HKSCAN

Half Year Financial Report 2021

HKScan's Half Year Financial Report 1 January – 30 June 2021

HKScan's improved EBIT driven by Finland and Sweden

April-June 2021

- HKScan's net sales totalled EUR 449.3 (440.9) million. Food service sales increased significantly from the comparison period as a result of the gradual removal of restrictions related to the Covid-19 pandemic but were still clearly lower than in 2019. The impact of the Swedish exchange rate was clearly positive.
- EBIT improved by EUR 3.6 million to EUR 3.7 (0.1) million.
- Strategic investments in new product categories raise the Eura production unit's utilisation rate and an impairment reversal of EUR 3.0 million was recorded as a result of the improved outlook.
- Comparable EBIT was EUR 0.7 (0.6) million.
- Strong profit improvement continued in Finland. EBIT improved by EUR 6.0 million and comparable EBIT by EUR 2.9 million.
- Good development in Sweden continued and comparable EBIT improved by EUR 0.6 million.
- The avian flu situation in Denmark and the resulting restrictions on exports outside the EU had a significant negative impact on EBIT, although other parts of the business in Denmark developed as planned.
- As a market area, the Baltics is sensitive to import price pressure, and defending the market position as well as the challenges faced by primary production clearly weakened the EBIT. Corrective actions have been initiated to turn the profit development.
- Cash flow from operating activities remained at a good level of EUR 24.9 (27.8) million. The working capital released from inventories was lower than before.

January-June 2021

- HKScan's net sales totalled EUR 876.8 (869.8) million. Growth continued in retail sales of the branded products. Food service sales started to recover towards the end of the review period, but sales were still lower than in the comparison period. The impact of the Swedish exchange rate was clearly positive.
- EBIT improved by EUR 6.4 million to EUR 2.6 (-3.8) million.
- Comparable EBIT improved by EUR 2.9 million to EUR -0.5 (-3.4) million.
- Strong profit improvement continued in Finland. EBIT improved by EUR 8.9 million and comparable EBIT by EUR 5.9 million.
- Sweden continued its good performance, improving its comparable EBIT by EUR 1.4 million.
- In Denmark, the strategy implementation continues as planned, but the avian flu detected in the country and the resulting restrictions on exports outside the EU had a significant negative impact on EBIT.
- In the Baltics, EBIT weakened clearly and the causes have been identified. Corrective actions have been initiated to turn the profit development.
- Cash flow from operating activities improved by EUR 7.6 million to EUR 28.1 (20.5) million.
- Interest-bearing net debt was EUR 298.5 (315.0) million and net gearing 92.8 (101.2) per cent.

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

Outlook 2021

HKScan estimates that the Group's comparable EBIT in 2021 will improve compared to 2020.

Key figures, net sales

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales	449.3	440.9	876.8	869.8	1 781.0
Finland	193.8	191.6	373.7	373.5	772.4
Sweden	171.1	162.0	332.9	315.4	662.1
Baltics	42.2	44.5	82.7	87.8	175.0
Denmark	42.2	42.7	87.6	93.1	171.5

Key figures, EBIT

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
EBIT	3.7	0.1	2.6	-3.8	21.3
- % of net sales	0.8	0.0	0.3	-0.4	1.2
Comparable EBIT	0.7	0.6	-0.5	-3.4	17.0
- % of net sales	0.1	0.1	-0.1	-0.4	1.0
Comparable EBIT, Finland	0.7	-2.2	0.2	-5.7	6.0
- % of net sales	0.4	-1.2	0.1	-1.5	0.8
Comparable EBIT, Sweden	4.9	4.3	7.2	5.8	19.0
- % of net sales	2.9	2.7	2.2	1.8	2.9
Comparable EBIT, Baltics	-0.5	1.0	0.2	1.9	4.0
- % of net sales	-1.1	2.1	0.2	2.2	2.3
Comparable EBIT, Denmark	-1.1	0.1	-1.1	0.8	1.1
- % of net sales	-2.6	0.3	-1.3	0.8	0.6

Key figures, other

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
EBITDA	16.3	16.4	31.0	29.0	78.1
Profit before taxes	1.8	-2.0	-3.9	-8.5	12.3
- % of net sales	0.4	-0.4	-0.4	-1.0	0.7
Profit for the period	0.5	-3.2	-5.7	-10.1	4.8
- % of net sales	0.1	-0.7	-0.6	-1.2	0.3
EPS, EUR	-0.01	-0.05	-0.08	-0.12	-0.01
Comparable EPS, EUR	-0.04	-0.04	-0.11	-0.12	-0.05
Cash flow from operating activities	24.9	27.8	28.1	20.5	63.7
Cash flow after investing activities	14.3	-24.1*	83.9*	-42.7*	-21.4*
Return on capital employed (ROCE) before taxes, %			5.1	-0.3	3.9
Interest-bearing net debt			298.5	315.0	299.6
Net gearing, %			92.8	101.2	91.0

* Year 2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.
1-6/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

HKScan's CEO Tero Hemmilä

April–June

Although our review period EBIT is better than the comparison period EBIT, we still have a lot of room for improvement. The April-June EBIT increased to EUR 3.7 million, from the comparison period's EUR 0.1 million. Comparable EBIT was EUR 0.7 million, while it was EUR 0.6 million in the comparison period. The rolling 12-month comparable EBIT was almost EUR 20 million at the end of the review period. The review period's cash flow after investments improved by more than EUR 38 million to EUR 14.3 million. The comparison period's cash flow was weakened by the acquisition of the Vantaa plot of land, but even after adjustment, cash flow slightly improved. The company's balance sheet strengthened and net gearing decreased to 92.8 per cent.

In April-June, our net sales increased by some 2 per cent, although the main part of the increase was due to the exchange rate effect of the Swedish krona. Food service sales started to gradually recover during the review period and were clearly better than in the comparison period, but still well below the pre-pandemic level. We did well in our own branded products, especially in meat products and meal components, which has also decreased the need for more cyclical exports.

I am pleased that HKScan's largest markets in Finland and Sweden performed well. The situation is not satisfactory in Denmark and the Baltics, the result was clearly disappointing. We have initiated corrective actions to turn the profit development.

We have identified the factors affecting the review period's profit development. The development in Finland and Sweden as well as the good development in sales of our own branded products had a significant impact on the review period's performance. In Denmark, the avian flu situation affecting the whole industry and resulting restrictions on exports outside the EU had a significant negative impact on our performance. Avian flu has still been detected in Denmark, but it is possible that exports outside the EU will resume in the autumn, provided that no new cases of avian flu emerge. For other parts, our strategy has progressed as planned in Denmark and we will continue to focus on strengthening our market position in Denmark and Sweden with fresh and added-value poultry products. In the Baltics, the market price has weakened as a result of lower import prices, and defending our market position weakened the performance. At the same time, particularly in Estonia, the entire retail market declined in the product categories we are present during the review period, affecting clearly our sales. The situation caused by the difficult Covid-19 pandemic, especially in Estonia, resulted in higher production costs. In Finland, strategic investments supporting profitable growth were made in new product categories, resulting in a reversal of a previously recorded impairment of fixed assets. This had also a significant impact on EBIT.

The impact of the Covid-19 pandemic on our business remained clear and resulted in additional costs as well as structural variation in consumer demand. Through the strong commitment of all our employees, we ensured that our production units and entire supply chain operated without significant disruption. We will continue to follow the company's own preventive restrictions across our operations.

January–June

EBIT for the first half of the year improved by EUR 6.4 million to EUR 2.6 million while it was still negative in the comparison period. Our comparable EBIT was still EUR 0.5 million negative, but EUR 2.9 million up from the comparison period. Finland and Sweden were the clear profit drivers. Finland's EBIT was even EUR 8.9 million and Sweden's EUR 1.5 million better. EBIT weakened in Denmark and the Baltics.

Cash flow from operating activities strengthened from the comparison period by EUR 7.6 million thanks to efficient working capital management. Cash flow after investments improved exceptionally by EUR 126.6 million as the Vantaa plot acquired in the comparison period was sold together with the buildings during the review period. Cash flow, property sales adjusted, improved by EUR 12.8 million.

Strategic investments in growth

During the review period, we made strategic investment decisions to strengthen our position in growing and profitable food moments and product categories and to use new raw materials. We aim to grow in snack products and are investing in related new manufacturing technology in Finland.

In addition, we are investing in new technology at our Vantaa production unit, which enables growth in fresh meals in service counters and as packaged products.

During the review period, Mäkitalon Maistuvat Oy joined our partnership network, launching in April ready-to-eat salads in a strongly growing product category. To complement the sales and distribution partnership, HKScan acquired a minority share of about 25 per cent in Mäkitalon Maistuvat at the end of June, which strengthens our position in plant-based meals.

On a journey into a versatile food company

HKScan’s three-year Turnaround programme is ending at the end of 2021. It can already be said that the company has risen from a deep financial crisis to a situation where its financial base is more stable. During the Turnaround programme, the company’s comparable EBIT has already improved cumulatively by over EUR 66 million and cash flow from operating activities by almost EUR 86 million from 2018. The initial profit improvement target of our Turnaround programme has not been fully reached. The Covid-19 pandemic and animal diseases have had a considerable impact, slowing down the planned profit improvement. Comparable EBIT has improved in each quarter in relation to the comparison period. The improvement in net gearing has also brought flexibility on the balance sheet.

However, it is clear that the company's balance sheet and profitability have not developed to a sufficient level in any market area. In the coming years, we will continue to focus on improving profitability in our core business. Commercial success built on strong customer relationships, customer insight and branding as well as improved productivity and cost efficiency in our core business is essential, which will eventually create the financial and operational basis for business expansion and diversification.

In line with its long-term strategy, HKScan is growing into a versatile food company. Implementing the strategy requires both new competences and financial flexibility. It is therefore essential that we diversify our skills while continuing the determined and continuous development of our activities. We are also looking for new profitable growth and, within our financial resources, we are actively pursuing new business opportunities that implement our strategy to grow into a versatile food company. The partnership strategy plays a significant role in this. Through partnerships, we can move into new business areas quickly and flexibly. We aim to scale up even small new businesses, taking advantage of the company's extensive commercial platform. With our partnership strategy, we have made the fastest progress in the Finnish market. Examples of partnerships are the long-standing Kivikylä and Tamminen and the latest, Hes-Pro, Boltsi and Mäkitalon Maistuvat.

HKScan needs a stronger balance sheet to complete a more significant food company transformation as we build new food businesses and ways to face market changes alongside our existing core businesses in the future. We are constantly evaluating the position of our different businesses as part of the Group and its strategy. The ending Turnaround period will be followed by a phase in which improving the profitability of our core business will remain a priority. In addition, we will actively strengthen the company’s balance sheet in various means to enable a clearer and more impressive food company transformation.

Advanced corporate responsibility work is serving as a solid foundation for the whole business. It is the new normal in the operating environment, driving the company's performance and balance sheet. HKScan's systematic development of responsibility work has been recognised by independent international sustainability rating companies; we improved our performance in the annual ESG (Environment, Social, Governance) ratings. In addition, HKScan was the only food company in the Baltic Sea region to be included in the Financial Times’ list of Europe’s Climate Leaders published in May.

HKScan Group continues its goal-oriented climate work through its Zero Carbon programme aiming at a carbon-neutral food chain by the end of 2040. In addition to our own production activities, we have this year focused on climate issues in primary production and on building scalable ways to reduce emissions and increase carbon sinks together with our contract farmers and partners.

For over a year now, our personnel, contract farmers, customers and other partners have been experiencing a very special time. Thank you all for your cooperation during this exceptional period.

We are developing HKScan’s business comprehensively and with the Turnaround achieved, we will be moving forward on a stronger basis. Our clear target is to grow into a versatile food company creating strong shareholder value.

Key events in April–June 2021

HKScan strengthening in plant-based meals and acquired a minority share in Mäkitalon Maistuvat Oy

At the end of June, HKScan acquired 24.9 per cent of the share capital of Mäkitalo Maistuvat Oy, which supports HKScan's strategic target to grow in meals and plant-based products. Mäkitalon Maistuvat is also an example of HKScan's partnership strategy to grow quickly and flexibly in its strategically important business areas. The collaboration between HKScan and Mäkitalon Maistuvat started in April 2021 with a sales and distribution partnership, which expanded HKScan's product range in Finland to include ready-to-eat salads.

Sales targets for the first months of the ready-to-eat salads sold under the Mäkitalon Farmi brand were clearly exceeded. Annual growth in sales of ready-to-eat salads in Finland is around 15 per cent, and already more than 20 million salad meals are sold each year according to HKScan's Insight & Foresight analysis.

The salad production is being developed to meet the growing demand. In June, a new packaging line was installed in Eura unit producing salads, which will not only increase capacity, but also enable new types of products and expansion into new categories.

HKScan strengthening its position in consumers' food moments by investing EUR 5.4 million in premium fresh meals and snacks

In autumn 2021, a new production technology will be completed at HKScan's Vantaa unit, enabling production of fresh meals to be sold in service counters and as packaged products. Premium meals will have high nutritional quality and genuine flavours. Consumers' need for convenient, nutritionally high-quality and delicious ready meals has further strengthened during the Covid-19 pandemic. The novelties will be in groceries this autumn.

In addition, HKScan decided to invest in new manufacturing technology that will enable strengthening in the growing snack product category. The investment will be completed in summer 2022 at HKScan's production unit in Eura where already today, the company's poultry products are packed and Mäkitalon Farmi's ready-to-eat salads are produced.

The combined value of investments is nearly EUR 5.4 million. They contribute to HKScan's strategic target to have a stronger presence in consumers' various food moments and to diversify the product portfolio.

Denmark progressing as planned with the strategy implementation

In Denmark, the strong focus on adding value in selected product categories was reflected in a clear sales increase. HKScan has been able to successfully shift sales from low margin frozen export products to fresh and higher added-value products. Increasing the level of added-value is in line with HKScan's strategy. Denmark has a lot of potential in its home market and the Swedish export market.

A strategic shift in sales focus from low margin exports to higher added value products will partially reduce the negative effects of avian flu. In the first half of the year, the negative impact of avian flu on the profitability of HKScan's Danish business was still significant.

Covid-19 pandemic has slowed down HKScan's profit improvement

The pandemic has slowed down HKScan's profit improvement as food service sales have been significantly lower than normal throughout the pandemic. In the review period April-June 2021, food service sales increased with the gradual removal of restaurant restrictions but were still clearly below the 2019 level. HKScan's service level has remained at good levels throughout the pandemic.

HKScan's employees' response to the exceptional situation, lasting more than a year, has been exemplary. The company's key goal has been to safeguard the health and safety of its employees and to ensure business continuity throughout the food chain. The commitment of all personnel and uncompromising compliance with the company's own preventive restrictions has been crucial to the success.

After the summer holiday period, HKScan will assess a gradual removal of its preventive restrictions in its operations. The pandemic situation and vaccination coverage in the company's main home markets will play a key role in this respect. In the autumn, the company will also launch a new Group-wide working guidelines.

Food that does good

Advanced responsibility work is the basis of HKScan's strategy. Key figures of the responsibility programme 'Food that does good' for 2020 and, when applicable, for January-June 2021 are reported in the Half Year Financial Report before the Tables section.

HKScan Group continues its determined climate work with the target of carbon-neutral food chain by the end of 2040. During the review period, the company committed to setting climate targets through the Science Based Targets (SBT) initiative. Science-based climate targets validated by the expert committee will promote HKScan's Zero Carbon climate plan and support the company's journey towards carbon-neutral food production.

During the review period, HKScan advanced its Zero Carbon climate plan especially in primary production. As the growing season began, the company launched a series of trials and studies on its 60 pilot farms in Finland and Sweden, with the aim of finding concrete ways to reduce climate impacts that can be scaled up for wider use. Together with its contract farmers and partners, HKScan is examining, for example, increasing carbon sequestration in fields and optimisation of fertilisation using satellite technology.

In March, HKScan introduced a new animal transport planning system in Sweden that reduces climate emissions from transport by some 160 tonnes of CO_2e per year. The system enables better optimisation of driving routes.

HKScan was the first in the world to calculate the environmental footprint of chicken. The calculation made on the Kariniemen® pilot farm included the carbon and water footprints in primary production of chicken and the impact of production on eutrophication of water bodies and biodiversity. The calculation showed that Kariniemen® chicken's carbon and water footprint are at a good level and the eutrophication impact was estimated to be marginal. In addition, the activities maintaining biodiversity have been well taken into account. The calculation showed that Finland is an excellent place for meat production from an environmental point of view, particularly due to its abundant water resources.

Clear improvement in responsibility ratings

HKScan's systematic development of sustainability work has been recognised by independent international responsibility rating companies. HKScan improved its results in the annual ESG (Environment, Social, Governance) assessments. In the ESG assessments of Sustainalytics and ISS (Institutional Shareholder Services), HKScan was ranked within the top fifth among hundreds of international food companies. In the Sustainalytics rating, HKScan was ranked in the top 10 per cent among producers of packaged food.

The Financial Times published a listing of Europe's Climate Leaders in May. The list included 300 European companies that have reduced climate emissions from their own production the most in relation to net sales in 2014-2019. HKScan was the only food company on the list in the Baltic Sea region.

Safety First

HKScan works in a goal-oriented way towards zero injuries at work and promotes a safety culture at work in many ways. Lost time injuries have decreased for several years, but at the beginning of 2021, the number of accidents grew in the difficult Covid-19 situation. Measures to remedy the situation were launched early in the year and the number of accidents levelled off in April-June.

Group net sales and EBIT

April–June

Net sales

HKScan’s net sales were EUR 449.3 (440.9) million. Net sales were increased by the recovery of food service sales as the restaurant restrictions were gradually removed in all home markets and with the retail sales of the company’s own branded products focusing on products with higher added value. Growth was particularly seen in the sales of the company’s own branded meals, meal components and meat products, such as sausages and cold cuts.

HKScan's exports met their targets, excluding the export restrictions put up in response to the cases of avian flu in Denmark.

HKScan's net sales grew from the comparison period in Finland. The net sales in Sweden was on the comparison period level in local currency. The positive impact of the exchange rate change of the Swedish krona, i.e., the conversion of net sales made in local currency into euro, on net sales was EUR 8.2 million. Net sales in the Baltics and Denmark decreased.

EBIT

The comparable EBIT was EUR 0.7 (0.6) million. The EBIT improved by EUR 3.6 million to EUR 3.7 (0.1) million. The effect of the exchange rate change of the Swedish krona on the EBIT was positive at EUR 0.2 million.

Strategic investments in new product categories raise the Eura production unit’s utilisation rate and an impairment reversal of EUR 3.0 million was made as a result of the improved outlook and recorded under items affecting comparability. The comparison period EBIT included non-recurring items amounting to EUR -0.5 million. Items affecting comparability are described in more detail in the Tables section of this report.

Finland’s comparable EBIT improved by EUR 2.9 million and EBIT by EUR 6.0 million. Sweden’s comparable EBIT improved by EUR 0.6 million. The avian flu situation in Denmark and the resulting restrictions on exports outside the EU had a significant negative impact on EBIT, although the rest of the business developed as planned. As a market area, the Baltics is sensitive to import price pressure, and defending the market position as well as the challenges faced by primary production clearly weakened the EBIT. Corrective actions have been initiated to turn the profit development.

January–June

Net sales

HKScan's net sales was EUR 876.8 (869.8) million. Net sales were at the comparison period level in Finland and at comparable figures also in Sweden. The positive impact of the exchange rate change of the Swedish krona, i.e., the conversion of net sales made in local currency into euro, on net sales was EUR 16.6 million. Net sales in the Baltics and Denmark decreased.

Net sales were increased as a result of sales growth in retail and, in particular, sales of the own branded products, which, in line with the strategy, focused on products with a higher added value. Food service sales started to recover towards the end of the review period, but net sales were still lower than in the comparison period. In the Baltics, net sales decreased due to the reduced availability of pork in relation to the comparison period and the pressure on sales prices caused by cheaper meat raw material imported from abroad.

In Denmark, avian flu caused restrictions on exports outside the EU. Otherwise, HKScan’s exports to China and other export markets were in line with the target.

EBIT

The Group’s EBIT improved by EUR 6.4 million to EUR 2.6 (-3.8) million. Comparable EBIT improved by EUR 2.9 million, totalling EUR -0.5 (-3.4) million. The effect of the exchange rate change of the Swedish krona on the EBIT was positive at EUR 0.4 million.

Non-recurring items that affected the EBIT positively during the period totalled EUR 3.0 million. The comparison period EBIT included non-recurring items amounting to EUR -0.5 million. Items affecting comparability are described in more detail in the Tables section of this report.

EBIT was strenghtened by commercial improvements in retail sales and sales focused on products with a higher added value. In the Baltics, EBIT weakened clearly, and the causes have been identified. Actions to correct the profit development have been initiated. In Denmark, the export restrictions put up in response to the avian flu cases had a significant negative impact on the EBIT.

Balance sheet, cash flow and financing

At the end of June, HKScan's balance sheet total was EUR 967.8 (945.1) million. The Group's interest-bearing debt at the end of June was EUR 331.4 (337.0) million including IFRS 16 lease liability EUR 108.7 (36.1) million. The increase in lease liability was due to the lease liabilities generated by the rental of the property in Vantaa as agreed on in connection with the sale of the property, and the extension of the logistics centre lease in Sweden. The company’s net debt decreased by EUR 16.5 million from the comparison period to EUR 298.5 (315.0) million. From the turn of the year, the decrease in the net debt was EUR 1.1 million.

HKScan’s net gearing ratio was 92.8 (101.2) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 33.8 percentage points.

At the end of June 2021, the company had, in its balance sheet, a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The coupon interest of the hybrid bond is fixed at 8 per cent per annum until the first redemption date. The hybrid bond is treated as equity. 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 in 2023, and subsequently, on each annual coupon interest payment date.

HKScan entered into a new revolving credit facility agreement of EUR 100.0 million with its financing banks, which will mature in 2024. It replaced the previous revolving credit facility agreement maturing 2022. HKScan linked the new credit agreement with its responsibility targets, on which the company’s comprehensive corporate responsibility work provided a strong basis.

The Group's liquidity remained good. Committed credit facilities at the end of June 2021 stood at EUR 100.0 (100.0) million and were entirely undrawn. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 67.0 (69.5) million.

Net financial expenses were EUR -3.0 (-2.6) million in April-June and EUR -8.3 (-5.6) million in January-June. The net financial expenses were higher than during the comparison period as a result of non-recurring costs related to financing arrangements.

Cash flow from operating activities was EUR 24.9 (27.8) million in April-June and EUR 28.1 (20.5) million in January-June. Cash flow after investments was EUR 14.3 (-24.1) million in April-June and EUR 83.9 (-42.7) million in January-June. Cash flow from investments includes the positive effect of EUR 76.1 million from the sale of the Vantaa property.

Pending processes with the authorities

The Danish tax authorities have conducted an audit of energy taxes covering the period 2011–2020 in HKScan Denmark A/S, which is a subsidiary of the Group. At the end of 2020, the Danish tax authorities issued their decision, according to which the company should repay past refunds of energy taxes amounting to 24.7 million Danish krone (ca. EUR 3.3 million) in the pending matter. Further, it cannot be excluded that in addition to the currently pending matter, the company could separately be imposed penal sanctions as a result of the tax audit. HKScan Denmark A/S has submitted an appeal concerning the decision.

HKScan recorded the expense in the last quarter of 2020 and paid the amount to the authorities in the first quarter of 2021.

Investments

HKScan's investments totalled EUR 11.4 (52.7) million in April–June. Investments for January-June were EUR 21.3 (60.7) million. In addition, IFRS 16 increases to right-of-use assets totalled EUR 0.8 (1.4) million in April-June and EUR 78.4 (3.0) million in January–June. These include the lease agreement for the Vantaa production unit and the extended lease agreement for the logistics centre in Sweden.

The investment in the new slaughter process for the Rauma poultry unit was taken into use at the end of March 2021 and it enables the improvement of the raw material yield and productivity in the whole process. The further development of the process in Rauma is proceeding as planned. Although the target level is still some way off, the unit's key figures are currently at a much better level than before. HKScan's poultry unit in Rauma produces nearly half of Finland's poultry products. The investment enables the company to meet the strong growth in demand for responsibly-produced Kariniemen® poultry products.

Key investments in April–June 2021

In Finland, HKScan's subsidiary Kivikylän Kotipalvaamo took a new meatball production line into use. The investment enables the company to enhance its meatball production and keep up with the further growth in demand for meatballs.

The Kristianstad production unit in Sweden completed its investment aimed at advancing the production of smoked value-added products. This investment is part of a broader overall plan intended to develop the production facilities, product flows, cost efficiency and to reduce environmental impacts of the Kristianstad unit during 2020–2021.

The new Baltic logistics centre investment announced in February 2020 is proceeding according to schedule. The modern logistics facility is being built close to Tallinn and will be taken into use in August 2021. HKScan will combine the operations of its Rakvere and Riga logistics centres to the new facility. The new logistics centre, which will serve the entire Baltic region, will significantly improve the entire logistics chain and clearly reduce the costs and environmental impacts of the logistics. HKScan has a long-term lease agreement with Astlanda Ehitus, the company building the new facility.

The export of dumplings and traditional Asian dim sum products produced in Latvia is growing to Central Europe. Last year, HKScan invested in the expansion of dumpling production at the Jelgava production unit and, during the review period, investments were made to further expand the production capacity.

HKScan's production unit in Poland specialises in bacon. In order to meet the growing demand for bacon products in all of the company's home markets, a new slicing and packaging line was taken into use in Poland during June as a means of increasing the capacity and productivity of the unit. HKScan aims to increase bacon sales not only in its own business units but also to external customers in Poland and export markets.

Investments that advance the implementation of the company's strategy and improve productivity are key aspects of HKScan's investment planning for the coming years.

Operating environment

Changes in key sales channels and product categories

The changes caused by the Covid-19 pandemic in HKScan's key sales channels, sales structure and the development of different product categories remained clear in April-June. The most significant change in relation to the beginning of the year was seen at the end of the second quarter, when the demand in the food service channel began to recover along with the gradual removal of restrictions set up in response to the pandemic.

Retail food sales, which were heavily strengthened by the pandemic, remained at a higher than normal level, as consumers were primarily eating in their own homes as a result of pandemic restrictions. The growth in online food sales and deliveries directly to consumers' homes continued and were on a higher level than before the pandemic.

Retail sales in all of HKScan's product categories saw positive development in all the company's home markets and the market has grown in terms of both value and volume. Growth in the demand has continued for HKScan's pork and beef products, as well as meat products, such as sausages and cold cuts even though sales during the comparison period in 2020 were on a good level. The development of the review period was also strengthened by the earlier start-up of the barbecue season due to favourable weather. The strong growth in demand for poultry products continued, and the demand for meals and meal components also continued to increase during the second quarter.

The travel and other restrictions put in place as a result of the pandemic have increased the purchasing power of households, also in retail sales, which is reflected in the consumers' purchasing behaviour. The general resulting trends include even stronger consumer awareness concerning quality and responsibility and a heightened appreciation for domesticity, which has increased the demand for domestic branded products. This development was also reflected in the sales growth of HKScan's own branded products during the review period. At the same time, the societal impacts of the pandemic were visible as an uneven division of purchasing power, which led to a fragmentation in demand.

As the pandemic continues, consumers are ever more interested in trying new food solutions to make eating faster, easier, more diverse and healthier. This development offers new possibilities for the entire chain, from the food industry to retail and food service companies.

Lasting trends brought about by the pandemic include a further increased consumer awareness of the significance of domestic food and food safety, as well as an appreciation for locally produced foods, local primary production and responsibility. The increased interest in new raw materials, food and packaging solutions and sales channels is also here to stay.

HKScan expects demand for domestic meat products to remain at a good level for the rest of the year, with a continued focus on well-known branded products with higher added value. The food service channel is also expected to recover rapidly if the pandemic situation clearly improves.

Changes in the international meat market

As a result of the pandemic, price volatility in the international meat market continued. The weak demand in the food service channel at the beginning of the review period continued to create imbalance not only within HKScan's home markets but also throughout Europe and the company's export markets in Asia. In the latter part of the review period, the food service market began to open up in all of HKScan's key home markets.

The market prices of pork recovered slightly in Europe but, towards the end of the review period, the price volatility increased due to an increase in the supply of local pork in China. The result was a decrease in prices and a weakened demand for imported meats in China in the review period. The price level in China remains low, but the market expects a gradual price recovery during the rest of the year.

The cases of avian flu detected in Denmark and several other European countries during the last autumn are still affecting the export of poultry products to areas outside the EU, the result of which is an increase in the supply of poultry products in the EU. On the other hand, the production and supply of poultry meat has decreased in some EU countries due to avian flu. The price of poultry meat has slightly increased in the EU and was at a stable level at the end of the review period.

Business Unit Finland

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales	193.8	191.6	373.7	373.5	772.4
EBIT	3.8	-2.2	3.2	-5.7	10.7
- EBIT margin, %	1.9	-1.2	0.9	-1.5	1.4
Comparable EBIT	0.7	-2.2	0.2	-5.7	6.0
- EBIT margin, %	0.4	-1.2	0.1	-1.5	0.8

April–June

In Finland, net sales totalled EUR 193.8 (191.6) million. In line with the strategy, sales clearly increased in products with more added-value, such as meal components and meat products. Retail sales decreased from the comparison period as the pre-pandemic sales pattern gradually started to recover. Food service sales increased by more than 40 per cent from the comparison period as a result of the gradual removal of pandemic restrictions, but were clearly below the sales for the same period in 2019.

EBIT improved by EUR 6.0 million to EUR 3.8 (-2.2) million. Comparable EBIT improved by EUR 2.9 million to EUR 0.7 (-2.2) million. The strategic investments in new product categories have clearly improved the outlook for the Eura production unit, and an impairment reversal of EUR 3.0 million was made in the review period and recorded under items affecting comparability. There were no items affecting comparability during the comparison period. The performance was strengthened by commercial improvements, particularly in the retail sales of own branded products, recovering food service sales and improved operational efficiency.

The collaboration between HKScan and Mäkitalon Maistuvat started in April with a sales and distribution partnership, expanding HKScan's product range to include ready-to-eat salads. Sales targets for the first months of the ready-to-eat salads sold under the Mäkitalon Farmi brand were clearly exceeded. The salad production in Eura is being developed to meet the growing demand. At the end of June, HKScan acquired 24.9 per cent of the share capital of Mäkitalon Maistuvat Oy, which supports HKScan's strategic target to grow in meals and in plant-based products.

HKScan and Leipomo Rosten agreed on commercial cooperation in snack products. The cooperation complements HKScan's product portfolio in strongly growing snacks. HKScan is a strong seller and distributor for Leipomo Rosten in new snacks jointly developed by the companies. The new products will be launched in autumn 2021.

HKScan acquired Jokisen Eväät business and brand known for high-quality fish products. HKScan's product range already includes fish as a raw material in meals and meal components. For HKScan, the acquisition of Jokisen Eväät business is an opportunity to gain a deeper insight into the growing fish product category.

January–June

Net sales totalled EUR 373.7 (373.5) million. Net sales increased in the retail channel, with growth focusing on higher value-added products. Food service sales decreased slightly from the comparison period.

Finland's EBIT improved by EUR 8.9 million and comparable EBIT by EUR 5.9 million. Finland's EBIT was EUR 3.2 (-5.7) million. During the first half of the year, the comparable EBIT turned positive and amounted to EUR 0.2 (-5.7) million. Commercial improvements, especially in retail and in sales of own branded products, a recovery in food service sales and improved operational efficiency contributed positively to EBIT. During the review period, the company recorded EUR 3.0 million in non-recurring items with a positive impact on EBIT. There were no items affecting comparability during the comparison period.

Business Unit Sweden

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales	171.1	162.0	332.9	315.4	662.1
EBIT	4.9	4.2	7.2	5.7	19.1
- EBIT margin, %	2.9	2.6	2.2	1.8	2.9
Comparable EBIT	4.9	4.3	7.2	5.8	19.0
- EBIT margin, %	2.9	2.7	2.2	1.8	2.9

April–June

In Sweden, net sales totalled EUR 171.1 (162.0) million. Retail sales fell, especially for beef, due to the shortage of domestic raw material on the markets. Food service sales increased clearly. Pork exports increased driven by higher market prices. Net sales were at the comparison period level in local currency. The effect of the exchange rate change of the Swedish krona increased the review period's net sales by EUR 8.2 million.

EBIT totalled EUR 4.9 (4.2) million and comparable EBIT was EUR 4.9 (4.3) million. The positive effect of the exchange rate change on EBIT was EUR 0.2 million. Commercial improvements in pork and beef, including the growth in pork exports, and the recovery of food service sales improved EBIT.

HKScan's product range was expanded in Scan Korvmakarna premium sausages. The novelties were developed together with the Swedish Junior Culinary Team with an emphasis on deliciousness and high quality. Plant-based balls and patties complementing the Pärsons® brand product range were also launched in Sweden.

HKScan's strategic goal is to have a stronger presence in consumers' changing and various food moments. The cooperation with Foodora, a food delivery company, started last Christmas and continues with two delicious meals for barbecue season. In addition, HKScan is present in another new sales channel where consumers can use a mobile app to order tasty on-the-go meals of the Korv & Bread concept in Swedish travel destinations. The similar concept was introduced in ski resorts last winter. Presence in new evolving sales channels allows HKScan to engage directly with consumers and increases the visibility of the Scan® brand.

January–June

Net sales totalled EUR 332.9 (315.4) million. Net sales were reduced by a shortage of domestic beef. Retail sales of products sold under the Scan brand increased. Food service sales were at the comparison period level. Net sales were at the comparison period level in local currency. The effect of the exchange rate change of the Swedish krona on net sales was EUR 16.6 million.

EBIT totalled EUR 7.2 (5.7) million and comparable EBIT was EUR 7.2 (5.8) million. The positive effect of the exchange rate change on EBIT was EUR 0.4 million. Commercial improvements in pork and beef, including export, had a positive impact on EBIT.

Business Unit Baltics

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales	42.2	44.5	82.7	87.8	175.0
EBIT excluding biological asset revaluation	-0.6	1.4	-0.8	2.4	5.7
Biological asset revaluation	0.1	-0.8	1.0	-0.8	-2.0
EBIT	-0.5	0.6	0.2	1.6	3.7
- EBIT margin, %	-1.1	1.4	0.2	1.8	2.1
Comparable EBIT excluding biological asset revaluation	-0.6	1.7	-0.8	2.8	6.1
Biological asset revaluation	0.1	-0.8	1.0	-0.8	-2.0
Comparable EBIT	-0.5	1.0	0.2	1.9	4.0
- EBIT margin, %	-1.1	2.1	0.2	2.2	2.3

Biological assets are farmed animals in the company's own primary production.

April–June

In the Baltics, net sales totalled EUR 42.2 (44.5) million. Net sales were decreased by the declined market price of pork in industrial sales. As a market area, the Baltics is sensivite to import price pressure, and defending the market position weakened EBIT. Food service sales were nearly at the comparison period level.

EBIT excluding the change in the fair value of biological assets totalled EUR -0,6 (1.4) million. Comparable EBIT excluding the change in the fair value of biological assets totalled EUR -0.6 (1.7) million. The change in the fair value of biological assets in the balance sheet was EUR 0.1 (-0.8) million. The low market price of pork had a clear negative impact on EBIT. Higher feed prices increased the costs in HKScan's own primary production, which had a negative impact on EBIT. Actions to turn the profit development of the business have been initiated.

HKScan's investment in a new logistics centre in the Baltics is proceeding on schedule. The modern logistics centre, to be completed near Tallinn, will be operational in August 2021. The operations of the existing Rakvere and Riga logistics centres will be centralised in the new unit. The new logistics centre contributes to the optimisation and cost efficiency of HKScan's logistics across the Baltics and reduces environmental impacts. As the retail sector evolves, the delivery accuracy, flexibility and quality are increasingly important for the company's competitiveness.

Exports of dumplings made in Latvia to Central Europe have made a promising start. HKScan has successfully responded to the rapidly growing demand and increased exports of value-added products in line with its strategy. In Central Europe, especially Germany is a large and important export market for HKScan. There is a lot of growth potential for Asian dim sums and other product concepts.

January–June

Net sales totalled EUR 82.7 (87.8) million. Net sales were decreased by the declined market price of pork in industrial sales. Food service sales were down from the comparison period but started to recover towards the end of the review period. The price level of branded products in retail was lower than in the comparison period.

EBIT excluding the change in the fair value of biological assets totalled EUR -0.8 (2.4) million. Comparable EBIT excluding the change in the fair value of biological assets totalled EUR -0.8 (2.8) million. As a market area, the Baltics is sensitive to import price pressure, and defending the market position weakened EBIT. The increase in feed costs in primary production could not be fully passed on in sales prices, which weakened EBIT. Actions to turn the profit development of the business have been initiated, but it is possible that the weak profit development of the first half of the year cannot be fully mitigated during the rest of the year.The change in the fair value of biological assets in the balance sheet was EUR 1.0 (-0.8) million.

Business Unit Denmark

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales	42.2	42.7	87.6	93.1	171.5
EBIT	-1.1	0.1	-1.1	0.8	1.0
- EBIT margin, %	-2.6	0.3	-1.3	0.8	0.6
Comparable EBIT	-1.1	0.1	-1.1	0.8	1.1
- EBIT margin, %	-2.6	0.3	-1.3	0.8	0.6

April–June

In Denmark, net sales totalled EUR 42.2 (42.7) million. Avian flu cases detected in Danish poultry farms, affecting the entire industry, clearly weakened net sales due to restrictions on exports outside the EU. A shift in the sales structure towards strategically important higher value-added product categories had a positive impact on net sales in the retail. A significant share of products with a higher added value are sold under the company's Rose™ brand.

Denmark's EBIT was EUR -1.1 (0.1) million. The cases of avian flu detected on Danish poultry farms have resulted in a closure of exports outside the EU, which still had a significant negative impact on EBIT. The sales of higher value-added products had a positive impact on EBIT.

Denmark is progressing well with the strategy implementation. Strong focus in adding value in selected product categories was reflected in a clear increase in sales. Sales increased significantly in minced poultry meat and ready-to-eat poultry products. HKScan has been able to shift sales from low margin frozen export products to fresh products with more added value that meet consumer needs. Denmark has a lot of potential in its home market and the Swedish export market. Strategically, the shift in focus from low margin exports to higher value-added products reduces the negative impacts of animal diseases, such as avian flu, on business performance in the long term. Therefore, the strategy now chosen and its implementation is important.

In an extensive customer satisfaction survey covering the Danish food industry, HKScan was ranked first in the category of companies producing fresh and frozen food products. All retail chains in Denmark responded to the survey. HKScan scored highest for reliability and responsibility.

January–June

Net sales totalled EUR 87.6 (93.1) million. The cases of avian flu detected on Danish poultry farms clearly weakened net sales due to restrictions on exports outside the EU. A shift in the sales structure towards strategically important higher value-added product categories had a positive impact on net sales in the retail.

EBIT was EUR -1.1 (0.8) million. Avian flu cases had a significant negative impact on EBIT. The focus of sales on higher value-added products had a positive impact on EBIT.

Personnel

HKScan conducted a pulse survey Voice for white-collar employees to find out how the employees had experienced the prolonged pandemic situation and their thoughts on working practices in the post-pandemic time. According to the personnel feedback, the company has handled the pandemic situation well. The survey results show that employees partly want to continue working remotely, although they also felt that working in the office is important in terms of their performance. The results will be used to develop future working practices and prepare for the post-pandemic time.

During the review period, the number of temporary employees increased in the Baltics and Poland due to the pandemic and the roll-out of investments.

	1-6/2021	1-6/2020	1-12/2020
Personnel on average*	6,915	6,734	6,741
Finland	2,740	2,714	2,684
Sweden**	1,950	1,873	1,899
The Baltics	1,582	1,512	1,528
Denmark	644	635	629
Women / men %***			40 / 60
Women / men of supervisors %***			35 / 65

* The reporting of personnel figures has been specified as of 1 January 2021: the figures include HKScan's employees converted into full-time employees (FTE). The comparison figures have been updated accordingly.
** Including Poland.
*** Reported according to the situation at the end of the year.

Shares and shareholders

At the end of June 2021, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781, which were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. 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 K shares of LSO Osuuskunta and Lantmännen ek. för.

The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the Group's share-based incentive plan 2018, payment of the rewards for the performance period 2018-2020. On 7 May 2021 a total of 141,936 HKScan Corporation's A shares owned by the company was transferred without consideration to the participants of the share-based incentive plan in accordance to the terms and conditions of the plan. The transfer of own shares by a directed share issue without consideration is based on the Board's authorization granted by the Annual General Meeting on 8 April 2021.

At the end of June 2021, the company held 1,858,064 (2,000,000) A shares as treasury shares, corresponding to 1.88 per cent of the company's total number of shares and 0.9 per cent of the total number of votes.

The calculational market value of HKScan's shares at the end of June 2021 stood at EUR 229.1 (194.5) million. The market value of the Series A shares was EUR 216.4 (184.0) million and the calculational market value of unlisted Series K shares was EUR 12.7 (10.9) million.

During the period of January–June, a total of 17,479,057 (17,643,140) of the company's shares were traded with a total value of EUR 39,321,372 (36,933,493). In the review period, the highest price quoted was EUR 2.52 (2.85) and the lowest EUR 1.90 (1.60). The average price was EUR 2.25 (2.09). At the end of June 2021, the closing price was EUR 2.36 (2.01).

Annual General Meeting 2021

HKScan Corporation's Annual General Meeting was held on 8 April 2021 in Turku, Finland, under special arrangements due to the Covid-19 pandemic. The AGM adopted the parent company's and consolidated financial statements for the financial period 1 January–31 December 2020 and discharged the members of the Board of Directors and the CEO from liability for the year 2020. The AGM resolved that a dividend of EUR 0.03 be paid for each share for the year 2020.

The decisions of the AGM have been published in their entirety in a stock exchange release on 8 April 2021, and the minutes are available on the company website at www.hkscan.com.

Share-based long-term incentive plan

On 7 February 2018, HKScan announced that the Board of Directors of HKScan Corporation had approved a share-based long-term incentive plan for the Group's top management and selected key employees. It comprises a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure. The incentive plan consists of annually commencing plans. The commencement of each plan requires a separate decision from the Board of Directors.

At the time of commencement of the PSP 2018–2020 plan, approximately 30 individuals were eligible to participate in it. According to the original PSP reward payment schedule, the rewards for this plan were paid in spring 2021 based on the achievement of the performance targets.

On 8 May 2019, HKScan announced that the Board of Directors of HKScan Corporation had approved the commencing of new plans within the share-based long-term incentive scheme for HKScan's key employees. The Group Executive Team members, in total a maximum of 10 individuals are eligible to participate in PSP 2019–2021. According to the original PSP reward payment schedule, the rewards for this plan would be paid in two tranches, the first in spring 2022 and the second in spring 2023 based on the achievement of the performance targets.

The performance periods 2019–2020 of PSP 2018–2020 and PSP 2019–2021 ended on 31 December 2020. The rewards are paid in series A shares of HKScan.

The Restricted Share Plan complementing the main structure consists of annually commencing individual restricted share plans, each with a three-year vesting period. After the vesting period, the allocated restricted share rewards will be paid to the participants in series A shares of HKScan.

On 8 May 2019, HKScan announced the commencement of a new plan, RSP 2019–2021, within the Restricted Share Plan structure. Eligible to participate in the RSP 2019–2021 were the participants of the PSP 2019–2021. According to the original RSP reward payment schedule, the rewards for this plan would be paid in two tranches, the first in spring 2022 and the second in spring 2023 based on the fulfilment of the Group-level financial criterion set by the Board.

On 7 April 2021, HKScan announced amendments to the payment schedules for both the PSP and RSP plans. According to the new payment schedule, part of the rewards earned will be paid during 2021–2023 and the remaining portion of the Group Executive Team rewards is deferred and will be paid during 2024–2025. The deferred rewards will be paid based on the achievement of minimum level of the performance targets. A maximum amount for the cost of deferred reward has been set.

The same amendments are also applied to the rewards to be earned based on the ongoing performance period 2021 of the PSP 2019–2021.

Short-term business risks

Covid-19 pandemic

If prolonged, the Covid-19 pandemic will be a major source of uncertainty for HKScan's business. Disruption of production due to possible illness of personnel poses a significant risk for the company, which will be partly reduced by the expanding coverage of vaccinations. In all of its operations, HKScan follows strict hygiene practices and authority guidelines. In addition, the company follows numerous pandemic-related preventive restrictions of its own.

In addition, if the pandemic is prolonged, it may impact the availability of some raw materials, production inputs, packaging materials and protective equipment. It may also have an impact on price and volume development in those sales channels in home and export markets where demand has significantly decreased due to the pandemic. If the pandemic is further prolonged, direct and indirect effects through the international meat market in both HKScan’s home and export markets may be unpredictable and long-lasting.

Other business risks

Other significant short-term uncertainty risks in HKScan's business are related to the availability, price and quality of key production inputs as well as to raw material and sales prices. This also concerns the price development of feeds used in animal farming. The growing conditions and yield levels of feed raw materials, both globally and in HKScan's home markets, have a significant impact on the price development and availability of feeds in primary production. These in turn may have an impact on the price and availability of HKScan’s meat raw material. So far, the summer has been exceptionally warm and relatively dry in many areas. This is affecting crop expectations and consequently expectations for feed price developments.

In the food industry’s long production chain, food safety is essential. However, the possibility of animal diseases cannot be fully excluded. Furthermore, the impact of possible international or regional food scandals on consumption behaviour cannot either be excluded.

African swine fever has strengthened strong price volatility in the international meat market. This has reflected on HKScan’s home markets as well. Avian flu detected in many European countries, including Denmark, has weakened export opportunities for poultry meat outside the EU and increased supply in Europe. New cases of avian flu in some countries are delaying the start of exports outside the EU from the countries concerned. On the other hand, avian flu has also led to a significant reduction in poultry production in some European countries. This results in partly unpredictable price volatility, which also has an impact on HKScan's home markets.

The discussion surrounding climate change may also affect the consumer demand for meat products. Unexpected actions taken by pressure groups may impact business and consumer demand. In addition, HKScan's potential involvement in juridical proceedings may pose risks.

The risks related to impairment of assets will increase and affect the financial position of the company if the Group is not able to improve its financial performance as planned. Due to the Group's improved profitability, the risk for breaching the financial covenants of loan agreements has clearly decreased.

As the euro area has turned to growth, inflation has clearly risen since the beginning of the year. As inflation continues, it will create cost pressures.

Webcast for analysts and media

In connection with its January–June 2021 Half Year Financial Report, HKScan will hold a webcast in Finnish for analysts, institutional investors and media on 16 July 2021 at 10 am, Finnish time.
You can follow the Finnish webcast at: https://hkscan.videosync.fi/2021-q2-tulos.
HKScan's CEO Tero Hemmilä and CFO Jyrki Paappa will present the result.

Investor calls in English will be arranged on request. To agree on the date and time, please contact SVP Communications Heidi Hirvonen, tel. +358 10 570 6072 or via e-mail heidi.hirvonen@hkscan.com.

Financial reports

January–September 2021 Interim Report will be published on 4 November 2021.

Turku, 16 July 2021

HKScan Corporation
Board of Directors

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Food that does good: Key figures of the Group's responsibility programme 2020

Key figures reported according to the situation at the end of the year unless otherwise mentioned.

TARGETS	RESULTS 2020 Complemented with selected 1-6/2021 figures.
Environment	
Zero Carbon: carbon-neutral own industrial production (Scope 1 & 2) by the end of 2025	**Energy use 1-6/2021:** **0,86* (1-6/2020: 0,88) MWh / sold product tonne** Climate emissions from own production -57%, 52,000 (2019: 122,000) tonnes CO_2e
Zero Carbon: carbon-neutral food chain from farms to consumers (Scope 1 - 3) by the end of 2040	Climate emissions from the entire food chain 2.3 megatonnes CO_2e
Reduce water usage by 25% in own production by the end of 2030	**1-6/2021: 7,04* (1-6/2020: 7,06) m^3/ sold product tonne** Water usage 6.95 (2019: 6.77) m^3/ sold product tonne
100% recyclable packaging by the end of 2025	70% of packaging recyclable
20% less packaging plastic by the end of 2025	7% less packaging plastic
20% lower carbon footprint of packaging by the end of 2025	We developed the reporting of packaging carbon footprints together with the packaging material suppliers
Safe and healthy food	
60% of our new and renewed products with increased nutritional quality	44% (2019: 38) of our new and renewed products with increased nutritional quality
100% of raw materials in line with our sustainable procurement principles by the end of 2025	• We will update our principles of sustainable procurement in 2021 • 77% (2019: 75) of the suppliers committed to the Supplier Guidelines, excluding contract farmers • 100% of animals purchased according to animal sourcing principles
Zero recalls	1 recall
Own community / farmers	
Ensuring the continuity of local meat production: • Implementation and further development of the Next Generation programme in Finland and Sweden	Next Generation programme conducted in Finland, 45 young farmers involved. In Sweden, the launch of a similar programme in the autumn 2020, 25 young farmers involved
100% of raw materials from contract production in line with HKScan's new sustainable farming operating model by the end of 2030	We developed our new operating model and piloted farming practices supporting sustainable development
Own community / personnel	
Continuous improvement in employee wellbeing	**Personnel absences 7/2020–6/2021: 6,4% (7/2019–6/2020: 6,1)** Personnel's willingness to promote HKScan as an employer (eNPS) 5/10
Systematic work towards zero accidents	**Lost time accident frequency (LTIR)** **7/2020–6/2021: 23,5 (4/2019–3/2020: 20,8) / million working hours** Lost time accidents 21.0 (2019: 25.1) / million working hours
Animal welfare	
Continuous improvement in key animal welfare aspects in line with HKScan AWCheck animal welfare development model	We built the HKScan AWCheck model in co-operation with animal welfare experts in our home markets. The first phase of the HKScan AWCheck model will be completed and measures will get underway through co-operation with our contract farmers during 2021
Zero animal welfare breaches in our operations	1 (2019: 0) animal welfare breach

*The June 2021 energy and water use is an estimate based on the 2020 figures.

Consolidated Half Year Financial report 1 January – 30 June 2021

Consolidated income statement

(EUR million)		4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Net sales		449.3	440.9	876.8	869.8	1 781.0
Cost of goods sold	1.	-419.2	-417.3	-823.4	-826.3	-1 664.2
Gross profit		30.1	23.6	53.5	43.5	116.8
Other operating items total	1.	1.9	0.4	3.4	3.0	1.8
Sales and marketing costs	1.	-13.1	-10.3	-23.8	-21.7	-41.3
General administration costs	1.	-15.2	-13.6	-30.4	-28.6	-56.0
Operating profit		3.7	0.1	2.6	-3.8	21.3
Financial income		1.1	0.8	1.6	1.2	2.2
Financial expenses		-4.0	-3.5	-9.9	-6.9	-13.2
Share of profit/loss in associates and joint ventures		1.0	0.6	1.8	1.0	1.9
Profit/loss before taxes		1.8	-2.0	-3.9	-8.5	12.3
Income tax		-1.2	-1.2	-1.8	-1.7	-7.5
Profit/loss for the period		0.5	-3.2	-5.7	-10.1	4.8
Profit/loss for the period attributable to:						
Equity holders of the parent		-0.4	-4.0	-7.0	-11.2	1.2
Non-controlling interests		0.9	0.8	1.3	1.1	3.6
Total		0.5	-3.2	-5.7	-10.1	4.8
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.01	-0.05	-0.08	-0.12	-0.01
EPS, diluted, continuing operations, EUR/share		-0.01	-0.05	-0.08	0.12	-0.01

Consolidated statement of comprehensive income

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Profit/loss for the period	0.5	-3.2	-5.7	-10.1	4.8
OTHER COMPREHENSIVE INCOME (after taxes):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	1.3	4.5	-0.6	-0.7	2.8
Cash flow hedging	2.2	2.1	2.9	-3.1	-1.7
Items that will not be reclassified to profit or loss					
Actuarial gains or losses	-	-	-	-	-0.3
TOTAL OTHER COMPREHENSIVE INCOME	3.5	6.7	2.3	-3.8	0.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.1	3.5	-3.4	-14.0	5.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	3.2	2.7	-4.7	-15.1	1.9
Non-controlling interests	0.9	0.8	1.3	1.1	3.6
Total	4.1	3.5	-3.4	-14.0	5.6

Consolidated balance sheet

(EUR million)	Note	30 June 2021	30 June 2020	31 Dec. 2020
ASSETS				
Intangible assets	2.	145.2	144.7	148.0
Tangible assets	3.4	455.5	452.1	458.7
Holdings		34.9	32.3	33.8
Deferred tax asset	5.	39.5	43.1	40.9
Other non-current assets		6.1	5.5	6.2
TOTAL NON-CURRENT ASSETS		681.2	677.7	687.7
Inventories	6.	125.1	122.5	119.0
Current receivables		128.7	122.9	122.4
Cash and cash equivalents		32.8	22.0	46.8
TOTAL CURRENT ASSETS		286.6	267.3	288.2
TOTAL ASSETS		967.8	945.1	975.9
EQUITY AND LIABILITIES				
EQUITY		321.7	311.2	329.1
Non-current loans, interest-bearing	4.	248.5	253.3	249.2
Non-current liabilities, non-interest-bearing		64.6	63.6	69.1
TOTAL NON-CURRENT LIABILITIES		313.1	316.8	318.3
Current loans, interest-bearing	4.	82.9	83.7	97.2
Current liabilities, non-interest-bearing		250.2	233.3	231.3
TOTAL CURRENT LIABILITIES		333.1	317.0	328.5
TOTAL EQUITY AND LIABILITIES		967.8	945.1	975.9

Statement of changes in consolidated equity

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2021	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**
Result for the financial period	-	-	-	-	-	-	-	-	-7.0	-7.0	1.3	-5.7
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-0.6	-	-	-0.6	-	-0.6
Cash flow hedging	-	-	2.9	-	-	-	-	-	-	2.9	-	2.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	**-**	**-**	2.9	**-**	**-**	**-**	**-0.6**	**-**	**-7.0**	**-4.7**	**1.3**	**-3.4**
Direct recognitions	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Dividend distribution	-	-	-	-	-	-	-	-	-2.9	-2.9	-1.4	-4.3
EQUITY ON 30 June 2021	**66.8**	**72.9**	**2.1**	**215.4**	**25.9**	**10.3**	**-11.2**	**-4.8**	**-76.0**	**301.5**	**20.1**	**321.7**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2020	**66.8**	**72.9**	**1.0**	**215.4**	**25.9**	**10.3**	**-13.4**	**-4.8**	**-66.2**	**307.9**	**17.2**	**325.1**
Result for the financial period	-	-	-	-	-	-	-	-	-11.2	-11.2	1.1	-10.1
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-0.7	-	-	-0.7	-	-0.7
Cash flow hedging	-	-	-3.1	-	-	-	-	-	-	-3.1	-	-3.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-3.1**	**-**	**-**	**-**	**-0.7**	**-**	**-11.2**	**-15.1**	**1.1**	**-14.0**
Direct recognitions	-	-	-	-	-	-	-	-	0.6	0.6	-	0.6
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-0.7	-0.7
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	0.1	0.1
EQUITY ON 30 June 2020	**66.8**	**72.9**	**-2.2**	**215.4**	**25.9**	**10.3**	**-14.1**	**-4.8**	**-76.8**	**293.5**	**17.7**	**311.2**

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)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Cash flow before change in net working capital	14.9	17.7	29.2	29.6	78.7
Change in net working capital	12.8	14.7	8.7	-5.2	-1.3
Financial items and taxes	-2.8	-4.6	-9.8	-3.9	-13.7
CASH FLOW FROM OPERATING ACTIVITIES	24.9	27.8	28.1	20.5	63.7
Cash flow from investing activities	-10.6	-51.9	55.8	-63.1	-85.1
CASH FLOW AFTER INVESTING ACTIVITIES	14.3	-24.1	83.9	-42.7	-21.4
Hybrid loan	-	-	-	-	-2.1
Change in loans	-15.6	-0.9	-93.6	28.3	32.7
Dividends paid	-4.3	-0.7	-4.3	-0.7	-0.7
CASH FLOW FROM FINANCING ACTIVITIES	-20.0	-1.5	-98.0	27.6	30.0
NET CASH FLOW	-5.6	-25.6	-14.1	-15.1	8.6
Cash and cash equivalents at beginning of period	37.8	45.7	46.8	37.5	37.5
Translation differences	0.6	1.9	0.0	-0.5	0.6
Cash and cash equivalents at end of period	32.8	22.0	32.8	22.0	46.8

Financial indicators

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Earnings per share (EPS), undiluted, EUR	-0.08	-0.12	-0.01
Earnings per share (EPS), diluted, EUR	-0.08	-0.12	-0.01
Equity per share, EUR	3.11	3.03	3.19
Equity ratio, %	33.2	32.9	33.7
Adjusted average number of outstanding shares, mill.	97.0	97.0	97.0
Gross capital expenditure on PPE, EUR mill.	21.3	60.7	83.5
Additions in right-of-use assets, EUR mill.	78.4	3.0	7.2
Depreciation and impairment, EUR mill.	28.4	32.9	56.7
Employees, average	6,915	6,734	6,741

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 after investing activities before financing activities - financial items	
Employee numbers	Average of workforce figures calculated at the end of calendar months	
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect 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	
Comparable earnings per share (EPS)*	Profit for the period attributable to equity holders of the parent – items affecting comparability / Average number of outstanding shares during period	
Interest-bearing 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 half year financial report

Accounting policies

HKScan Corporation's half year financial report for 1 January–30 June 2021 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the half year financial report as in the annual financial statements for 2020. Due to the rounding of the figures to the nearest million euros in the half year financial report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2020. The half year financial report is unaudited.

Analysis by segment

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
NET SALES					
- Finland					
Sales, goods	193.2	190.7	372.2	371.9	769.1
Sales, services	0.7	0.9	1.5	1.6	3.2
- Sweden					
Sales, goods	171.1	162.0	332.8	315.4	662.1
Sales, services	0.0	0.0	0.0	0.0	0.0
- Baltics					
Sales, goods	42.1	44.4	82.6	87.7	174.6
Sales, services	0.1	0.1	0.1	0.1	0.4
- Denmark					
Sales, goods	42.2	42.7	87.6	93.1	171.5
Sales, services	0.0	0.0	0.0	0.0	0.0
Group total	449.3	440.9	876.8	869.8	1 781.0
EBIT					
- Finland	3.8	-2.2	3.2	-5.7	10.7
- Sweden	4.9	4.2	7.2	5.7	19.1
- Baltics	-0.5	0.6	0.2	1.6	3.7
- Denmark	-1.1	0.1	-1.1	0.8	1.0
Segments total	7.1	2.8	9.6	2.3	34.4
Group administration costs	-3.4	-2.7	-7.0	-6.2	-13.2
Group total	3.7	0.1	2.6	-3.8	21.3
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	4.2	44.4	8.6	46.6	54.8
Additions in right-of-use assets	0.3	0.5	69.4	1.0	3.0
Investments total	4.5	44.9	78.0	47.6	57.8
- Sweden					
Gross capital expenditure on PPE	4.4	5.0	8.3	7.6	17.4
Additions in right-of-use assets	0.3	0.3	8.3	0.9	1.7
Investments total	4.7	5.3	16.6	8.5	19.1

- Baltics					
Gross capital expenditure on PPE	1.6	1.7	2.1	2.8	4.9
Additions in right-of-use assets	0.1	0.3	0.4	0.4	0.9
Investments total	1.7	2.0	2.5	3.1	5.8
- Denmark					
Gross capital expenditure on PPE	1.2	1.6	2.3	3.6	6.4
Additions in right-of-use assets	0.1	0.4	0.3	0.7	1.6
Investments total	1.3	2.0	2.6	4.4	8.0
Total	12.2	54.2	99.7	63.6	90.7
AVERAGE NUMBER OF EMPLOYEES					
- Finland			2 740	2 714	2 684
- Sweden			1 950	1 873	1 899
- Baltics			1 582	1 512	1 528
- Denmark			644	635	629
Total			6 915	6 734	6 741

Notes to the income statement

1. Items affecting comparability

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Comparable EBIT	**0.7**	**0.6**	**-0.5**	**-3.4**	**17.0**
Impairment of assets, Finland 2) 3)	3.0	-	3.0	-	3.1
Impairment of assets, Baltics 4)	-	-0.3	-	-0.3	-0.3
Impairment of assets, Denmark 2) 3)	-	-	-	-	4.1
Impairment of associated company balances, Sweden 1) 2) 4)	-	-0.1	-	-0.1	0.1
Legal dispute and settlement, Denmark 1) 4)	-	-	-	-	-0.7
Energy tax provision, Denmark 1) 4)	-	-	-	-	-3.5
Environmental provision, Finland 2)	-	-	-	-	0.9
Gain on sale of property, Finland 2)	-	-	-	-	0.6
EBIT	**3.7**	**0.1**	**2.6**	**-3.8**	**21.3**

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 “Cost of goods sold”

3) Assets impairment to match their book value with estimated future profit

4) Included in the Income Statement in the item ”Other operating items total”

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Opening balance	148.0	136.4	136.4
Translation differences	-0.7	-0.4	3.4
Additions	0.3	4.7	5.4
Disposals	-0.7	-	0.0
Depreciation and impairment	-2.3	-2.1	-4.3
Reclassification between items	0.5	6.1	7.1
Closing balance	145.2	144.7	148.0

3. Changes in tangible assets

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Opening balance	458.7	439.1	439.1
Translation differences	-0.4	-0.6	2.3
Additions	99.4	58.9	85.3
Disposals	-75.6	-8.5	-8.4
Depreciation and impairment	-26.1	-30.8	-52.5
Reclassification between items	-0.5	-6.1	-7.1
Closing balance	455.5	452.1	458.7

4. Right-of-use assets and lease liabilities

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2021	2.2	15.6	15.6	33.3	35.6
Translation differences	-	0.0	0.0	0.0	0.0
Additions	-	75.7	2.7	78.4	78.5
Disposals	-	-	0.0	-	-
Depreciation for the financial period	0.0	-3.3	-2.7	-6.1	-
Payments	-	-	-	-	-5.4
Closing balance on 30 June 2021	2.1	88.0	15.5	105.7	108.7

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2020	10.0	18.7	15.7	44.3	46.3
Translation differences	-	0.0	0.0	0.0	0.0
Additions	0.3	0.5	2.1	3.0	3.0
Disposals	-7.7	-	-	-7.7	-7.9
Depreciation for the financial period	-0.4	-2.3	-2.5	-5.1	-
Other changes	-	-0.4	0.0	-0.4	-
Payments	-	-	-	-	-5.2
Closing balance on 30 June 2020	2.2	16.5	15.4	34.1	36.1

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020	2020
Depreciation expense of right-of-use assets	-3.2	-2.5	-6.1	-5.1	-10.1
Interest expense on lease liabilities	-1.2	-0.3	-1.8	-0.6	-1.2
Total amounts recognised in profit or loss	-4.4	-2.8	-7.8	-5.7	-11.3

5. Deferred tax assets

Out of the total EUR 39.5 million, EUR 30.2 million of the deferred tax asset arise from adopted losses, postponed depreciations and non-deductible interest expenses in Group's operations in Finland. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma unit ramp up and are therefore temporary in nature.

The company has ability to mitigate the expiration risk of the tax losses by deferring use of tax depreciation. A gradual reduction of the asset takes place as the Turnaround programme takes effect.

Deferred tax assets are assumed to be used in less than 10 years. Consideration is based on current three years business plan of which implementation has so far proceeded well. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2022 and beyond. Covid-19 has only minor impact on the expected period of use. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and non-deductibility of interest expense can be used to speed up the utilisation of losses before they expire. Postponed tax depreciations and non-deducted interest expense can be utilised indefinitely. Unrecognized Finnish deferred tax asset at the end of June 2021 was EUR 18.2 million.

6. Inventories

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Materials and supplies	68.1	67.7	59.8
Semi-finished products	5.1	4.6	4.6
Finished products	44.1	42.4	47.5
Other inventories	0.5	0.5	0.5
Inventories, advance payments	1.1	1.4	1.5
Biological assets	6.2	6.1	5.2
Total inventories	125.1	122.5	119.0

Derivative instrument liabilities

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Nominal values of derivative instruments			
Foreign exchange derivatives	70.6	62.2	59.2
Interest rate derivatives	74.6	98.3	99.9
Electricity derivatives	12.6	14.3	13.4
Fair values of derivative instruments			
Foreign exchange derivatives	0.0	-0.1	-0.3
Interest rate derivatives	-2.2	-4.8	-3.5
Electricity derivatives	1.8	-3.1	-1.5

Consolidated other contingent liabilities

(EUR million)	30 June 2021	30 June 2020	31 Dec. 2020
Debts secured by pledges or mortgages			
- loans from financial institutions	-	74.3	84.3
On own behalf			
- Mortgages given	-	37.7	37.7
On behalf of others			
- guarantees and other commitments	7.9	7.3	8.0
Other contingencies			
Leasing and rental commitments	0.2	0.5	0.2

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.

(EUR million)	30 June 2021	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	2.1	-	2.1	-
of which subject to cash flow hedging	2.1	-	2.1	-
Total	2.2	-	2.2	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-2.2	-	-2.2	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-0.3	-	-0.3	-
of which subject to cash flow hedging	-0.3	-	-0.3	-
Total	-2.6	-	-2.6	**-**

(EUR million)	30 June 2020	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	-	-	-	-
- Commodity derivatives	0.1	-	0.1	-
of which subject to cash flow hedging	0.1	-	0.1	-
Total	0.1	-	0.1	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-4.8	-	-4.8	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-3.3	-	-3.3	-
of which subject to cash flow hedging	-3.3	-	-3.3	-
Total	-8.2	-	-8.2	**-**

The fair values of Level 1 instruments are based on prices quoted on the market. The fair values of Level 2 instruments are to a significant degree based on inputs other than the quoted prices included in Level 1 but nonetheless observable for the relevant asset or liability either directly or indirectly (derived from prices). In determining the fair value of these instruments, the Group uses generally accepted measurement models, the inputs of which are nonetheless to a considerable degree based on observable market information. The fair values of Level 3 instruments are based on inputs which are not based on observable market information; rather to a significant degree on management estimates and measurement models generally acceptable for their use.

Business transactions with related parties

(EUR million)	1-6/2021	1-6/2020	2020
Sales to associates	4.1	5.4	9.6
Purchases from associates	16.9	17.0	34.0
Trade and other receivables from associates	1.0	1.0	1.2
Trade and other payables to associates	2.4	3.0	2.6