

14. BUSINESS COMBINATIONS

There were no business combinations in 2016.

On 2 July 2015 HKScan Finland Oy acquired a 50 per cent stake in Paimion Teurastamo Oy as part of its strategy to boost profitable growth. Following the deal Paimion Teurastamo Oy became a subsidiary of HKScan. Purchase consideration was EUR 5.9 million and it was paid in cash.

Specializing in beef slaughtering, Paimion Teurastamo operates in a Paimio-based facility commissioned in 2012. The company is profitable, accruing EUR 13.8 million in net sales in 2014. The company has roughly 40 employees.

The deal supports the Group's strategic beef project aiming to promote innovation and a consumer-driven offering development of beef in all its home markets. HKScan additionally has a beef slaughtering facility based in Outokumpu. With two specialized beef slaughterhouses, livestock transport distances are minimized, offering contract producers greater speed and flexibility in pick-up schedules.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Note	Fair value
Intangible assets	11.	0.1
Tangible assets	13.	7.8
Inventories		0.1
Trade receivables and other receivables		1.3
Cash		0.5
Total assets		9.7
Deferred tax liability	17.	1.0
Trade payables and other liabilities		1.2
Total liabilities		2.1
Net assets acquired		7.5
Goodwill from the acquisition:		
Purchase consideration		5.9
Non-controlling interest's proportionate share of the acquired entity's net identifiable assets		3.8
Acquired entity's net identifiable assets		-7.5
Goodwill		2.1

Goodwill amounting to EUR 2.1 million was recorded from the acquisition, and it is based on the expected synergies. Goodwill will not be deductible for tax purposes.

There are no material acquisition-related costs in other operating expenses.

The acquired business contributed revenues of EUR 7.7 million and EUR -0.1 million net profit to the Group's financial year 2015. If the acquisition had occurred on 1 January 2015, the Group's revenue would have been EUR 7.2 million and net profit EUR 0.1 million higher.