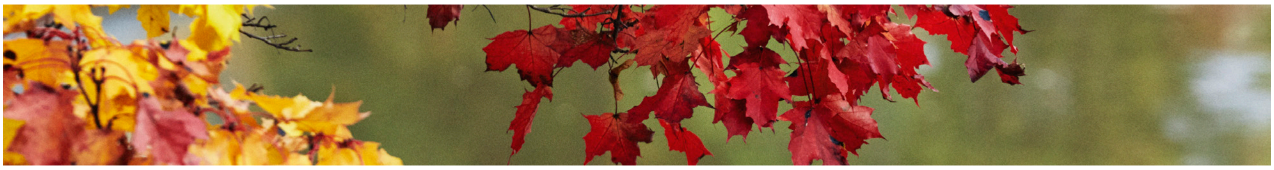
HKSCAN

INTERIM REPORT Q3/2018

HKScan Group's Interim Report 1 January–30 September 2018:

Result still in loss – the 40 meur efficiency improvement programme proceeds



July–September 2018 in brief

- Net sales in July–September were EUR 416.2 (452.4) million.
- EBIT was EUR -10.1 (-0.8) million. Comparable EBIT was EUR -10.1 (2.7) million. The corresponding EBIT margin was -2.4 (0.6) per cent.
- EPS was EUR -0.19 (-0.07).
- Cash flow before investments was EUR -12.4 (14.9) million and before debt service EUR -22.8 (-12.0) million.
- The negative impact of the Rauma unit ramp-up on the Group's comparable EBIT decreased from the previous quarter and was EUR -8.1 million in July–September (EUR -12.9 million during the second quarter). In addition, delivery capability of the unit improved further.
- After the reporting period, HKScan announced a decision to rationalise its Finnish operations and the related statutory negotiations were completed. The number of employees will decrease by a total of 165. The company estimates it will achieve annual savings of about EUR 7 million.
- The rationalisation and adjustment of the Finnish production operations are part of HKScan's Group-wide efficiency improvement programme (Stock Exchange Release on 19 July 2018) targeting annual savings of EUR 40 million during 2020 and onwards.

January–September 2018 in brief

- Net sales in January–September were EUR 1,260.7 (1,332.7) million.
- EBIT was EUR -45.7 (-18.1) million, and the EBIT margin -3.6 (-1.4) per cent. Comparable EBIT was EUR -45.3 (-5.3) million. The corresponding EBIT margin was -3.6 (-0.4) per cent.
- EPS was EUR -0.82 (-0.43).
- Cash flow before investments was EUR -47.0 (26.9) million and before debt service EUR -126.1 (-38.4) million.
- Net debt was EUR 305.6 (193.4) million and net gearing stood at 89.7 (51.4) per cent. The increase was mainly resultant to Rauma poultry plant investment.
- The challenges related to the Rauma unit ramp-up impacted the Group's comparable EBIT by EUR -30.9 million in January–September.

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

Outlook 2018 (unchanged)

Global meat consumption is projected to increase by 1.6 per cent per annum during the coming years. Consumption growth is estimated to be led by poultry. There are also several value-related consumption trends that support HKScan's strategy implementation.

In 2018, HKScan expects its strategy implementation to start recording results in terms of value growth in sales and operational efficiency in production.

The company will emphasise the implementation of its From Farm to Fork strategy through the five focus areas, which are Focus on meat, Leadership in poultry, Continue growing meals business, Cooperate with our farming community and Drive efficiency and cost-competitiveness.

Key figures, Q3

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales	416.2	452.4	1 260.7	1 332.7	1 808.1
EBIT	-10.1	-0.8	-45.7	-18.1	-40.3
- % of net sales	-2.4	-0.2	-3.6	-1.4	-2.2
Profit/loss before taxes	-12.6	-3.6	-53.3	-24.4	-49.2
- % of net sales	-3.0	-0.8	-4.2	-1.8	-2.7
Profit/loss for the period	-9.6	-2.9	-43.3	-21.3	-42.4
- % of net sales	-2.3	-0.6	-3.4	-1.6	-2.3
Comparable EBIT	-10.1	2.7	-45.3	-5.3	-17.6
- % of net sales	-2.4	0.6	-3.6	-0.4	-1.0
Comparable profit/loss before taxes	-12.6	-0.1	-53.0	-11.7	-26.5
- % of net sales	-3.0	0.0	-4.2	-0.9	-1.5
EPS, EUR	-0.19	-0.07	-0.82	-0.43	-0.84
Cash flow before investments	-12.4	14.9	-47.0	26.9	57.8
Cash flow before debt service	-22.8	-12.0	-126.1	-38.4	-49.6
Cash flow before financing activities	-28.1	-15.9	-131.1	-42.8	-58.3
Return on capital employed (ROCE) before taxes, %			-10.1	-1.9	-6.3
Net debt			305.6	193.4	208.2
Net gearing, %			89.7	51.4	59.3

Jari Latvanen, HKScan's President and CEO:

Our third quarter and January–September results were clearly disappointing. During the third quarter, we succeeded in improving further our delivery capability from the Rauma poultry unit, but the ramp-up related challenges still burdened our result. We continue to improve the efficiency and financial performance of the Rauma plant. In the long run, the unit will substantially improve our efficiency and competitiveness, thus contributing to HKScan's strategy implementation. Additionally, we see some positive signs of value growth in sales both in Sweden and Baltics.

In July 2018, we further specified our group-wide efficiency improvement programme. The programme targets EUR 40 million annual savings during the year 2020 and onwards. We expect the most significant benefits of the programme to stem from improved operational efficiency. On top of that, we will, among other things, further reduce administrative costs and utilise Group synergies to a greater extent than before.

As part of the above-mentioned efficiency improvement programme, we initiated a strategic review related to the rationalisation and adjustment of the Finnish production operations with a target to improve the profitability and competitiveness of our operations. As a result of the process, the number of employees will decrease. Additionally, all units within the scope of the negotiations will prepare for location-specific temporary layoffs due to seasonal fluctuations. With these measures, we will reach annual savings of about EUR 7 million.

To improve our performance, we have taken prompt actions in developing the utilisation of our production network. We will develop our production units towards centres of excellence specialised in dedicated categories. Our Rakvere unit has, for example, been decided to be one of the sites specialising in the rapidly growing meals category. This is supported by the ongoing investment in Rakvere.

As an example of the efficient cross-border utilization of our production network, our Finnish Rauma unit, specialized in poultry, is today serving also other HKScan home markets. After the reporting period, we launched the Finnish Karinäs® poultry products in Sweden.

During 2018 we have put further emphasis on category management work. As a result, we have discontinued plenty of unprofitable products and at the same time launched new, innovative products on the market. Efficient product portfolio management together with improvements in operational efficiency will improve our performance during the strategy period.

We are still in the early phase of our strategic transformation and turnaround process. Our performance is not yet satisfactory. Therefore, we will focus all our leadership resources on turning the adverse development and on improving our competitiveness and profitability.

Group net sales and performance

July–September

The Group's net sales were EUR 416.2 (452.4) million in the third quarter. Net sales decreased mainly due to the Rauma poultry unit's ramp-up challenges, which postponed poultry product sales in Finland, as well as due to the weakening of the Swedish krona. The exceptionally warm summer, together with fierce price competition, eroded sales in red meat, especially in Sweden. Denmark's net sales increased slightly from the previous year due to higher export volumes. The improved product mix increased net sales in the Baltics.

The Group's comparable EBIT was EUR -10.1 (2.7) million. EBIT was still heavily burdened by the ramp-up costs of the Rauma poultry unit, although the negative impact was lower than in the second quarter. The total effect of Rauma on the EBIT was approximately EUR -8.1 million during the third quarter (EUR -12.9 million during the second quarter). Excluding the Rauma ramp-up impact, the Group EBIT was EUR -2.0.

In Sweden, despite the weaker Swedish krona, EBIT remained on par with the previous year due 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 animal procurement costs, together with lower pork price level, continued to erode performance.

During the third quarter, HKScan specified further the content, financial targets and schedule of its ongoing efficiency improvement programme. The goal of the extensive 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 Group functions in the company's home markets – Finland, Sweden, Denmark and the Baltics. Until today, HKScan has implemented actions, which will result in approximately EUR 10 million savings. The savings (EUR 7 million) will mainly derive from rationalisation of the Finnish production operations.

January–September

The Group's net sales were EUR 1,260.7 (1,332.7) million in January–September. Net sales decreased mainly as a result of the weakening of the Swedish krona, 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 thanks to boosted export volumes. A small increase in net sales was recorded also in the Baltics.

The Group's comparable EBIT was EUR -45.3 (-5.3) million. It was still heavily burdened by the ramp-up costs of the Rauma poultry unit due to increased production costs, material loss as well as lost sales. The total effect of Rauma on EBIT was approximately EUR -30.9 million during January–September. Excluding the Rauma ramp-up impact, the Group's comparable EBIT was EUR -14.4.

In Sweden, EBIT fell slightly from the previous year mainly due to higher production costs in the first quarter and weaker Swedish krona. Operational efficiency measures and lower administration costs partly offset the impact towards the end of the reporting period. Denmark's EBIT decreased from the comparison period despite the improvement in operational efficiency and cost control. In the Baltics, EBIT decrease was driven by strike activities in Rakvere during the first quarter resulting increased personnel costs. The lowered market price of pork eroded the result in Baltics as well.

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	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales	162.8	193.9	500.1	556.7	759.4
EBIT	3.0	3.0	3.1	0.6	5.4
- EBIT margin, %	1.8	1.5	0.6	0.1	0.7
Comparable EBIT	3.0	3.0	3.4	3.8	8.6
- EBIT margin, %	1.8	1.5	0.7	0.7	1.1

July-September

In Sweden, net sales were EUR 162.8 (193.9) million and comparable EBIT was EUR 3.0 (3.0) million. The EBIT improved in local currency. Net sales decreased mainly due to the weakened Swedish krona and fierce price competition continued. Hot and dry summer decreased demand in the red meat category and especially in barbeque products.

Despite the weaker currency, comparable EBIT remained on par with the previous year mainly as a result of improved efficiency in operations and lower administration costs. Inventory levels decreased compared to the previous year.

January-September

Net sales were EUR 500.1 (556.7) million and comparable EBIT was EUR 3.4 (3.8) 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, together with fierce price competition, lowered the demand in the red meat category.

Comparable EBIT fell slightly from the comparable period due to increased costs in operations mainly during the first quarter. Thanks to the operational efficiency measures and lower administration costs, the performance was close to par with the previous year during the second and third quarter.

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. During the entire reporting period, stock levels remained on a lower level compared to the previous year.

Market area Finland

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales	172.0	179.0	526.3	545.2	742.2
EBIT	-9.5	-2.4	-34.0	-4.3	-16.5
- EBIT margin, %	-5.5	-1.4	-6.5	-0.8	-2.2
Comparable EBIT	-9.5	1.0	-34.0	0.4	-9.3
- EBIT margin, %	-5.5	0.6	-6.5	0.1	-1.3

July-September

In Finland, net sales were EUR 172.0 (179.0) million and comparable EBIT was EUR -9.5 (1.0) million. The decrease in net sales was still caused by the ramp-up challenges in the new poultry unit in Rauma, which postponed campaigns and led to lost sales and a decrease in market share. Sales of red meat decreased but meals and meal components continued their positive development.

Despite the good development in the Rauma unit's operations during the quarter, comparable EBIT was still burdened by the ramp-up. During the third quarter, the total impact of the Rauma ramp-up on the EBIT was approximately EUR -8.1 million. However, the negative impact decreased compared to the previous quarter when it was EUR -12.9 million.

During the quarter, HKScan initiated statutory negotiations covering the company's production and logistics personnel in the Vantaa, Forssa, Mikkeli, Paimio and Outokumpu units in order to rationalise and adjust production operations in Finland.

After the reporting period, HKScan published the result of the statutory negotiations. The number of employees 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. With these measures, the company estimates it will reach annual savings of about EUR 7 million. The measures will not generate any one-off costs.

After the reporting period, Finnish Karinäs® poultry products were launched in Sweden.

January-September

Net sales were EUR 526.3 (545.2) million and comparable EBIT was EUR -34.0 (0.4) million. Net sales decreased due to postponed poultry product campaigns and ramp-up challenges with the Rauma unit. Special measures for improving delivery capability were taken in close cooperation with the customers throughout the period and the overall delivery capability increased clearly. Total sales in other product groups decreased from the previous year mainly due to lower sales in the red meat. However, meals and meal components developed well. HKScan's exports from Finland to China commenced and the first deliveries took place in April.

The ramp-up challenges with the Rauma poultry unit decreased the EBIT by EUR -30.9 million due to higher production costs and material losses together with lost sales and market share. Operations in the Eura unit were closed at the end of the second quarter. EBIT excluding Rauma was EUR -3.1 million. Systematic actions to manage the pork and beef supply continued, but overall inventory levels increased slightly compared to the previous year.

Market area Denmark

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales	39.4	37.9	113.6	111.8	147.8
EBIT	-1.5	-0.6	-3.5	-6.5	-13.9
- EBIT margin, %	-3.9	-1.5	-3.0	-5.8	-9.4
Comparable EBIT	-1.5	-0.6	-3.5	-2.6	-3.2
- EBIT margin, %	-3.9	-1.5	-3.0	-2.4	-2.2

July-September

In Denmark, net sales were EUR 39.4 (37.9) million and comparable EBIT was EUR -1.5 (-0.6) million. Net sales increased due to higher export volumes offsetting a slight decrease in domestic retail sales.

Comparable EBIT fell from the corresponding quarter in the previous year due to changes in the sales mix. The decrease was partly offset by improved cost control. Inventory levels continued to decrease as well.

January-September

Net sales were EUR 113.6 (111.8) million and comparable EBIT was EUR -3.5 (-2.6) 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 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	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales	41.9	41.7	120.7	119.0	158.7
EBIT	0.9	2.8	0.2	4.9	4.4
- EBIT margin, %	2.2	6.8	0.1	4.1	2.8
Comparable EBIT	0.9	2.8	0.2	4.9	4.4
- EBIT margin, %	2.2	6.8	0.1	4.1	2.8

July–September

In the Baltics, net sales were EUR 41.9 (41.7) million and comparable EBIT EUR 0.9 (2.8) million in the third quarter. The increase in net sales was driven by well-developed branded sales and an improved product mix.

Comparable EBIT for the third quarter fell short of the previous year. This was partly due to lower European pork market price level, which impacts the Baltic meat market prices. Moreover, increased costs in animal procurement as well as rising personnel costs weakened the EBIT.

The change in the fair value of the biological assets amounted to EUR -0.2 (0.3) million in the July–September period.

January–September

Net sales were EUR 120.7 (119.0) million and comparable EBIT EUR 0.2 (4.9) 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 quarter. The share of novelties increased as well.

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

The change in the fair value of the biological assets amounted to EUR -0.5 (0.8) million in the January–September period.

Strategy implementation

HKScan's From Farm to Fork strategy and relating strategic focus areas were launched in August 2017. The five focus areas are: Focus on meat, Leadership in poultry, Continue growing the meals business, Cooperate with our farming community and Drive efficiency and cost-competitiveness. In order to secure the turnaround process, the Group's strategy execution was kicked off simultaneously in all strategic focus areas in autumn 2017.

The most significant step in implementing the strategy has been the Rauma poultry unit investment. The unit will significantly improve HKScan's competitiveness and enable new, innovative products in the growing poultry category. Regardless of challenges related to the ramp-up phase of the unit, HKScan succeeded during the second quarter of 2018 in improving its poultry delivery capability and consolidated the Finnish poultry volumes to Rauma. Operations at the Eura unit were also terminated. During the third quarter, the delivery capability improved further.

A programme for improving 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.

On 19 July 2018, HKScan specified further the content, financial targets and schedule of the 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 Group functions in the company's home markets.

As part of the efficiency improvement programme, HKScan has evaluated possibilities to further streamline its operational footprint. By more efficient utilisation of the production network, both unit-level capacity utilisation and product quality can be improved. HKScan's production network will gradually be developed further to become a group of centres of excellence specialised in dedicated categories. Supported by the ongoing investment, it has been decided, for example, that the Estonian Rakvere unit will specialise in the rapidly growing meals category. The production of skinless frankfurters will also be transferred from the Finnish Vantaa unit to Rakvere, where the Company has modern production capacity available. Another example of the specialisation is the Rauma unit that has specialised in poultry and also serves other markets with high quality poultry products. As an example, Finnish poultry products were launched in Sweden after the reporting period.

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 a long-term development programmes aimed at increasing beef farming in Finland and a unique hatching concept enabling chickens to be born at the farms where they are grown. HKScan has also developed pork, poultry and beef products based on completely antibiotic-free rearing, which is among the company's key competitive assets in export markets. HKScan has announced that the Group will partly and gradually replace soy-based protein in Finland with domestic pulses such as broad beans in its poultry feed. After the reporting period, 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. Preparations and construction work are proceeding according to plan.

A significant 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.

HKScan is executing its From Farm to Fork strategy with a strong focus on improving the Group's cost efficiency and productivity. Several consumer trends support the strategic transformation process. One of them is the growing demand for sustainably produced, high-quality food. By stressing quality and sustainability in all its operations, HKScan can 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 September was EUR 318.8 (228.9) million. Net debt was EUR 305.6 (193.4) million. It increased by EUR 112.3 million from the corresponding period in the previous year and by EUR 97.5 million from the year-end due to ramp-up costs and investment payments of the Rauma poultry plant. The net gearing ratio was 89.7 (51.4) per cent. Cash flow before investments decreased to EUR -47.0 (26.9) million.

The Group's liquidity remained good. Committed credit facilities at the end of September 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 31.5 (0.0) million.

During the third quarter, HKScan issued a EUR 40 million hybrid bond to strengthen 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 increased to EUR -2.9 (-2.5) million in the third quarter due to the increase in interest- bearing debt. Net financial expenses were EUR -8.6 (-6.9) million in January–September.

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.

The first cost-efficiency improvements can be seen resulting from the implementation of HKScan brand strategy, which emphasises the synergies of the Group-wide way of working. Significant steps have also been taken in improving the focus of product development.

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 is described in the Group's Report of Non-financial Information. It complements the Group's Annual Report 2017. Both reports were published on 15 March 2018. HKScan is in the process of revising its Corporate Responsibility agenda, targets and road map.

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 6,899 (7,038) people at the end of September 2018. The average number of employees in January–September was 7,275 (7,394). Of that number, 29.5 (29.2) per cent were located in Sweden, 40.5 (41.0) per cent in Finland, 8.8 (9.1) per cent in Denmark and 21.2 (20.7) per cent in the Baltics.

Salaries and remunerations to employees, including social costs, totalled EUR 237.5 (248.9) million in January–September 2018 and 78.1 (80.4) in the third 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 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.

During the second and third quarter, Group-wide actions for cascading HKScan's values have been taken. Cross-functional workshops have been arranged at all HKScan's offices and production units. A survey for measuring the status of the ongoing strategic transformation was also conducted among the employees during the second quarter. The results were encouraging, and the majority of the respondents considered the Group strategy to be clear. They also saw themselves as active parties in the change process.

Shares and shareholders

At the end of September 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 have been transferred without consideration to the participants of the share-based incentive plan according to its terms. At the end of September 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 September 2018 stood at EUR 117.7 (184.7) million, breaking down as follows: Series A shares had a market value of EUR 108.2 (166.3) million, and the unlisted Series K shares a calculational value of EUR 11.8 (18.5) million.

In January–September, a total of 6,939,843 (7,941,889) of the company's shares, with a total value of EUR 19,702,693 (26,012,657), were traded. The highest price quoted in the period under review was EUR 3.23 (3.60), and the lowest was EUR 2.00 (2.98). The average price was EUR 2.84 (3.28). At the end of September 2018, the closing price was EUR 2.18 (3.42).

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 as of 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 commences effective as of 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.

Short-terms risks and uncertainty factors

The most significant uncertainty factors in HKScan Group's business are related to sales and raw material prices, as well as management of global and local meat balances. Increased primary production costs, caused by the draught, 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. 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.

Securing the completion of the Rauma unit's ongoing ramp-up process and thereby minimising the risks related to it is continues to be the highest of the Group Management's priorities.

HKScan's risks are reported in more detail in the risk management section of the Annual Report 2017.

Events after the reporting period

After the reporting period, on 10 October 2018, HKScan announced that the review related to the rationalisation and adjustment of its Finnish production operations and statutory negotiations were completed. The number of employees will decrease by a total of 165 and there will be location-specific temporary layoffs. With these measures, the company estimates it will reach annual savings of about EUR 7 million. The rationalisation and adjustment of the Finnish production operations is part of HKScan's Group-wide efficiency improvement programme (Stock Exchange Release 19 July 2018) targeting annual savings of EUR 40 million during 2020 and onwards.

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 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.

Next financial report

HKScan Group's Financial Statements bulletin 2018 will be published on 6 February 2019.

Press conference for analysts and media

Information meeting related to HKScan Corporation's interim report January–September 2018
for analysts, institutional investors and media will be organised at Hotel Haven's auditorium (address: Eteläranta 16, Helsinki) at 10–11 a.m. on 7 November 2018.

The Interim Report will be presented by Jari Latvanen, President and 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 2018 (unchanged)

Global meat consumption is projected to increase 1.6 per cent per annum during the coming years. Consumption growth is estimated to be led by poultry. There are also several value related consumption trends that support HKScan's strategy implementation.

In 2018, HKScan expects its strategy implementation to start recording results in terms of value growth in sales and operational efficiency in production.

Vantaa, 7 November 2018

HKScan Corporation
Board of Directors

The company will emphasise the implementation of its From Farm to Fork strategy through five focus areas, which are Focus on meat, Leadership in poultry, Continue growing meals business, Cooperate with our farming community, and Drive efficiency and cost-competitiveness.

Further information is available from Jari Latvanen, President and CEO, and Mikko Forsell, CFO. Please submit a call-back request via the Group media desk +358 (0)10 570 5700 or email: communications@hkscan.com

HKScan is a Nordic meat and meals company. We employ over 7 300 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 2017, HKScan had net sales of EUR 1.8 billion, making us one of Europe's leading meat and meals companies.

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

Consolidated Interim Report 1 January – 30 September 2018

Consolidated income statement

EUR million	Note	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Net sales		416.2	452.4	1 260.7	1 332.7	1 808.1
Cost of goods sold	1.	-401.3	-428.0	-1 227.6	-1 265.8	-1 731.4
Gross profit		14.9	24.4	33.1	66.9	76.7
Other operating items total	1.	1.5	1.7	5.0	5.2	4.8
Sales and marketing costs	1.	-10.6	-11.2	-32.9	-39.1	-50.4
General administration costs	1.	-16.0	-15.7	-50.9	-51.0	-71.3
Operating profit		-10.1	-0.8	-45.7	-18.1	-40.3
Financial income		0.4	0.5	1.6	1.5	2.0
Financial expenses		-3.3	-3.0	-10.2	-8.5	-12.6
Share of profit/loss in associates and joint ventures		0.4	-0.3	0.9	0.6	1.7
Profit/loss before taxes		-12.6	-3.6	-53.3	-24.4	-49.2
Income tax		3.0	0.6	10.1	3.2	6.8
Profit/loss for the period		-9.6	-2.9	-43.3	-21.3	-42.4
Non-controlling interests		-0.3	-0.8	-0.8	-1.8	-3.0
Profit/loss for the period		-9.9	-3.8	-44.1	-23.1	-45.4

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

EPS, undiluted, continuing operations, EUR/share		-0.19	-0.07	-0.82	-0.43	-0.84
EPS, diluted, continuing operations, EUR/share		-0.19	-0.07	-0.82	-0.43	-0.84

Consolidated statement of comprehensive income

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Profit/loss for the period	-9.6	-2.9	-43.3	-21.3	-42.4
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	1.5	-0.2	-4.5	-1.0	-2.7
Cash flow hedging	-0.1	0.8	4.0	2.1	3.1
Actuarial gains or losses	0.0	0.0	0.0	0.0	-3.1
TOTAL OTHER COMPREHENSIVE INCOME	1.4	0.6	-0.5	1.1	-2.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-8.3	-2.4	-43.8	-20.1	-45.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-8.6	-3.2	-44.5	-22.0	-48.1
Non-controlling interests	0.3	0.8	0.8	1.8	3.0
Total	-8.3	-2.4	-43.8	-20.1	-45.1

Consolidated balance sheet

EUR million	Note	30.9. 2018	30.9. 2017	31.12. 2017
ASSETS				
Intangible assets	2.	134.8	144.1	137.2
Tangible assets	3.	439.1	432.3	458.2
Holdings		32.4	34.4	34.9
Other non-current assets		44.7	30.4	36.0
TOTAL NON-CURRENT ASSETS		651.1	641.2	666.3
Inventories	4.	121.8	126.6	111.8
Current receivables		137.2	121.5	123.7
Cash and cash equivalents		13.0	35.4	50.9
TOTAL CURRENT ASSETS		272.1	283.5	286.4
TOTAL ASSETS		923.2	924.6	952.7
EQUITY AND LIABILITIES				
EQUITY	5.	340.6	376.0	351.0
Non-current loans, interest-bearing		276.3	222.0	245.1
Non-current liabilities, non-interest-bearing		48.9	35.6	58.7
TOTAL NON-CURRENT LIABILITIES		325.2	257.5	303.8
Current loans, interest-bearing		42.5	6.9	14.1
Current liabilities, non-interest-bearing		214.7	284.2	283.8
TOTAL CURRENT LIABILITIES		257.3	291.1	297.8
TOTAL EQUITY AND LIABILITIES		923.2	924.6	952.7

Statement of changes in consolidated equity

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1.1.2018	**66.8**	**72.9**	**-6.8**	**143.5**	**0.0**	**10.3**	**-7.9**	**0.0**	**57.9**	**336.6**	**14.4**	**351.0**
Result for the financial period	-	-	-	-	-	-	-	-	-44.1	-44.1	0.8	-43.3
Other comprehensive income (+) / expense (-)												
Transl. diff.	-	-	-	-	-	-	-4.5	-	-	-4.5	-	-4.5
Cash flow hedging	-	-	4.0	-	-	-	-	-	-	4.0	-	4.0
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	**-**	**-**	**4.0**	**-**	**-**	**-**	**-4.5**	**-**	**-44.1**	**-44.5**	**0.8**	**-43.8**
Direct recognitions	-	-	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Transfers between items	-	-	-	-	-	-	-	-	-	-	-	-
IFRS 9, Change in opening balance	-	-	-	-	-	-	-	-	-1.0	-1.0	-	-1.0
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**	**-2.8**	**143.5**	**40.0**	**10.3**	**-12.4**	**0.0**	**7.9**	**326.1**	**14.5**	**340.6**

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1.1.2017	**66.8**	**72.9**	**-9.9**	**143.5**	**0.0**	**10.3**	**-5.3**	**0.0**	**116.5**	**394.8**	**14.9**	**409.7**
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 distribution	-	-	-	-	-	-	-	-	-8.6	-8.6	-0.4	-9.0
EQUITY ON 30.9.2017	**66.8**	**72.9**	**-7.9**	**143.5**	**0.0**	**10.3**	**-6.2**	**0.0**	**83.4**	**362.8**	**13.2**	**376.0**

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

Cash flow statement

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Cash flow before change in net working capital	3.5	16.5	-3.9	29.4	30.0
Change in net working capital	-15.9	-1.6	-43.1	-2.5	27.9
Financial items and taxes	-5.7	-3.9	-6.9	-7.8	-12.1
CASH FLOW FROM OPERATING ACTIVITIES	-18.1	10.9	-53.9	19.1	45.7
Cash flow from investing activities	-10.0	-26.8	-77.2	-61.9	-104.0
CASH FLOW AFTER INVESTING ACTIVITIES	-28.1	-15.9	-131.1	-42.8	-58.3
Hybrid loan	39.8	-	39.8	-	-
Change in loans	-11.8	31.6	59.0	84.9	115.4
Dividends paid	-	-	-5.5	-9.0	-9.0
Transactions with non-controlling interests	-	-	-	-4.5	-4.5
CASH FLOW FROM FINANCING ACTIVITIES	28.0	31.6	93.3	71.4	101.9
NET CASH FLOW	-0.2	15.6	-37.8	28.6	43.6
Cash and cash equivalents at beginning of period	13.1	19.9	50.9	6.6	6.6
Translation differences	0.1	-0.1	0.0	0.1	0.6
Cash and cash equivalents at end of period	13.0	35.4	13.0	35.4	50.9

Financial indicators

	30.9.2018	30.9.2017	31.12.2017
Earnings per share (EPS), undiluted, EUR	-0.82	-0.43	-0.84
Earnings per share (EPS), diluted, EUR	-0.82	-0.43	-0.84
Equity per share, EUR	6.04	6.72	6.23
Equity ratio, %	36.9	40.7	36.9
Adjusted average number of outstanding shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	28.7	82.1	125.5
Employees, end of month average	7,275	7,394	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 (%)	$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$
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
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 interim report

Accounting policies

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

Analysis by segment

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
NET SALES					
- Sweden					
Sales, goods	162.8	193.8	500.0	556.4	759.0
Sales, services	0.0	0.1	0.1	0.3	0.3
- Finland					
Sales, goods	171.1	178.2	523.7	542.4	738.2
Sales, services	0.9	0.8	2.6	2.8	4.0
- Denmark					
Sales, goods	39.4	37.9	113.6	111.8	147.8
Sales, services	0.0	0.0	0.0	0.0	0.0
- Baltics					
Sales, goods	41.8	41.6	120.5	118.8	158.5
Sales, services	0.1	0.1	0.2	0.2	0.2
Group total	**416.2**	**452.4**	**1 260.7**	**1 332.7**	**1 808.1**
EBIT					
- Sweden	3.0	3.0	3.1	0.6	5.4
- Finland	-9.5	-2.4	-34.0	-4.3	-16.5
- Denmark	-1.5	-0.6	-3.5	-6.5	-13.9
- Baltics	0.9	2.8	0.2	4.9	4.4
- Between segments					
Segments total	-7.2	2.8	-34.2	-5.2	-20.6
Group administration costs	-3.0	-3.6	-11.5	-12.9	-19.7
Group total	**-10.1**	**-0.8**	**-45.7**	**-18.1**	**-40.3**
INVESTMENTS					
- Sweden	1.1	2.8	4.9	8.4	13.7
- Finland	4.8	19.7	15.3	65.3	100.4
- Denmark	0.6	0.2	0.9	0.8	1.3
- Baltics	3.3	2.3	7.6	7.6	10.0
Total	**9.8**	**25.0**	**28.7**	**82.1**	**125.5**
AVERAGE NUMBER OF EMPLOYEES					
- Sweden			2 147	2 162	2 139
- Finland			2 949	3 029	2 964
- Denmark			639	673	663
- Baltics			1 540	1 530	1 527
Total			**7 275**	**7 394**	**7 292**

Notes to the income statement

1. Items affecting comparability

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	2017
Comparable EBIT	**-10.1**	**2.7**	**-45.3**	**-5.3**	**-17.6**
Termination of employment, Group Management 1)	-	-	-	-1.0	-1.6
Termination of employment, Sweden 1)	-	-	-0.1	-2.7	-2.7
Termination of employment, Sweden 3)	-	-	-	-0.5	-0.5
Closing of sales office, Sweden 1)	-	-	-0.2	-	-
Termination of employment, Finland 1)	-	-	-	-0.2	-0.2
Termination of employment, Finland 3)	-	-	-	-0.3	-0.3
Impairment of assets, Finland 3) 4)	-	-3.4	-	-4.2	-4.2
Environmental provision, Finland 2)	-	-	-	-	-2.5
Termination of employment, Denmark 1)	-	-	-	-0.2	-0.3
Termination of employment, Denmark 3)	-	-	-	-0.3	-0.3
Impairment of assets, Denmark 3) 4)	-	-	-	-3.4	-10.1
EBIT	**-10.1**	**-0.8**	**-45.7**	**-18.1**	**-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	1-9/2018	1-9/2017	2017
Opening balance	137.2	143.0	143.0
Translation differences	-3.9	-0.9	-2.6
Additions	0.6	1.2	1.7
Additions, business acquisitions	-	-	-
Disposals	-	-	-
Depreciation and impairment	-1.8	-1.7	-7.6
Reclassification between items	2.8	2.5	2.8
Closing balance	134.8	144.1	137.2

3. Changes in tangible assets

EUR million	1-9/2018	1-9/2017	2017
Opening balance	458.2	401.7	401.7
Translation differences	-3.0	-0.4	-1.3
Additions	28.1	80.9	123.9
Additions, business acquisitions	-	-	-
Disposals	-1.0	-1.4	-1.4
Depreciation and impairment	-40.4	-45.9	-61.8
Reclassification between items	-2.8	-2.5	-2.8
Closing balance	439.1	432.3	458.2

4. Inventories

EUR million	1-9/2018	1-9/2017	2017
Materials and supplies	74.1	66.9	62.9
Semi-finished products	5.3	4.2	4.3
Finished products	34.8	46.5	36.8
Other inventories	0.2	0.3	0.3
Inventories, advance payments	1.4	1.0	0.7
Biological assets	6.0	7.6	6.8
Total inventories	**121.8**	**126.6**	**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
1.1.2018	54,017,673	66.8	72.9	143.5	0.0	283.1
30.9.2018	54,034,174	66.8	72.9	143.5	0.0	283.1

Derivative instrument liabilities

EUR million	30.9.2018	30.9.2017	31.12.2017
Nominal values of derivative instruments			
Foreign exchange derivatives	44.4	49.2	41.4
Interest rate derivatives	119.0	121.3	120.6
Electricity derivatives	9.5	5.7	7.4
Fair values of derivative instruments			
Foreign exchange derivatives	-0.2	0.3	-0.1
Interest rate derivatives	-8.3	-11.1	-10.2
Electricity derivatives	3.6	0.5	0.5

Consolidated other contingent liabilities

EUR million	30.9.2018	30.9.2017	31.12.2017
Debts secured by pledges or mortgages			
- loans from financial institutions	-	-	-
On own behalf			
- Mortgages given	-	-	-
- Assets pledged	-	3.1	-
On behalf of others			
- guarantees and other commitments	13.3	12.9	17.2
Other contingencies			
Leasing commitments	8.1	7.1	7.4
Rent liabilities	44.3	32.1	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.

	30.9.2018	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	0.0	-	0.0	-
- Commodity derivatives	3.6	-	3.6	-
of which subject to cash flow hedging	3.6	-	3.6	-
Total	**3.7**	**0.0**	**3.7**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-8.3	-	-8.3	-
of which subject to cash flow hedging	-8.3	-	-8.3	-
- Foreign exchange derivatives	-0.2	-	-0.2	-
- Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	**-8.5**	**0.0**	**-8.5**	**0.0**

	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 of 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	1-9/2018	1-9/2017	2017
Sales to associates	15.4	13.0	17.7
Purchases from associates	24.1	24.7	33.0
Trade and other receivables	2.2	2.3	2.3
Trade and other payables	6.8	6.3	5.8