-15.5	-114.4	-58.3
Hybrid loan	0.0	0.0	39.8	-
Change in loans	-0.4	30.5	58.6	115.4
Dividends paid	0.0	0.0	-5.5	-9.0
Transactions with non-controlling interests	0.0	0.0	0.0	-4.5
CASH FLOW FROM FINANCING ACTIVITIES	-0.4	30.5	92.9	101.9
NET CASH FLOW	16.3	15.0	-21.5	43.6
Cash and cash equivalents at beginning of period	13.0	35.4	50.9	6.6
Translation differences	0.1	0.5	0.1	0.6
Cash and cash equivalents at end of period	29.4	50.9	29.4	50.9

Financial indicators

	31 Dec. 2018	31 Dec. 2017
Earnings per share (EPS), undiluted, EUR	-1.00	-0.79
Earnings per share (EPS), diluted, EUR	-1.00	-0.79
Equity per share, EUR	5.76	6.23
Equity ratio, %	35.1	36.9
Adjusted average number of outstanding shares, mill.	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	41.0	125.5
Employees, end of month average	7,179	7,292

Calculation of financial indicators

HKScan discloses alternative performance measures (APM) to give relevant information to stakeholders. Disclosed APMs are also used in steering the company. Items affecting comparability and related APMs are disclosed to better reflect the operational business performance and to enhance comparability between periods.

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	
Cash flow before investments	Cash flow before financing activities, investment activities, financial items and taxes	
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 the company’s finances. Examples of such expenses are: capacity adjustments (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency/reorganisation programmes, significant compensations or penalties paid out due to a 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	
Comparable profit before taxes	Profit before taxes – items affecting comparability	
Net debt	Interest-bearing debt – cash and bank	

* When calculating the earnings per share, interest and issue costs of the hybrid loan, net of tax, have been reduced from profit for the period.

Notes to the consolidated financial statements

Accounting policies

HKScan Corporation's Financial Statement release for 2018 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 2017, except for the adoption of new standards effective as of 1 January 2018 and change in hedge accounting described below. 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 2017. The interim report is unaudited.

The Group has restated hedging reserve derived from interest rate derivatives amounting to EUR -10.7 million into retained earnings on 1 January 2017 as the applicability of hedge accounting has been re-evaluated. As result change in fair value previously reported in other comprehensive income is reported in profit for the period in financial items. Profit for the period impact after tax for 2017 is EUR 2.9 million and for 2018 EUR 1.5 million. Earnings per share impact for 2017 is EUR 0.05 and for 2018 EUR 0.03.

The Group applies for the first time the new IFRS 9 and IFRS 15 standards that are effective as of 1 January 2018. According to IFRS 9, bond modification costs from 2017 that have been treated with the effective interest rate method are recorded as an expense. This results in a EUR 1.0 million deduction of retained earnings, a EUR 1.2 million increase in interest-bearing liabilities and EUR 0.2 million deduction of deferred tax liability in the opening balance sheet 1 January 2018. Comparative information is not restated. Other IFRS 9 changes, such as new credit loss impairment model, classification and measurement of financial assets and liabilities and hedge accounting, do not have a material impact. Regarding IFRS 15, there is no impact on revenue recognition. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Group. As a result, 2018 and 2017 figures are comparable except for the bond modification costs described above.

Application of new and revised IFRS norms

IFRS 16, Leases will replace current IAS 17 guidance regarding lease agreements. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 is effective from 1 January 2019 and Group will adopt it then with full retrospective method. According to IFRS 16 lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months and depreciation of lease assets separately from interest on lease liabilities in the income statement. Less than 12 months agreements and assets of low value are excluded by the Group. The new standard has no significant impact on profit before taxes. Assets and interest-bearing liabilities will grow by approximately EUR 45 million. With this increase the net gearing at year end 2018 would be approximately 102 per cent. The standard has been endorsed for application in the EU.

Analysis by segment

EUR million	10-12/2018	10-12/2017	2018	2017
NET SALES				
- Sweden				
Sales, goods	181.9	202.6	681.9	759.0
Sales, services	0.0	0.1	0.1	0.3
- Finland				
Sales, goods	194.7	195.8	718.4	738.2
Sales, services	0.9	1.2	3.5	4.0
- Denmark				
Sales, goods	35.7	35.9	149.3	147.8
Sales, services	0.0	0.0	0.0	0.0
- Baltics				
Sales, goods	41.4	39.7	161.9	158.5
Sales, services	0.0	0.1	0.3	0.2
Group total	**454.7**	**475.3**	**1 715.4**	**1 808.1**
EBIT				
- Sweden	5.5	4.8	8.6	5.4
- Finland	-2.6	-12.2	-36.6	-16.5
- Denmark	-2.5	-7.4	-5.9	-13.9
- Baltics	-0.9	-0.5	-0.7	4.4
Segments total	-0.4	-15.4	-34.6	-20.6
Group administration costs	-3.4	-6.8	-14.9	-19.7
Group total	**-3.8**	**-22.2**	**-49.5**	**-40.3**
INVESTMENTS				
- Sweden	1.5	5.3	6.4	13.7
- Finland	6.6	35.2	21.9	100.4
- Denmark	1.4	0.5	2.3	1.3
- Baltics	2.8	2.4	10.4	10.0
Total	**12.3**	**43.4**	**41.0**	**125.5**
AVERAGE NUMBER OF EMPLOYEES				
- Sweden			2 123	2 139
- Finland			2 883	2 964
- Denmark			636	663
- Baltics			1 538	1 527
Total			**7 179**	**7 292**

Notes to the income statement

1. Items affecting comparability

EUR million	10-12/2018	10-12/2017	2018	2017
Comparable EBIT	**-2.2**	**-12.3**	**-47.5**	**-17.6**
Personnel costs, Group Management 1)	-1.2		-1.2	
Termination of employment, Group Management 1)	-	-0.6	-	-1.6
Termination of employment, Sweden 1)	-	-	-0.1	-2.7
Termination of employment, Sweden 3)	-	-	-	-0.5
Closing of sales office, Sweden 1)	-	-	-0.2	-
Termination of employment, Finland 1)	-	-	-	-0.2
Termination of employment, Finland 3)	-	-	-	-0.3
Impairment of assets, Finland 3) 4)	-0.5	-	-0.5	-4.2
Environmental provision, Finland 2)	-	-2.5	-	-2.5
Termination of employment, Denmark 1)	-	-0.1	-	-0.3
Termination of employment, Denmark 3)	-	-	-	-0.3
Impairment of assets, Denmark 3) 4)	-	-6.7	-	-10.1
EBIT	**-3.8**	**-22.2**	**-49.5**	**-40.3**

1) Included in the Income Statement in the item "General administration and sales and marketing 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	2018	2017
Opening balance	137.2	143.0
Translation differences	-3.5	-2.6
Additions	0.1	1.7
Additions, business acquisitions	-	-
Disposals	-	-
Depreciation and impairment	-2.4	-7.6
Reclassification between items	6.1	2.8
Closing balance	137.5	137.2

3. Changes in tangible assets

EUR million	2018	2017
Opening balance	458.2	401.7
Translation differences	-2.8	-1.3
Additions	40.8	123.9
Additions, business acquisitions	-	-
Disposals	-1.6	-1.4
Depreciation and impairment	-54.3	-61.8
Reclassification between items	-6.1	-2.8
Closing balance	434.2	458.2

4. Inventories

EUR million	2018	2017
Materials and supplies	75.8	62.9
Semi-finished products	4.8	4.3
Finished products	33.4	36.8
Other inventories	0.2	0.3
Inventories, advance payments	1.7	0.7
Biological assets	5.4	6.8
Total inventories	**121.4**	**111.8**

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 Jan. 2018	54,017,673	66.8	72.9	143.5	0.0	283.1
31 Dec. 2018	54,034,174	66.8	72.9	143.5	0.0	283.1

Derivative instrument liabilities

EUR million	31 Dec. 2018	31 Dec. 2017
Nominal values of derivative instruments		
Foreign exchange derivatives	40.0	41.4
Interest rate derivatives	119.1	120.6
Electricity derivatives	10.0	7.4
Fair values of derivative instruments		
Foreign exchange derivatives	-0.1	-0.1
Interest rate derivatives	-8.2	-10.2
Electricity derivatives	5.3	0.5

Consolidated other contingent liabilities

EUR million	31 Dec. 2018	31 Dec. 2017
Debts secured by pledges or mortgages		
- loans from financial institutions	-	-
On own behalf		
- Mortgages given	-	-
- Assets pledged	-	-
On behalf of others		
- guarantees and other commitments	11.7	17.2
Other contingencies		
Leasing commitments	7.1	7.4
Rent liabilities	43.5	32.4

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 is determined by using publicly quoted market prices.

	31 Dec. 2018	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	5.3	-	5.3	-
of which subject to cash flow hedging	5.3	-	5.3	-
Total	**5.4**	**-**	**5.4**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-8.2	-	-8.2	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	**-8.3**	**-**	**-8.3**	**-**

	31 Dec. 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	0.7	-	0.7	-
of which subject to cash flow hedging	0.7	-	0.7	-
Total	**0.8**	**-**	**0.8**	**-**

Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit of loss				
-Trading derivatives				
- Interest rate swaps	-10.2	-	-10.2	-
- Foreign exchange derivatives	-0.2	-	-0.2	-
- Commodity derivatives	-0.2	-	-0.2	-
of which subject to cash flow hedging	-0.2	-	-0.2	-
Total	**-10.6**	**-**	**-10.6**	**-**

Business transactions with related parties

EUR million	2018	2017
Sales to associates	20.2	17.7
Purchases from associates	32.5	33.0
Trade and other receivables	2.7	2.3
Trade and other payables	3.3	5.8