HKSCAN

Interim Report Q3 2023

HKScan's Interim Report 1 January–30 September 2023

HKScan's EBIT showed a clear improvement

July-September 2023

- HKScan's net sales from continuing operations decreased by 1.7 per cent to EUR 459.9 (467.9) million.
- The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 18.4 million. At comparable exchange rates, net sales from continuing operations grew by 2.2 per cent.
- Net sales were boosted by higher sales prices than in the comparison period. Sales volume increased in the retail channel, remained at the comparison period level in the food service channel, and decreased in the export and industrial channels, leading to a decrease in total volumes versus the comparison period.
- The Group's EBIT from continuing operations totalled EUR 13.3 (6.3) million.
- The Group's comparable EBIT from continuing operations was EUR 12.8 (7.3) million. Production costs remained at the comparison period level. Personnel and external services costs increased on the comparison period, but energy prices were significantly lower. Consumer demand remained at the level of the previous quarter. Improved sales mix, increased production efficiency and cost savings improved profitability.
- The comparable EBIT of the Business Unit Finland was EUR 7.6 (1.9) million.
- The comparable EBIT of the Business Unit Sweden was EUR 5.0 (7.2) million.
- The comparable EBIT of the Business Unit Denmark was EUR 1.1 (0.2) million.
- Cash flow from operating activities was EUR 3.5 (-6.2) million.
  Cash flow strengthened from the comparison period due to a higher EBITDA margin and lower working capital growth.
- The divestment of the Baltic business was closed and HKScan's ownership in the Baltics ended on 31 August 2023.

January-September 2023

- HKScan's net sales from continuing operations increased by 5.4 per cent to EUR 1,391.2 (1,320.1) million. In the first half of 2023, sales prices were significantly higher than in the comparison period. Towards the end of the review period, the impact of the higher sales prices diminished due to the sales price increases made in 2022.
- The Group's EBIT from continuing operations totalled EUR 21.7 (5.0) million.
- The Group's comparable EBIT from continuing operations was EUR 19.3 (6.6) million.
  Cost levels remained high in January-September. The cost increase was covered by the sales price increases implemented during 2022. Energy costs were lower than in the comparison period, particularly in July-September. Our commercial measures and the slight improvement in consumer demand in the spring in the company's home markets reduced the need for meat exports versus the comparison period, which improved profitability at the end of the review period. Profitability improved in the review period as a result of increased production efficiency and cost savings.
- The comparable EBIT of the Business Unit Finland was EUR 12.5 (2.1) million.
- The comparable EBIT of the Business Unit Sweden was EUR 8.9 (12.3) million.
- The comparable EBIT of the Business Unit Denmark was EUR 3.4 (0.9) million.
- Cash flow from operating activities was EUR 17.6 (-18.2) million.
  Cash flow improved from the comparison period due to significantly slower growth in working capital and stronger EBITDA.
- Interest-bearing net debt was EUR 327.8 (362.5) million and net gearing 124.8 (112.6) per cent.

The figures in parentheses refer to the same period in the previous year, unless otherwise mentioned. The figures are unaudited.

As of 1 January 2023, HKScan has changed its accounting policy for spare parts inventory retrospectively. This change has an impact on the inventory value, equity and deferred tax liabilities on the balance sheet and key figures (Return on capital employed and Net gearing). Quarterly and full-year financial information for 2022 has been restated accordingly. Additional information about the impact is disclosed in the accounting policies.

Outlook for 2023

HKScan's guidance for 2023 remains unchanged.
In 2023, HKScan expects the Group's comparable EBIT from continuing operations to improve compared to 2022. The full-year performance will be significantly affected by inflation and the development of consumer purchasing power in the company's home markets. On the other hand, in the beginning of 2023, energy and logistics costs were on a more moderate level than in the peak of 2022.

Key figures, net sales, continuing operations

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Net sales	459.9	467.9	1,391.2	1,320.1	1,833.8
Finland	227.9	221.8	677.2	617.9	868.3
Sweden	174.5	186.9	536.1	536.3	745.1
Denmark	57.5	59.2	178.0	166.0	220.4

Key figures, EBIT, continuing operations

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
EBIT	13.3	6.3	21.7	5.0	10.1
- % of net sales	2.9	1.3	1.6	0.4	0.5
Comparable EBIT	12.8	7.3	19.3	6.6	9.7
- % of net sales	2.8	1.6	1.4	0.5	0.5
Comparable EBIT, Finland	7.6	1.9	12.5	2.1	3.4
- % of net sales	3.3	0.8	1.9	0.3	0.4
Comparable EBIT, Sweden	5.0	7.2	8.9	12.3	16.6
- % of net sales	2.9	3.9	1.7	2.3	2.2
Comparable EBIT, Denmark	1.1	0.2	3.4	0.9	1.4
- % of net sales	2.0	0.3	1.9	0.6	0.6

Key figures, other

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
EBITDA, continuing operations	25.2	18.3	57.1	41.0	55.8
Profit before taxes, continuing operations	6.1	4.4	1.3	0.9	-0.9
- % of net sales	1.3	0.9	0.1	0.1	0.0
Profit for the period, continuing operations	4.8	2.7	-2.1	-2.2	-4.9
- % of net sales	1.0	0.6	-0.2	-0.2	-0.3
EPS, EUR, continuing operations	0.04	0.02	-0.06	-0.05	-0.11
Comparable EPS, EUR, continuing operations	0.03	0.03	-0.08	-0.03	-0.11
Cash flow from operating activities, incl. discontinued operations	3.5	-6.2	17.6	-18.2	18.9
Cash flow after investing activities, incl. discontinued operations	34.9	-12.1	33.1	-35.5	-21.9
Return on capital employed (ROCE) before taxes, %, incl. discontinued operations			0.0	-0.5	-6.4
Interest-bearing net debt			327.8	362.5	347.2
Net gearing, %			124.8	112.6	121.6

HKScan's CEO Juha Ruohola

In the third quarter, HKScan's net sales from continuing operations decreased by 1.7 per cent to EUR 459.9 (467.9) million. The Group's EBIT from continuing operations in July-September totalled EUR 13.3 (6.3) million and comparable EBIT was EUR 12.8 (7.3) million. The comparable EBIT improved particularly in Finland and Denmark but was below the comparison period in Sweden.

In January-September, HKScan's net sales from continuing operations increased by 5.4 per cent to EUR 1,391.2 (1,320.1) million as a result of the sales price increases in 2022. The Group's EBIT from continuing operations clearly improved from the comparison period and amounted to EUR 21.7 (5.0) million. The comparable EBIT also improved and stood at EUR 19.3 (6.6) million.

The inflation trend continued in January-September, although energy prices have fallen year-on-year. The sharp rise in the cost of raw materials, services and other inputs has been ongoing for almost two years. The rise in costs was also influenced by the spring 2023 wage settlements in all of HKScan's home markets. Market interest rates continued to rise. This has brought additional costs not only to the entire value chain but also to consumers. Despite the improvement in consumer demand, the situation has continued to have a negative impact on the consumer demand and sales mix for HKScan's products particularly in Sweden.

HKScan's measures to improve cost efficiency and save costs have continued throughout the year. The result of the measures taken can be seen in the improved third quarter EBIT. I am pleased that the results of our determined efforts are starting to show. We have done this work together with our partners, including committed contract farmers. Also in Finland, the investments made in commercial activities during the year have paid off. We expect annual cost savings from our previously reported investments and other development measures to total approximately EUR 12.6 million when completed during 2023 and 2024.

Although the EBIT has moved to the right direction, we must continue our efforts to improve profitability, as it is not satisfactory. We will continue to ensure that our profit development reaches our target. The focus is on tight cost control, increasing production efficiency, optimising the product portfolio in response to the changing consumer demand and commercial activities.

To increase financial flexibility, HKScan constantly assesses the position of each business within the Group. An important step in improving HKScan's profitability and strengthening its balance sheet was the completion of the divestment process of the Baltic business in August 2023, when HKScan sold its Baltic business to the Estonian AS Maag Grupp. The proceeds of the sale were used to repay the company's loans.

Throughout the year, HKScan has advanced its corporate responsibility programme in its businesses. Employee wellbeing and safety are at the core of the programme. We promote the wellbeing of our staff through the Group-wide Better Together programme. It is part of the implementation of HKScan's strategy and corporate responsibility programme in line with the company's values - Inspire, Care, Lead and Deliver. We were awarded the prestigious CSR People Prize 2023 in Denmark for our significant work in promoting diversity and inclusion in the workplace. In Denmark, we have for many years employed people whose employment is challenging for various reasons. This was a great recognition of the work of our Danish team.

In the third quarter, we continued to prepare for the EU's Sustainability Reporting Directive (CSRD), including updating our responsibility materiality analysis and completing the company's climate emissions calculation to comply with the GHG Protocol calculation model.

In addition, we are in the process of seeking formal SBTi endorsement of our climate targets in late 2023. During the process, we identified the need to update the climate targets and timeline of our current sustainability programme to better align with international climate work guidelines and reporting standards. We will publish the updated targets in early 2024.

Key events in July-September 2023

HKScan sold its Baltic businesses to the Estonian AS Maag Grupp on 31 August 2023, following the approval of AS Maag Grupp by the Estonian competition authorities in July 2023. The Latvian Competition Authority approved the transaction unconditionally in February 2023.

The transaction involved the shares of AS HKScan Estonia, AS HKScan Latvia and UAB HKScan Lietuva, the subsidiaries constituting HKScan's Business Unit Baltics. The debt-free purchase price was EUR 90 million, of which EUR 20 million is conditional on the combined performance of the separately defined meat business subject to the transaction and Maag Grupp's Baltic meat business in the following years. Of the EUR 70 million fixed purchase price, EUR 55 million was paid at the closing of the transaction and the remainder will be paid over the next three years. With the transaction, HKScan's ownership of the Baltic business ended. The divestment of the Baltic business improved HKScan's profitability and strengthened its balance sheet.

Details of the transaction have been previously disclosed in press releases on 13 December 2022, 24 July 2023 and 31 August 2023: 13.12.2022, 24.7.2023 and 31.8.2023.

Strategy

HKScan’s long-term strategic target is to grow into a versatile food company. In the current exceptional and rapidly changing operating environment, the company is focusing on strengthening its financial base and improving the profitability of its core business. HKScan’s core business includes meat, processed meat products and ready-made foods, such as meals, meal components and snacks.

Advancing the long-term strategy will require HKScan to achieve a stronger balance sheet. To increase financial flexibility, the company continuously assesses the position of each business within the Group. Increasing productivity in all the business processes is important.

Within its financial resources, HKScan is looking for new growth and actively pursuing new business opportunities promoting its strategy. Partnerships offer HKScan the opportunity to move into new business areas quickly and flexibly.

HKScan wants to grow in its core business by increasing the added value of its products and strengthening the value creation capacity of its own brands. The aim is to grow in product categories that make everyday life easier for consumers, such as meals, meal components and snacks. The aim is also to grow in poultry products and new product categories and to strengthen in growing and new sales channels. HKScan wants to renew commercially and strengthen its relationship with consumers through its trusted brands.

Building responsibility as a value-creating basis for business plays a key role in creating differentiating value in the market. HKScan’s responsibility work focuses on the business needs and the expectations and requirements of key stakeholders. HKScan continues its goal-oriented climate work.

Corporate responsibility

During the third quarter, HKScan continued to prepare for the EU's Sustainability Reporting Directive (CSRD) by, for example, updating its sustainability materiality analysis and reviewing the ESRS standards developed by the European Financial Reporting Advisory Group (EFRAG) and adopted by the EU Commission at the end of July to guide the implementation of the directive. During the period, the company's climate emissions calculation was also updated to comply with the new GHG Protocol calculation model for the land use sector.

In 2021, HKScan committed to the international, voluntary Science Based Targets initiative (SBTi). The company aims to apply for formal SBTi endorsement for its climate targets during late 2023. In this context, HKScan is updating the climate targets and timeline of its current responsibility programme to better align with international climate work guidelines and reporting standards. The updated targets will be published in early 2024.

Implementing the climate plan

HKScan continued to work closely with 80 pilot farms in Finland, Sweden and Denmark to promote more climate-friendly meat production and animal welfare.

During the summer 2023 growth season, HKScan investigated how to improve carbon sequestration in fields on pilot farms in Finland, for example, by using soil sensors, weather stations, carbon flux measurement equipment and by comparing different crop varieties. Based on the studies and collected data, the company will make recommendations to its contract farmers.

In Sweden, HKScan is involved in an initiative presented by Hållbar Livsmedelskedjan. In the third quarter, it published a joint roadmap that brings together 15 of Sweden's largest food industry players to promote climate action, biodiversity, resource efficiency, animal welfare and human rights. In addition, HKScan expanded its cooperation with Matmission in Sweden. The aim of this cooperation is to reduce food waste.

In Denmark, HKScan has supported its contract farmers in the transition to solar power. The first solar panels to reduce the need for purchased electricity were installed on four farms early this year. In addition, a wind turbine was installed at one contract farm.

Safety First

HKScan carries out goal-oriented work towards zero accidents at work through its Safety First policy, with a particular focus on promoting a proactive safety culture and continuous improvement. The company continued its preparation for the ISO 45001 occupational health and safety standard by assessing the current practices in its production units in Finland and Denmark. Based on these assessments, an action plan will be drawn up to meet the requirements for certification. For Sweden, the assessment process will start during Q4/2023. HKScan aims to have all its units ISO 45001 certified by the end of 2025.

Other responsibility projects

HKScan is the first food company in Finland to sign a voluntary Green Deal commitment to reduce the consumption of single-use plastic (SUP) packaging in the European Union. The SUP directive requires EU Member States to achieve an ambitious and permanent reduction in the consumption of certain single-use plastic products by 2026. The reduction applies to beverage cups made entirely or partly of plastic and single-use plastic food packaging whose contents are ready to eat straight from the container.

In addition, HKScan also continued its animal welfare project, launched in the second quarter, to study the behaviour of bulls using video imaging and artificial intelligence. The results of this project can be used together with contract farmers, for example, to compare different farming conditions and to improve animal welfare.

Group net sales and EBIT

July–September

Net sales

HKScan's net sales from continuing operations decreased by 1.7 per cent to EUR 459.9 (467.9) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 18.4 million. Net sales increased in the Business Units Finland and Denmark, while in Sweden it decreased due to the exchange rate change. The value of retail sales grew clearly in Finland, with the strongest growth coming from HKScan's own branded products. In Sweden, the value of retail sales was at the same level as in the corresponding period last year, and in the food service channel, the value of sales increased at comparable exchange rates. In Denmark, the value of retail sales decreased slightly. In the food service channel, sales value remained unchanged from the comparison period. The volume of the retail channel increased slightly, and the volume of the food service channel was at the comparison period level.

EBIT

HKScan's EBIT from continuing operations totalled EUR 13.3 (6.3) million. The comparable EBIT from continuing operations was EUR 12.8 (7.3) million. The negative impact of the exchange rate change of the Swedish krona on EBIT was EUR 0.6 million.

Items affecting comparability of EUR 0.5 (-1.0) million were recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

Cost levels remained high in July-September 2023, driven by high external service costs and general wage increases compared to the same period last year. On the other hand, energy prices remained at moderate levels and were significantly lower than in the same period a year ago. In Sweden, raw material costs increased, and the full impact of cost inflation could not be passed on to sales prices, which reduced EBIT. Overall, consumer demand in Finland and Sweden remained at the comparison period level but was particularly focused on lower-priced products.

Thanks to commercial measures, such as promotional campaigns, sales volumes in the retail channel increased. In the Finnish market, supply and demand were in balance and as a result, less profitable meat export sales were lower than in the same period last year. This contributed to improved profitability. HKScan's production efficiency measures and cost savings improved EBIT in the period under review.

January–September

Net sales

HKScan's net sales from continuing operations increased by 5.4 per cent to EUR 1,391.2 (1,320.1) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 47.5 million. Net sales increased in Finland and Denmark and remained at the same level in Sweden as in the same period last year due to a weaker exchange rate. Retail sales increased by 9 per cent in Denmark, 8 per cent in Finland and 9 per cent in Sweden at comparable exchange rates. Food service sales developed even more strongly with a significant increase in the early part of the year, partly explained by the impact of Covid restrictions in the previous year. Growth in poultry products was particularly strong in the Finnish food service channel, which grew by 28 per cent versus the comparison period. Total sale volumes decreased compared to the same period last year due to lower export and industrial sales.

EBIT

HKScan's EBIT from continuing operations totalled EUR 21.7 (5.0) million. The comparable EBIT from continuing operations was EUR 19.3 (6.6) million. The negative effect of the exchange rate change of the Swedish krona on EBIT was EUR 1.0 million.

Items affecting comparability of EUR 2.4 (-1.6) million were recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

In January-September 2023, the strong cost inflation continued, especially for raw materials and external services. In addition, general wage increases and one-off items elevated costs. During the review period, energy costs were at a moderate level and significantly lower than in the comparison period at the end of the review period. The high cost inflation had been offset by gradual increases in sales prices during 2022, and in the review period, sales prices have largely covered the high costs. The change in consumer demand weakened EBIT in the first half of the year, especially in Finland and Sweden. Consumer demand improved slightly from spring onwards but focused on lower-priced products in particular. HKScan's production efficiency measures and cost savings improved EBIT in the period under review.

HKScan's better sales mix improved EBIT at the end of the review period. Production efficiency measures and cost savings improved EBIT throughout the period.

Balance sheet, cash flow and financing

At the end of September, HKScan's balance sheet total was EUR 864.6 (1,011.6) million. The Group's interest-bearing debt at the end of September was EUR 346.6 (368.8) million including an IFRS 16 lease liability of EUR 102.0 (107.7) million. The company's net debt decreased from the comparison period by EUR 34.7 million to EUR 327.8 (362.5) million due to the loans repaid following the sale of the Baltic business. HKScan's net gearing ratio was 124.8 (112.6) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 38.8 percentage points.

At the end of September 2023, the company had on its balance sheet a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The hybrid bond does not have a specified maturity date. HKScan was entitled to redeem the hybrid bond for the first time in September 2023. The company intends to redeem the hybrid loan in 2024 on the next possible redemption date. The coupon interest of the hybrid bond was fixed at 8 per cent per annum until the first redemption date. The new coupon rate is 16 per cent as of 17 September 2023. The hybrid bond is treated as equity.

During the review period, the company agreed to extend the maturity of the EUR 100.0 million credit facility, EUR 10.0 million additional credit facility and EUR 36.0 million bank loan to October 2024. The Group's liquidity position was satisfactory. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 4.0 (21.5) million. Committed credit facilities at the end of September 2023 stood at EUR 110.0 (100.0) million and had been drawn to the amount of EUR 100.0 (90.0) million.

HKScan's covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and the liquidity covenant. EBITDA includes the share of profits from associates and joint ventures. Following the closing of the sale of the Baltic business on 31 August 2023, the net gearing ratio limit will be 125 per cent for bank loans and 130 per cent for bonds. At the end of September 2023, the company's net gearing ratio was 124.8 per cent.

Until the end of September, the covenant limit for net debt to EBITDA ratio was 5.5. At the end of September 2023, the net debt to EBITDA ratio was 4.4. For the remainder of the year, the covenant limits for net debt to EBITDA ratio are 5.0 from the beginning of October 2023 and 4.5 from the beginning of January 2024.

The minimum limit for the liquidity covenant is EUR 20.0 million. At the end of September, the covenant was EUR 24.7 million. From 1 January 2024, the liquidity covenant limit will be reduced to EUR 15 million.

HKScan's management has assessed the cash flow forecasts of the business over the next 12 months, which indicate that the covenants will not be breached. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the Interim Report.

In July-September, net financial expenses from continuing operations were EUR -7.6 (-4.1) million and in January-September EUR -22.2 (-10.1) million. The increase in net financial expenses was due to the general rise of interest rates and the arrangement costs of the loans. Cash flow from operating activities in July-September was EUR 3.5 (-6.2) million and in January-September EUR 17.6 (-18.2) million. Cash flow after investments in July-September was EUR 34.9 (-12.1) million and totalled EUR 33.1 (-35.5) million in January-September.

Disputes and pending legal proceedings

The Danish tax authorities 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 has been obliged to 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 in continuing operations in July-September amounted to EUR 5.8 (5.1) million. Investments for January-September totalled EUR 19.3 (15.7) million. IFRS 16 increases to right-of-use assets were EUR 2.0 (1.0) million in July-September and EUR 11.5 (3.5) million in January-September.

In Finland, the Forssa unit's investment to improve the competitiveness and cost-efficiency of production progressed as planned. Similarly, the Rauma unit's investment to improve the profitability and competitiveness of its poultry cutting department proceeded according to plan.
In Sweden, the Linköping unit continued the implementation of an investment to increase the efficiency and capacity of beef production. Denmark completed its investment in the production of higher-value ready-to-eat poultry products.

The Polish production unit continued its investment to improve the capacity and efficiency of the bacon slicing line as well as the property development project.

In addition, HKScan implemented several investments to improve operational efficiency as part of its ongoing investment plan in Finland, Sweden and Denmark.

Export

HKScan's objective is to develop the export of processed meat products and reduce the role of meat exports as a channel to balance the home markets. Currently, processed meat products account for about one fifth of exports. Meat exports were reduced in July-September as planned.

The African swine fever detected in wild pigs in Sweden has a minor impact on HKScan's exports. Pork export from Sweden will continue as normal in its main market areas.

<u>Changes in the international meat market</u>

Despite the rising consumer prices, the strong demand for poultry meat is expected to continue. The decline in beef consumption is expected to continue, increasing the already strong demand for poultry products.

The very low pork prices in the American continent are challenging the EU's export prices. Despite the price decrease in recent months, pork prices in the EU are expected to remain high. The profitability of pork production remains weak in the EU.

Business Unit Finland

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Net sales	227.9	221.8	677.2	617.9	868.3
EBIT	7.6	1.9	12.7	1.8	5.6
- EBIT margin, %	3.3	0.8	1.9	0.3	0.6
Comparable EBIT	7.6	1.9	12.5	2.1	3.4
- EBIT margin, %	3.3	0.8	1.9	0.3	0.4

July-September

In Finland, net sales totalled EUR 227.9 (221.8) million. Net sales were boosted by higher sales prices. Sales volumes decreased slightly from the comparison period. The value of retail sales increased clearly in Finland, with the strongest growth coming from HKScan's own branded products and especially from value added branded products, such as sausages and ready meals. Food service sales were at the same level as a year ago, with the sales of poultry products and pork clearly increasing, but beef sales declining. Volumes in the retail and food service channels were at the comparison period level. The decrease in total sales volume was due to a marked decline in export and industrial sales volumes.

EBIT increased to EUR 7.6 (1.9) million. Comparable EBIT was EUR 7.6 (1.9) million. There were no items affecting comparability during the review period and comparison period. Cost levels in Finland remained high, with general wage increases and higher prices for external services driving up costs. Energy costs were, however, significantly lower than in the comparison period. Cost inflation was covered by higher sales prices. Growth in branded products sales was supported by significant additional investments in marketing activities, which increased fixed costs. HKScan's better sales channel mix, improved production efficiency and successful commercial measures improved EBIT in the period under review.

HKScan is the first food company in Finland to sign a voluntary Green Deal commitment to reduce the consumption of single-use plastic (SUP) packaging in the European Union. The SUP directive requires EU Member States to achieve an ambitious and permanent reduction in the consumption of certain single-use plastic products by 2026. The reduction applies to beverage mugs made entirely or partly of plastic and single-use plastic food packaging whose contents are ready to eat straight from the container.

January-September

In Finland, net sales totalled EUR 677.2 (617.9) million. Sales volumes were at the comparison period level. The value of retail sales increased clearly, with particularly strong growth in HKScan's own branded products. The volume of retail sales declined slightly during the review period due to particularly weak consumer demand at the beginning of the year but started to improve from the spring onwards. The strong growth in food service sales continued, especially in the first quarter, and levelled off towards the end of the review period. The growth was the strongest in the strategically important poultry products. Pork sales also increased clearly while the demand for beef weakened. Pork exports, which had grown strongly at the beginning of the year, turned down in the second quarter.

EBIT was EUR 12.7 (1.8) million. Comparable EBIT was EUR 12.5 (2.1) million. EBIT included an item of EUR 0.1 (-0.2) million affecting comparability. Cost levels in Finland remained high, with raw materials in particular being more expensive than in the comparison period. The increase in costs was covered by higher sales prices. In addition, general wage increases, one-off items and higher external service prices elevated costs. Energy costs were lower than in the comparison period. At the beginning of the year, profitability was negatively impacted by the strong growth in pork exports. HKScan's better sales mix improved EBIT at the end of the review period. Improved production efficiency and successful commercial measures improved EBIT in the period under review.

Following the change negotiations conducted in the spring, HKScan decided to implement a EUR 4.6 million development investment in its Rauma unit to improve profitability and competitiveness. The investment-related reorganisation of operations and adjustment of staffing levels will result in the reduction of up to 35 jobs in the Rauma poultry cutting department and changes to more than 200 jobs. With the investment and related development measures, HKScan aims to achieve total annual savings of around EUR 3 million in Finland, which are expected to be realised after the completion of the investment in the second half of 2024 at the latest.

Business Unit Sweden

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Net sales	174.5	186.9	536.1	536.3	745.1
EBIT	5.0	7.2	8.9	12.3	16.6
- EBIT margin, %	2.9	3.9	1.7	2.3	2.2
Comparable EBIT	5.0	7.2	8.9	12.3	16.6
- EBIT margin, %	2.9	3.9	1.7	2.3	2.2

July-September

In Sweden, net sales decreased slightly to EUR 174.5 (186.9) million. At comparable exchange rates, net sales clearly increased. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 18.4 million. The impact of cost inflation was partly offset by sales price increases, which increased net sales.

The value of retail sales continued to grow clearly at comparable exchange rates. Sales volumes also continued to grow. In particular, sales of private label brands increased, and the share of promotional sales continued to be more pronounced. Food service sales also continued to grow, with especially strong growth seen in meat products.

EBIT was EUR 5.0 (7.2) million. Comparable EBIT was EUR 5.0 (7.2) million. There were no items affecting comparability during the review period and comparison period. The negative impact of the exchange rate change on EBIT was EUR 0.6 million. In the review period, EBIT was weakened by high meat raw material prices and general cost inflation. The higher costs were partly covered by an increase in sales prices. In addition, EBIT was negatively impacted by weaker demand for higher-value meat and an increased emphasis on promotional sales in the retail sector.

During the third quarter, HKScan continued to implement its versatile food company strategy with the launch of two new Scan brand sausages made from plant-based protein.

The African swine fever (ASF) found in wild pigs in Sweden has a minor impact on HKScan's exports. Pork export from Sweden will continue as normal in its main market areas.

January-September

In Sweden, net sales amounted to EUR 536.1 (536.3) million. At comparable exchange rates, net sales increased clearly. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 47.5 million. The impact of cost inflation was partly offset by sales price increases, which increased net sales. Sales volumes were at the comparison period's level. At comparable exchange rates, the value of retail sales increased clearly, especially sales of private label products. Food service sales growth at comparable exchange rates levelled off towards the end of the period after an extremely strong start to the year.

EBIT was EUR 8.9 (12.3) million. Comparable EBIT was EUR 8.9 (12.3) million. There were no items affecting comparability during the review period and comparison period. The negative impact of the exchange rate change on EBIT was EUR 1.0 million. In the review period, EBIT was weakened by the high prices of meat raw material and external services. The higher costs were partly covered by an increase in sales prices. In addition, EBIT was negatively impacted by weaker demand for higher-value meat and an increased emphasis on promotional sales in the retail sector.

In the Linköping unit, HKScan continued its investment to increase the efficiency and capacity of beef production. The investment, worth approximately EUR 5 million, is scheduled for completion in the first quarter of 2024, and is expected to generate cost savings of EUR 1.6 million per year after completion.

Business Unit Denmark

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Net sales	57.5	59.2	178.0	166.0	220.4
EBIT	1.1	0.2	3.3	0.9	1.4
- EBIT margin, %	2.0	0.3	1.8	0.6	0.6
Comparable EBIT	1.1	0.2	3.4	0.9	1.4
- EBIT margin, %	2.0	0.3	1.9	0.6	0.6

July-September

In Denmark, net sales totalled EUR 57.5 (59.2) million. Good demand for poultry products continued in Denmark and Sweden. In retail, sales value declined slightly, although volumes were somewhat higher than in the comparison period. Sales growth in the food service channel continued at a steadier pace than at the beginning of the year. Especially in the Danish food service sector, strong demand continued, and sales increased by 15 per cent. Due to strong demand in the home markets, exports were lower than in the comparison period.

Denmark's EBIT was EUR 1.1 (0.2) million. Comparable EBIT was EUR 1.1 (0.2) million. There were no items affecting comparability during the review period and comparison period. Cost inflation levelled off in the spring and remained moderate, with costs at the level of the comparison period. Energy costs decreased from the comparison period. EBIT improved by successful commercial measures, strong consumer demand and long-term production efficiency improvements.

In Denmark, HKScan's strategy-based investment to increase the sales of value added poultry products and add value in products was completed. Production on the new poultry cooking line started in August.

In September, HKScan was awarded the prestigious CSR People Prize 2023 in Denmark for its significant work in promoting diversity and inclusion in the workplace. The highly appreciated prize is awarded annually for progress in promoting social responsibility. For many years, HKScan has employed people whose employment is challenging for various reasons and has invested in diversity and inclusion.

January-September

In Denmark, net sales totalled EUR 178.0 (166.0) million. Price increases made before the review period increased net sales significantly during the first quarter, but the impact of inflation and price increases levelled off in the second and third quarter. Retail sales growth was particularly strong at the beginning of the year but levelled off towards the end of the review period. Food service sales showed clear growth in Denmark. Due to strong demand in the home markets, exports were down from the comparison period.

Denmark's EBIT was EUR 3.3 (0.9) million. Comparable EBIT was EUR 3.4 (0.9) million. EBIT included an item of EUR -0.2 (0.0) million affecting comparability. The strong cost inflation was covered by the sales price increases made before the review period. Successful commercial measures, strong consumer demand and long-term improvements in production efficiency improved the EBIT.

Personnel

The number of HKScan employees in Finland decreased from the comparison period mainly as a result of the change negotiations conducted in the Rauma production unit and Group operations in 2022. In July-September, HKScan employed nearly 1,000 temporary seasonal workers.

Personnel in continuing operations	1-9/2023	1-9/2022	2022
Personnel on average*	5,432	5,456	5,390
Finland	2,766	2,807	2,747
Sweden**	1,992	1,986	1,978
Denmark	674	664	664
Women / men %			35 / 65
Women / men of superiors %			26 / 74

* Figures include persons employed by HKScan converted to full-time equivalents (FTE).
** Including Polish personnel.

The aim of the Group-wide Better Together programme is to promote well-being at work in all operating countries and across all employee groups. The programme is part of the implementation of HKScan's strategy and corporate responsibility programme in line with the company's values Inspire, Care, Lead and Deliver. Employee well-being and safety are at the core of the corporate responsibility programme.

In September, HKScan was awarded the prestigious CSR People Prize 2023 in Denmark for significant work in promoting diversity and inclusion in the workplace. For many years, HKScan has employed people whose employment is challenging for various reasons.

HKScan regularly surveys employee experience and engagement every few years through the Voice survey, which covers all employee groups in each country of operation. The 2023 Voice survey was finalised for implementation during the third quarter. The employee survey was conducted after the review period in October, and the results will be available in December 2023.

Shares and shareholders

At the end of September 2023, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781 and 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 payment of the rewards for the Group's Restricted Share Plan 2019–2021 and Performance Share Plan 2018 for the performance period 2019–2021. On 6 March 2023, a total of 115,137 HKScan Corporation's series A shares owned by the company was transferred without consideration to the participants of the share-based incentive plans in accordance with the terms of the plans. The establishment of the plans and their key terms have been announced in stock exchange releases on 7 February 2018, 8 May 2019 and 7 April 2021. The transfer of own shares by a directed share issue without consideration is based on the Board's authorisation granted by the Annual General Meeting on 30 March 2022. After the transfer, HKScan Corporation holds 1,506,658 A shares as treasury shares.

At the end of September, the company held 1,506,658 (1,621,795) A shares as treasury shares, corresponding to 1.52% of the company's total number of shares and 0.75% of the total number of votes.

The calculational market value of HKScan's shares at the end of September stood at EUR 73.2 (96.5) million. The market value of the Series A shares was EUR 69.2 (91.1) million, and the calculational market value of the unlisted Series K shares was EUR 4.0 (5.4) million.

In January-September, a total of 11,055,793 (12,453,609) of the company's shares were traded with a total value of EUR 8,773,521 (15,669,762). The highest price quoted was EUR 0.97 (1.71) and the lowest EUR 0.68 (0.95). The average price was EUR 0.79 (1.43). At the end of September, the closing price was EUR 0.74 (0.99).

Annual General Meeting 2023

HKScan Corporation's Annual General Meeting was held on 20 April 2023 in Turku. The AGM adopted the parent company's and consolidated financial statements, discharged the members and the deputy members of the Board of Directors and the CEOs from liability for the year 2022 and adopted the remuneration report for governing bodies. The AGM resolved that no dividend will be paid for 2022.

The decisions of the AGM have been published in their entirety in a stock exchange release on 20 April 2023, and the minutes are available in Finnish on the company website at www.hkscan.com.

Share-based long-term incentive plan

On 7 April 2021, HKScan announced changes to the payment schedules of both the Performance Share Plan (PSP) and Restricted Share Plan (RSP) to ensure relative alignment with the company's long-term performance and shareholder returns. 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 on the basis of the achievement of minimum targets set by the Board of Directors for total shareholder return (TSR) and profitability. The Board of Directors has set a ceiling on the cost of the deferred reward.

Part of the shares earned based on the achievement of the performance targets in the 2018–2020 PSP was paid out in spring 2021 according to the original payment schedule and part of the rewards was paid out in spring 2022 according to the new payment schedule. Part of the shares earned based on the achievement of the performance targets in the 2019–2021 PSP and meeting the financial indicator of the 2019–2021 RSP was paid out in spring 2022 and 2023 according to the original payment schedule.

In April, HKScan announced a new Performance Share Plan for the CEO for the period 2023–2027. Further information on the CEO's incentive scheme is available in the stock exchange release published on 3 April 2023.

More information on the incentive plan is available in HKScan's 2022 Remuneration Report on the company website www.hkscan.com.

Short-term business risks

<u>Economic operating environment and financial risks</u>

In the third quarter of 2023, inflation in the euro area slowed down but remained above 4 per cent, especially due to increases in wages, services and food prices. While high inflation is expected to continue in the euro area, the associated uncertainty, in particular regarding energy and electricity prices, has declined significantly compared to a year ago.

Uncertainty for the rest of 2023 remains related to the evolution of consumer demand in the environment of high inflation and high interest lending rates. The number of layoffs has also turned upwards. If consumer demand weakens significantly and HKScan's sales volumes fall considerably, this will have a negative impact on the company's profitability.

The developments described above could lead to a breach of the covenants. The covenants are close to the limits for the next 12 months. Should unforeseen changes in the business environment make a breach of the covenants appear likely, the management will enter into negotiations with the banks on a temporary modification of the covenants and their terms. If the management cannot negotiate new terms, banks have the right to mature the loans. The circumstances described above indicate a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. For more information, see the accounting principles in the section “Assumption of ability to continue as a going concern” of the Q3 Interim Report.

If the Group’s financial performance does not improve as planned or if long-term interest rates continue to rise, the risk of impairment losses will increase and may affect the company's economic and financial position.

Price increase and availability of production inputs and raw materials

Uncertainty about the availability and price of inputs can be reflected in production costs. If the liquidity and profitability crisis affecting farms were to reoccur, the situation could weaken the availability of local meat raw material or the company’s profitability if it fails to raise the sales prices of its products to cover higher costs in the production chain alongside measures to improve production efficiency.

In the global meat raw material market, changes in the trade relations between major meat importing and exporting countries can lead to significant local price fluctuations. The effects of these price fluctuations are partly unpredictable and concern also HKScan's home markets. In an unstable geopolitical situation, the role of global supply chains is weakening, while the importance and potential of regional supply chains and local food production are increasing.

Changes in consumer behaviour

Consumer purchasing behaviour is expected to change significantly as food prices rise sharply in response to rising costs in the food supply chain. Depending on the purchasing power of consumers in HKScan’s various home markets, consumer demand for food will focus on lower-priced products and product groups. This may be reflected in a weakening of HKScan's sales volume in higher-priced products and a strengthening in basic foods. In the unstable geopolitical situation, the demand for basic foods is expected to remain strong.

The impact of possible international or local food scandals on consumer behaviour cannot be excluded. The discussion surrounding climate change may also affect consumer demand for meat products. In addition, unexpected actions taken by pressure groups may impact business and consumer demand.

Other business risks

Food safety is of key importance in the long production chain of the food industry.

The possibility of animal diseases cannot be fully excluded. African Swine fever and avian flu cases in European countries have reduced the export potential of meat outside the EU.

Pandemics are a risk to the business and their potential development is closely monitored.

The risk of cyber-attacks has increased due to the unstable geopolitical situation. In the event of a cyber-attack, the company’s operations could be significantly affected.

The weakened functioning of global logistics chains could pose risks to the company’s ability to execute its investments within the planned timeframes and costs and affect the availability of capital goods used in HKScan's value chain. In its planning, HKScan takes into account the potential impact of cost and scheduling risks on the execution of its investments.

Turku, 8 November 2023

HKScan Corporation
Board of Directors

Webcast

In connection with its January-September Interim Report 2023, HKScan will hold a webcast in Finnish for analysts, institutional investors and media on 8 November 2023 at 10 am EET. You can follow the Finnish webcast at https://hkscan.videosync.fi/q3-2023, and the recording will be available at www.hkscan.com later during the same day. HKScan's CEO Juha Ruohola and CFO Jyrki Paappa will present the Interim Report.

To arrange investor calls, please contact executive assistant Suvi Oksava, tel. +358 44 554 4231 or suvi.oksava@hkscan.com.

Financial reports

HKScan Corporation will publish its Financial Statements Bulletin for 2023 on Friday 9 February 2024.

HKScan will publish the following financial reports in 2024:

- Interim Report for January-March 2024 on Wednesday 8 May 2024, at about 8:30 EET
- Half-Year Financial Report 2024 on Wednesday 7 August 2024, at about 8:30 EET
- Interim Report for January-September 2024 on Wednesday 6 November 2024, at about 8:30 EET

For further information

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With 110 years of experience, we at HKScan make life tastier – today and tomorrow. Our strategic target is to grow into a versatile food company. Our home markets are Finland, Sweden and Denmark, where around 5,400 of our professionals make responsible and locally produced food for consumers' varied food moments. Our well-known brands include HK®, Kariniemen®, Via®, Scan®, Pärsons® and Rose®. We are developing a more climate-friendly way of producing food and our Zero Carbon target is a carbon-neutral food chain by the end of 2040. HKScan is a publicly listed company, and in 2022, our net sales from continuing operations totalled over EUR 1.8 billion. www.hkscan.com

The brands mentioned in this report – HK®, Kariniemen®, Via®, Scan®, Pärsons® and Rose® – are registered trademarks of HKScan Group.

Food that does good: Targets and results of the Group's responsibility programme

TARGETS	RESULTS, CONTINUING OPERATIONS 2022 Complemented with selected Q3/2023 figures marked in blue
NATURE	
Zero Carbon • Carbon-neutral food chain by the end of 2040 *KPI: climate emissions CO_2e*	2022: Climate impacts of the entire food chain (scope 1–3) 2.22 (2.20) $MtCO_2e$, carbon intensity 4.00 (3.97) tCO_2e / sold product tonne
Zero Carbon • Carbon-neutral own production by the end of 2025 *KPI: climate emissions CO_2e*	**Energy consumption Q3/2023: 0.67 (0.69) MWh / sold product tonne*** **Carbon intensity Q3/2023: 0.062 (0.050) tCO_2e / sold product tonne*** 2022: Climate impacts of own production (scope 1 and 2) 34,900 (34,800) tCO_2e, carbon intensity 0.06 (0.06) tCO_2e / sold product tonne*
Sustainable packaging • 100% recyclable packaging by the end of 2030 *KPI: share of recyclable packaging* • 80% of packaging renewable or recycled materials by the end of 2030 *KPI: share of renewable or recycled materials*	Results 2022: • 73 (72)% of packaging recyclable • 59 (47)% renewable or recycled materials
We are committed to increasing biodiversity in our food chain	Target added to the programme in 2022
PEOPLE	
Safety First • Systematic work towards zero accidents *KPI: lost-time accident rate (LTIR)*	**Lost-time accident rate (LTIR)** **10/2022–9/2023: 15.9 (10/2021–9/2022: 16.6) / million working hours** 2022: 15.6 (20.9) / million working hours
Better Together • Continuous improvement in employee wellbeing *KPIs: Sickness absences, inappropriate behaviour, eNPS: > 10*	**Personnel absences 10/2022–9/2023: 7.3% (10/2021–9/2023: 7.9)**

Consolidated Interim Report 1 January–30 September 2023

Consolidated income statement

(EUR million)		7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Continuing operations:						
Net sales		459.9	467.9	1,391.2	1,320.1	1,833.8
Cost of goods sold	1.	-429.4	-444.5	-1,306.3	-1,250.6	-1,736.3
Gross profit		30.4	23.5	84.9	69.6	97.4
Other operating items total	1.	1.3	2.9	4.1	5.2	7.9
Sales and marketing costs	1.	-9.6	-8.7	-33.5	-31.6	-43.7
General administration costs	1.	-8.8	-11.4	-33.9	-38.2	-51.5
Operating profit		13.3	6.3	21.7	5.0	10.1
Financial income		1.2	0.6	3.5	2.1	2.9
Financial expenses		-8.7	-4.8	-25.5	-12.2	-19.2
Share of profit/loss in associates and joint ventures		0.3	2.2	1.6	6.1	5.4
Profit/loss before taxes		6.1	4.4	1.3	-3.5	-0.9
Income tax		-1.3	-1.7	-3.4	-3.2	-4.0
Profit/loss for the period, continuing operations		4.8	2.7	-2.1	-2.2	-4.9
Profit/loss for discontinued operations		4.7	-3.6	4.0	-25.7	-61.1
Profit/loss for the period		9.5	-0.9	1.9	-27.9	-66.0
Profit/loss for the period attributable to:						
Equity holders of the parent		8.6	-1.7	-0.4	-29.6	-69.7
Non-controlling interests		0.9	0.8	2.4	1.7	3.7
Total		9.5	-0.9	1.9	-27.9	-66.0
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		0.04	0.02	-0.06	-0.05	-0.11
EPS, diluted, continuing operations, EUR/share		0.04	0.02	-0.06	-0.05	-0.11
EPS, undiluted, discontinued operations, EUR/share		0.05	-0.04	0.04	-0.26	-0.63
EPS, diluted, discontinued operations, EUR/share		0.05	-0.04	0.04	-0.26	-0.63
EPS, undiluted, EUR/share		0.08	-0.02	-0.02	-0.32	-0.73
EPS, diluted, EUR/share		0.08	-0.02	-0.02	-0.32	-0.73

Consolidated statement of comprehensive income

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Profit/loss for the period	9.5	-0.9	1.9	-27.9	-66.0
OTHER COMPREHENSIVE INCOME (after taxes):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	1.3	-1.8	-2.9	-6.0	-7.3
Cash flow hedging	-4.4	4.5	-14.1	26.6	15.2
Reclassification adjustment (electricity derivative)	-0.7	-	-2.6	-	-
Share of associates' and joint ventures' other comprehensive income items	0.0	-	0.7	-	-
Items that will not be reclassified to profit or loss					
Actuarial gains or losses	-	-	-	-	14.1
TOTAL OTHER COMPREHENSIVE INCOME	-3.8	2.7	-18.9	20.6	22.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5.7	1.8	-17.0	-7.3	-43.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	4.8	1.0	-19.4	-9.0	-47.6
Non-controlling interests	0.9	0.8	2.4	1.7	3.7
Total	5.7	1.8	-17.0	-7.3	-43.9

Consolidated balance sheet

(EUR million)	Note	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
ASSETS				
Intangible assets	2.	109.6	121.6	113.8
Tangible assets	3.4	365.0	437.6	378.6
Holdings		40.5	41.6	41.1
Deferred tax asset	5.	30.8	29.8	31.8
Other non-current assets		27.7	16.8	12.2
TOTAL NON-CURRENT ASSETS		573.5	647.4	577.5
Inventories	6.	131.8	178.5	123.9
Current receivables		140.6	179.5	155.5
Cash and cash equivalents		18.7	6.2	17.2
TOTAL CURRENT ASSETS		291.1	364.2	296.5
Assets of disposal group classified as held for sale	7.	-	-	101.9
TOTAL ASSETS		864.6	1,011.6	976.0
EQUITY AND LIABILITIES				
EQUITY		262.7	322.0	285.5
Non-current loans, interest-bearing	4.	226.2	240.9	333.9
Non-current liabilities, non-interest-bearing		30.3	57.8	42.3
TOTAL NON-CURRENT LIABILITIES		256.6	298.7	376.1
Current loans, interest-bearing	4.	120.4	128.0	30.6
Current liabilities, non-interest-bearing		224.9	262.9	243.3
TOTAL CURRENT LIABILITIES		345.3	390.9	273.9
Liabilities of disposal group classified as held for sale	7.	-	-	40.4
TOTAL EQUITY AND LIABILITIES		864.6	1,011.6	976.0

Statement of changes in consolidated equity

-	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2023	**66.8**	**72.9**	**21.9**	**215.4**	**25.9**	**10.4**	**-19.9**	**-4.1**	**-128.4**	**260.9**	**24.6**	**285.5**
Result for the financial period	-	-	-	-	-	-	-	-	-0.4	-0.4	2.4	1.9
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-2.9	-	-	-2.9	-	-2.9
Cash flow hedging	-	-	-14.1	-	-	-	-	-	-	-14.1	-	-14.1
Reclassification adjustment (electricity derivative)	-	-	-2.6	-	-	-	-	-	-	-2.6	-	-2.6
Share of associates' and joint ventures' other comprehensive income items	-	-	0.7	-	-	-	-	-	-	0.7	-	0.7
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	-16.0	-	-	-	-2.9	-	-	-18.9	-	-18.9
Total compreh. income for the period	**-**	**-**	**-16.0**	**-**	**-**	**-**	**-2.9**	**-**	**-0.4**	**-19.4**	**2.4**	**-17.0**
Direct recognitions	-	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Baltics sale related transfer to result for the financial period	-	-	-	-	-	-2.2	-	-	-	-2.2	-	-2.2
Transfer of own shares	-	-	-	-	-	-	-	0.3	-0.3	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.9	-1.9
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 30 Sept. 2023	**66.8**	**72.9**	**5.9**	**215.4**	**25.9**	**8.1**	**-22.8**	**-3.8**	**-131.0**	**237.4**	**25.3**	**262.7**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2022	**66.8**	**72.9**	**6.6**	**215.4**	**25.9**	**10.4**	**-12.6**	**-4.8**	**-65.9**	**314.8**	**22.1**	**336.9**
Result for the financial period	-	-	-	-	-	-	-	-	-29.6	-29.6	1.7	-27.9
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-6.0	-	-	-6.0	-	-6.0
Cash flow hedging	-	-	26.6	-	-	-	-	-	-	26.6	-	26.6
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	26.6	-	-	-	-6.0	-	-	20.6	-	20.6
Total comprehensive income for the period	**-**	**-**	**26.6**	**-**	**-**	**-**	**-6.0**	**-**	**-29.6**	**-9.0**	**1.7**	**-7.3**
Direct recognitions	-	-	-	-	-	-	-	-	-0.4	-0.4	-	-0.4
Transfer of own shares	-	-	-	-	-	-	-	0.7	-0.7	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-3.9	-3.9	-1.4	-5.3
Founding of subsidiary	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 30 Sept. 2022	**66.8**	**72.9**	**33.2**	**215.4**	**25.9**	**10.4**	**-18.6**	**-4.1**	**-102.5**	**299.5**	**22.6**	**322.0**

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, incl. discontinued operations

-	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Cash flow before change in net working capital	26.1	18.0	55.1	42.5	53.2
Change in net working capital	-13.9	-18.4	-15.9	-50.2	-20.8
Financial items and taxes	-8.7	-5.9	-21.7	-10.5	-13.5
CASH FLOW FROM OPERATING ACTIVITIES	3.5	-6.2	17.6	-18.2	18.9
Cash flow from investing activities	31.4	-5.9	15.5	-17.2	-40.8
CASH FLOW AFTER INVESTING ACTIVITIES	34.9	-12.1	33.1	-35.5	-21.9
Hybrid loan	-2.1	-2.1	-2.1	-2.1	-2.1
Change in loans	-48.6	5.5	-27.7	23.3	21.8
Dividends paid	-	-	-1.9	-5.3	-5.3
CASH FLOW FROM FINANCING ACTIVITIES	-50.7	3.4	-31.7	16.0	14.4
NET CASH FLOW	-15.8	-8.7	1.4	-19.5	-7.4
Cash and cash equivalents at beginning of period	34.8	15.5	17.8	27.2	27.2
Translation differences	-0.3	-0.6	-0.5	-1.5	-2.0
Cash and cash equivalents at end of period	18.7	6.2	18.7	6.2	17.8

Financial indicators

(EUR million)	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Earnings per share (EPS), undiluted, EUR, continuing operations	-0.06	-0.05	-0.11
Earnings per share (EPS), diluted, EUR, continuing operations	-0.06	-0.05	-0.11
Equity per share, EUR	2.44	3.08	2.68
Equity ratio, %	30.4	31.8	29.3
Adjusted average number of outstanding shares, mill.	97.4	97.3	97.3
Gross capital expenditure on PPE, EUR mill., continuing operations	19.3	15.7	37.4
Additions in right-of-use assets, EUR mill., continuing operations	11.5	3.5	9.0
Depreciation and impairment, EUR mill., continuing operations	35.5	36.1	45.8
Employees, average, FTE, continuing operations	5,432	5,456	5,390

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	
Net debt to EBITDA ratio (leverage)	Interest-bearing net debt / EBITDA + share of profit/loss in associates and joint ventures	
Liquidity covenant	Available cash + unused stand-by loan - the face value of commercial papers issued	

** 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 Interim report

Accounting policies

HKScan Corporation's Interim report for 1 January–30 September 2023 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 2022, except for the change in accounting policy for spare parts inventory. From 2023 onwards spare parts exceeding minimum value as a practical matter are capitalised to spare parts inventory with acquisition cost. Items below the minimum value are recorded as cost when purchased. Before all purchased spare parts were recorded as cost when purchased. The change is done retrospectively as if the policy would have been always effective. Opening balance 2022 and each subsequent quarter balance sheet have been restated higher than previously reported by EUR 7.9 million for inventory, EUR 6.4 million for retained earnings and EUR 1.5 million for deferred tax liability. The change has no impact on the 2022 income statement as the inventory balance is stable. 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 2022. The Interim report is unaudited.

Assumption of ability to continue as a going concern

Interim report for 1 January–30 September 2023 has been prepared on a going concern basis, assuming that HKScan will be able to realise its assets and settle its liabilities in the foreseeable future in the ordinary course of business. In assessing the going concern basis, HKScan's management has taken into account the uncertainties and risks associated with the business environment, available funding sources and the cash flow estimates of the Group companies over the next 12 months.

The weak profitability development and the increase in working capital have had a negative impact on cash flow and further on the net gearing and leverage, which are the company's covenants. In January-March 2023, the impact of the weakening consumer demand on the company's profitability and cash flow was offset by cost savings, efficiency improvements and working capital management. In April-September 2023, consumer demand strengthened slightly, but the company continued and launched new measures to strengthen profitability and cash flow.

The uncertainty related to the increase in cost inflation in 2023 has decreased in late 2022 and in January-September 2023. Especially the uncertainty related to energy and electricity prices has been reduced for 2023, based on the electricity price forecasts for the next 12 months updated during the period under review, from a very unstable and volatile market price situation in the second half of 2022.

Uncertainty for the last quarter of 2023 and for 2024 remains related to the evolution of consumer demand in the environment of high inflation and high interest rates. If consumer demand weakens significantly and HKScan's sales volumes fall considerably, this will have a negative impact on the company's profitability. The developments described above may also lead to a temporary increase in working capital, which would weaken profitability and have a negative impact on the company's cash flow and asset values. This could result in a breach of the covenants.

HKScan's covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and liquidity covenant. The EBITDA includes the share of profits from associates and joint ventures.

In December 2022, in connection with the sale of the Baltic business, the company negotiated temporary waivers to the net debt covenants for the revolving credit facility, the bank loan, certain export credit agreements and the bond. The waivers were valid until the closing of the sale. The temporary limit on the net gearing ratio was 140 per cent for the bank loans and 145 per cent for the bond. Once the transaction of the Baltic business was closed, the net gearing covenant decreased by 15 percentage points, and at the same time the Group's net gearing ratio decreased accordingly. The limit on the net gearing ratio is 125 per cent for the bank loans and 130 per cent for the bond.

In June 2023, HKScan negotiated new covenant limits for net debt and EBITDA ratio for the rest of the year, which are 5.5 from July 2023, 5.0 from October and 4.5 from January 2024. In addition, a liquidity covenant was included in the loan terms which was defined as available cash and unused stand-by loan less the face value of commercial papers issued. The limits of the liquidity covenant are EUR 20.0 million from July 2023 and EUR 15 million from 1 January 2024 until 31 October 2024.

In September 2023, HKScan had a net gearing ratio of 124.8 per cent, a net debt to EBITDA ratio of 4.4 and a liquidity of EUR 24.7 million.

HKScan's management has assessed the cash flow forecasts of the business over the next 12 months, which indicates that the covenants will not be breached. The covenants will remain close to their limits for the next 12 months. If a breach of the covenants would seem to be apparent due to unforeseen changes in the business environment, management will enter into negotiations with the banks on a temporary modification of the covenants and their terms. If management cannot negotiate new terms, banks have the right to mature the loans. The circumstances described above indicate a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Should it prove in the foreseeable future that the preparation of financial statements on the going concern principle is not justified, the carrying amounts and/or classifications of the company's assets and liabilities would have to be adjusted. This would result in an impairment of deferred tax assets and measurement of non-current assets at fair value.

Analysis by segment

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
NET SALES					
- Finland					
Sales, goods	227.1	220.8	674.4	615.0	864.4
Sales, services	0.8	1.0	2.7	2.9	3.9
- Sweden					
Sales, goods	174.5	186.9	536.1	536.2	745.1
Sales, services	0.0	0.0	0.0	0.1	0.1
- Denmark					
Sales, goods	57.5	59.2	178.0	166.0	220.4
Sales, services	0.0	0.0	0.0	0.0	0.0
Group total	459.9	467.9	1,391.2	1,320.1	1,833.8
EBIT					
- Finland	7.6	1.9	12.7	1.8	5.6
- Sweden	5.0	7.2	8.9	12.3	16.6
- Denmark	1.1	0.2	3.3	0.9	1.4
Segments total	13.8	9.3	24.8	15.1	23.5
Group administration costs	-0.5	-3.0	-3.2	-10.1	-13.4
Group total	13.3	6.3	21.7	5.0	10.1
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	1.7	2.4	9.0	6.7	15.3
Additions in right-of-use assets	1.5	0.4	7.8	1.1	3.0
Investments total	3.2	2.8	16.8	7.9	18.3
- Sweden					
Gross capital expenditure on PPE	2.5	2.1	5.5	7.4	18.6
Additions in right-of-use assets	0.3	0.3	1.8	1.2	4.1
Investments total	2.8	2.3	7.3	8.6	22.7
- Denmark					
Gross capital expenditure on PPE	1.6	0.7	4.7	1.6	3.5
Additions in right-of-use assets	0.3	0.3	1.9	1.2	1.9
Investments total	1.8	1.0	6.6	2.8	5.4
Total	7.9	6.2	30.8	19.2	46.4
AVERAGE NUMBER OF EMPLOYEES, FTE					
- Finland			2,766	2,807	2,747
- Sweden			1,992	1,986	1,978
- Denmark			674	664	664
Total			5,432	5,456	5,390

Notes to the income statement

1. Items affecting comparability

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Comparable EBIT, continuing operations	**12.8**	**7.3**	**19.3**	**6.6**	**9.7**
Termination of employment, Group management 1)	-	-1.0		-1.4	-1.8
Termination of employment, Finland 1)	-	-	-0.3	-	-
Reversal of environmental provision, Finland 2)	-	-	0.5	-	-
Loss of prepayment, Finland 4)	-	-	-	-0.2	-0.2
Reversal of impairment of assets, Finland 2) 3)	-	-	-	-	2.3
Reclassification adjustment of electricity derivatives, Group management 2)	0.7	-	2.6	-	-
Change in fair value of electricity derivatives, Group management 2)	-0.2	-	-0.2	-	-
Impairment of associated company, Denmark 3) 4)	-	-	-0.2	-	-
EBIT, continuing operations	**13.3**	**6.3**	**21.7**	**5.0**	**10.1**

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 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Opening balance	113.8	144.2	144.2
Translation differences	-2.7	-5.0	-6.6
Additions	0.4	1.1	2.0
Depreciation and impairment	-3.0	-18.9	-20.0
Reclassification between items	1.1	0.2	1.3
Assets of disposal group classified as held for sale	-	-	-7.0
Closing balance	109.6	121.6	113.8

Impairment testing

Due to rise in risk free interest there has been an indication of impairment, and therefore the company has prepared impairment test calculations as per September 2023. The key assumptions in testing are the growth prospects of the business, cost trends, and the discount rate employed.

Management reviews the business performance based on business segments and it has identified Sweden, Finland and Denmark as the main cash generating units. Goodwill is monitored by the Management at CGU level. In impairment testing all the CGU's assets are tested against the recoverable amounts in the future. The recoverable amounts of the CGUs' are based on value-in-use calculations. The cash flow estimates employed are based on management's financial plans. The cash flow for terminal period is extrapolated using a growth factor (2.0 per cent). The growth factors of the CGUs for the period following the forecast period do not exceed the long-term historical growth of the CGUs.

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used before taxes are 9.8 (8.9) per cent in Sweden, 9.8 (8.7) per cent in Finland and 9.4 (8.2) per cent in Denmark.

The sensitivity of each CGU to impairment is tested by varying the discount rate and future cash flow. Based on the sensitivity analyses conducted, an increase of 1 percentage point in WACC would result in impairment amounting to EUR 5 million in Sweden, EUR 17 million in Finland and EUR 5 million in Denmark. If EBITDA in testing would be 10 % smaller, impairment loss amounting to EUR 29 million Sweden, EUR 39 million in Finland and EUR 11 million in Denmark would have to be booked. Following discount rate increases in percentage points would not cause any impairment, provided that other factors remained unchanged: Sweden 0.8, Finland 0.6, Denmark 0.1. Recoverable amounts in testing exceeded the assets values by EUR 21 million in Sweden, EUR 26 million in Finland and EUR 1 million in Denmark.

The following table presents EBITDA in EUR million used in testing.

(EUR million)	2021	2022	2023	2024	terminal
Sweden	33.0	27.2	26.3	29.9	29.9
Finland	37.4	28.4	42.2	45.5	45.5
Denmark	3.7	4.7	6.7	9.1	9.1

Sudden, and other than reasonably possible changes in the business environment of cash generating unit, may result in an increase in capital costs or in a situation where a cash generating unit is forced to assess clearly lower cash flows. Recognition of an impairment loss is possible in such situations.

No impairment was booked based on impairment testing.

3. Changes in tangible assets

(EUR million)	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Opening balance	378.6	459.7	459.7
Translation differences	-3.0	-5.4	-6.8
Additions	30.4	24.7	53.2
Disposals	-7.2	-0.6	-1.0
Depreciation and impairment	-32.5	-40.6	-51.9
Reclassification between items	-1.4	-0.2	-1.3
Assets of disposal group classified as held for sale	-	-	-73.3
Closing balance	365.0	437.6	378.6

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 Jan. 2023	2.2	80.3	13.8	96.3	101.7
Translation differences	-	-0.4	-0.1	-0.5	-0.5
Additions	-	7.9	3.6	11.5	11.5
Disposals	-2.2	-	-	-2.2	-2.2
Depreciation for the financial period	-	-6.0	-3.7	-9.8	-

Payments	-	-	-	-	-8.5
Closing balance on 30 Sept. 2023	-0.1	81.8	13.6	95.3	102.0

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2022	2.2	92.1	15.3	109.5	113.4
Translation differences	-	-0.6	-0.2	-0.8	-0.8
Additions	-	1.0	3.1	4.1	4.1
Depreciation for the financial period	-0.1	-6.3	-4.0	-10.4	-
Payments	-	-	-	-	-8.9
Closing balance on 30 Sept. 2022	2.1	86.2	14.2	102.5	107.7

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Depreciation expense of right-of-use assets, continuing operations	-3.3	-3.1	-9.8	-9.3	-12.6
Interest expense on lease liabilities, continuing operations	-1.2	-1.1	-3.6	-3.4	-4.5
Total amounts recognised in profit or loss, continuing operations	-4.5	-4.2	-13.4	-12.7	-17.1

5. Deferred tax assets

Out of the total EUR 30.8 million, EUR 27.5 million of the deferred tax asset arise from adopted losses, postponed depreciations, and non-deductible interest expenses in the Group’s operations in Finland. The increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during the Rauma unit ramp up and were therefore temporary in nature.

Deferred tax assets are assumed to be used to material respect during the current decade. The company has not reached earlier estimates and this has prolonged the deferred tax asset utilisation time. Consideration is based on management’s plans for the near future. As plans contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2026 and beyond. 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 deductibility restrictions of interest expense can be used to speed up the utilisation of losses before they expire. Utilisation of postponed tax depreciations and non-deducted interest expense do not have a time limit. Unrecognized Finnish deferred tax asset at the end of September 2023 was EUR 25.3 million.

The company has utilized tax losses in Finland every year in 2019–2022, and losses have not expired. The losses in taxation in Finland expire with the following schedule: EUR 11.5 million in 2023, EUR 7.3 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 27.2 million in 2028, EUR 10.0 million in 2029 and EUR 1.6 million in 2031.

6. Inventories

(EUR million)	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Materials and supplies	72.5	101.1	66.2
Semi-finished products	5.3	6.9	6.1
Finished products	44.2	52.6	41.9
Spare parts	8.0	8.4	7.9
Inventories, advance payments	1.8	1.9	1.7
Biological assets	0.0	7.8	0.0
Total inventories	131.8	178.5	123.9

7. Assets and liabilities of disposal group classified as held for sale and discontinued operations

On 31 August 2023, HKScan and AS Maag Grupp closed the previously announced arrangement whereby HKScan sells its Baltic operations to AS Maag Grupp of Estonia. The transaction involved the shares of AS HKScan Estonia, AS HKScan Latvia and UAB HKScan Lietuva, the subsidiaries that constituted HKScan's Business Unit Baltics. The debt-free purchase price was EUR 90 million, of which EUR 20 million is conditional on the combined performance of the separately defined meat business subject to the transaction and Maag Grupp's Baltic meat business in the following years. Of the EUR 70 million fixed purchase price, EUR 55 million was paid at the closing of the transaction and the remainder will be paid over the next three years. HKScan received EUR 40.8 million cash at the closing. Sold companies had EUR 2.8 million cash at the closing.

At the end of September 2023, the Group has a purchase price receivable of EUR 24.4 million on its balance sheet. The fixed purchase price receivable is measured at amortised cost and discounted at 5 per cent. The conditional purchase price receivable is measured at fair value through profit and loss, and it includes management judgement and estimation. Management has estimated the probability of the earn-out taking into account the uncertainty about the development of profitability. The EBITDA required for the realisation of the earn-out for the divested business is lower than the Group has previously used for valuation purposes, as the realisation of the earn-out is also significantly influenced by the development of the buyer’s meat business and the achievable synergies. The conditional purchase price fair value is estimated at EUR 10.5 million at the end of September.

The Group's significant internal transactions between continuing and discontinued operations included the sale and purchase of products between the Baltic operations and the rest of the Group, the Group's administrative service fee from the Baltics and the Group's financial gain on the Baltic lending. The figures for continuing and discontinued operations reflect external sales and their costs in accordance with the Group's segment reporting. The Group’s administrative service fee from the Baltics has been reduced to the post-transaction level agreed with the buyer. External financing costs for the Baltics are shown as a financing cost of discontinued operations.

Profit/loss for discontinued operations

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Net sales	35.3	52.9	139.7	143.6	195.7
Cost of goods sold	-34.1	-56.9	-135.8	-166.2	-222.7
Other operating items total	-0.9	0.4	-3.9	-2.8	-3.2
Operating profit	0.4	-3.6	0.0	-25.5*	-30.2*
Financial income and expenses	-0.1	-0.1	-0.4	-0.2	-0.3
Income tax	0.0	0.0	0.0	0.0	0.0
Profit/loss for the period	0.3	-3.6	-0.4	-25.7	-30.5
Impairment from fair-value measurement	2.2	-	2.2	-	-30.6
Equity item transfer to result for the period	2.2	-	2.2	-	-
Profit/loss for the period from discontinued operations	4.7	-3.6	4.0	-25.7	-61.1

* Includes an impairment to goodwill amounting to EUR 15.6 million.

Cash flow of discontinued operations

(EUR million)	7-9/2023	7-9/2022	1-9/2023	1-9/2022	2022
Cash flow from operating activities	1.8	-3.1	1.6	-9.1	-15.5
Cash flow from investing activities	37.4	-0.7	35.7	-4.0	-5.7
Cash flow from financing activities	-0.2	-0.3	-0.9	-0.9	-1.3
Cash flow total	39.0	-4.1	36.5	-14.1	-22.5

Assets and liabilities of disposal group classified as held for sale

(EUR million)	30 Sept. 2023	30 June 2023	31 Dec. 2022
Intangible assets	-	-	-
Tangible assets	-	51.1	49.7
Inventories	-	30.7	34.4
Receivables	-	13.5	17.8
Total assets (A)	-	**95.3**	**101.9**
Lease liabilities	-	7.6	8.1
Trade payables and other liabilities	-	26.6	32.2
Total liabilities (B)	-	**34.3**	**40.4**
Net balance sheet value (A-B)	-	**61.0**	**61.5**

Derivative instrument liabilities

(EUR million)	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Nominal values of derivative instruments			
Foreign exchange derivatives	89.0	73.7	91.8
Interest rate derivatives	20.0	28.8	48.5
Electricity derivatives	0.0	-7.5	-1.7
Fair values of derivative instruments			
Foreign exchange derivatives	-1.2	1.2	0.7
Interest rate derivatives	0.4	0.1	0.3
Electricity derivatives	7.0	38.1	23.8

The previous negative nominal value of the electricity derivatives is the net value of the purchase derivatives against the increase in electricity prices and of the sales derivatives related to the partial closing of the position.

The nominal value has been negative because the sales derivatives were concluded at prices higher than the purchase derivatives.

Consolidated other contingent liabilities

(EUR million)	30 Sept. 2023	30 Sept. 2022	31 Dec. 2022
Debts secured by pledges or mortgages			
- loans from financial institutions	36.0	-	39.5
On own behalf			
- Assets pledged	49.5	-	61.5
On behalf of others			
- guarantees and other commitments	3.2	6.1	2.6
Other contingencies			
Leasing and rental commitments	0.2	0.2	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.

Conditional purchase price receivable

Valuation principles of the conditional purchase price receivable are described in note 7.

(EUR million)	30 Sept. 2023	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Conditional purchase price receivable	10.5			10,5
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.4	-	0.4	-
- Foreign exchange derivatives	0.0	-	0.0	-
- Commodity derivatives	7.3	-	7.3	-
of which subject to cash flow hedging	7.3	-	7.3	-
Total	**18.2**	**-**	**7.7**	**10.5**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	-1.2	-	-1.2	-
- Commodity derivatives	-0.3	-	-0.3	-
of which subject to cash flow hedging	-0.3	-	-0.3	-
Total	**-1.5**	**-**	**-1.5**	**-**

(EUR million)	30 Sept. 2022	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	0.1	-	0.1	-
- Foreign exchange derivatives	1.3	-	1.3	-
- Commodity derivatives	51.9	-	51.9	-
of which subject to cash flow hedging	51.9	-	51.9	-
Total	**53.3**	**-**	**53.3**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	0.0	-	0.0	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-13.9	-	-13.9	-
of which subject to cash flow hedging	-13.9	-	-13.9	-
Total	**-14.0**	**-**	**-14.0**	**-**

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)	1-9/2023	1-9/2022	2022
Sales to associates	10.0	9.8	14.9
Purchases from associates	36.0	33.2	45.4
Trade and other receivables from associates	1.3	1.7	2.0
Trade and other payables to associates	3.8	3.5	3.5
Animal purchases from related party*	20.7	16.0	21.3
Animal sales to related party*	4.8	3.8	5.1
Loan receivable from LSO Osuuskunta	4.0	1.2	1.6

*Members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta.