



# HKSCAN

Report of the Board  
of Directors and  
Financial Statements  
**2022**



## Report of the Board of Directors and Financial Statements 2022

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# Report of the Board of Directors for the financial year 2022

## Group net sales and EBIT

On 13 December 2022, HKScan announced that it had signed an agreement to sell its Baltic business. The transaction is expected to be closed in the second half of 2023 and it is subject to approval by the competition authorities in Estonia and Latvia. The transaction changes HKScan's structure and financial key figures. HKScan discloses the Baltic business as discontinued operations and the company's financial reporting will focus on continuing operations, which comprise the businesses in Finland, Sweden and Denmark. The classification of the Baltic Business Unit as assets and liabilities held for sale and its valuation at fair value based on the purchase price resulted in an impairment of EUR 30.6 million. Further information on assets and liabilities held for sale and discontinued operations can be found in its own chapter in the report of the Board of Directors.

### Net sales

HKScan's net sales from continuing operations increased by 11.5 per cent to EUR 1,833.8 (1,645.3) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 36.6 million. Gradual increases in sales prices increased net sales while volumes remained at the comparison period's level. Net sales from continuing operations increased in all home markets and sales channels. Particularly strong growth was seen in the food service channel, where sales increased by 25 per cent. In Denmark, retail sales of branded products increased by 36 per cent. Retail sales also grew in Finland and Sweden.

### EBIT

HKScan's EBIT from continuing operations totalled EUR 10.1 (21.4) million. The comparable EBIT from continuing operations was EUR 9.7 (17.9) million. The negative impact of the exchange rate change of the Swedish krona on EBIT was EUR 0.9 million.

During the review period, an item affecting comparability of EUR 0.3 million was recorded in continuing operations. The comparison period EBIT included items affecting comparability of EUR +3.5 million. Items affecting comparability are described in more detail in review by business unit.

The main reasons for the EBIT decline were the sharp rise in energy and logistics costs, accelerated in the third quarter, the considerable increase in the prices of other inputs, and the proactive producer price increases to secure the availability of meat raw material. HKScan's costs increased considerably and exceptionally fast, and the realised sales price increases were not sufficient.

In the Finnish poultry business, the depreciation period for machinery and equipment at the Rauma production unit has been extended from ten years to fifteen years due to re-evaluation of economic lifetime from the beginning of 2022. This has a positive annual impact of some EUR 3 million on the performance of the poultry business.

## Balance sheet, cash flow and financing

At the end of the year, HKScan's balance sheet total was EUR 968.1 (985.6) million. The Group's interest-bearing debt at the end of the year was EUR 364.5 (341.9) million including an IFRS 16 lease liability of EUR 101.7 (113.4) million. The company's net debt increased from the comparison period by EUR 32.7 million to EUR 347.2 (314.5) million. HKScan's net gearing ratio was 124.4 (95.2) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 36.4 percentage points.

At the end of the year 2022, the company had, on 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. In September, an interest of EUR 2.1 million was paid for the hybrid loan, treated as equity, from the retained earnings.

In September 2017, HKScan issued a EUR 135.0 million 2.625 per cent fixed-rate, unsecured and senior bond with an outstanding amount of EUR 39,516,000. The bond matured on 21 September 2022 (FI4000278536). In June 2022, HKScan agreed on a new EUR 39.5 million unsecured bank facility to repay the bond maturing in September 2022. Additionally, in early October, the company agreed on an increase of EUR 45.0 million in credit facilities, expiring on 30 June 2023. After the review period, an agreement has been reached with financiers to extend the validity of the increase to the end of February 2024.

The Group's liquidity position was satisfactory. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 15.0 (75.5) million. Committed credit facilities at the end of the year 2022 stood at EUR 145.0 (100.0) million and had been drawn to the amount of EUR 100.0 (0.0) million.

Net financial expenses from continuing operations were EUR -16.3 (-14.6) million. The increase of net financial expenses was due to the arrangement costs of the loans as well as the general rise of interest rates.

Cash flow from operating activities was EUR 18.9 (54.6) million. The decline was due to lower profitability and a strong increase in working capital, especially in the first quarter of the year. Cash flow after investments was EUR -21.9 (81.2) million. Cash flow after investments for the comparison period was exceptional, as it included the sale of the Vantaa property for EUR 76.1 million.

In connection with the divestment of the Baltic business, HKScan started a written procedure in December to seek approval for a temporary waiver from the covenant in the terms and conditions of a EUR 90 million bond issued in March 2021. The temporary waiver was approved in a written procedure before Christmas. Further details are given in the company's stock exchange releases published on 13 December 2022 and 20 December 2022.

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

In December 2022, in connection to the sale of the Baltic business, the company negotiated temporary waivers to the net gearing covenants of the revolving credit facilities, the bank loan, and certain export credit agreements and the bond. The waivers are valid until the closing of the sale, but expire at the latest on 1 January 2024. The temporary limit on the net gearing ratio is 140 per cent for the bank loans and 145 per cent for the bond. At the end of 2022, the company's net gearing ratio was 124.4 per cent. Once the transaction of the Baltic business is closed, the net gearing covenant will decrease by 15 percentage points, and at the same time the Group's net gearing will decrease accordingly.

The covenant limit for the net debt to EBITDA ratio is 6.0. At the end of 2022, the net debt to EBITDA ratio was 5.6. From the beginning of April 2023, the limit will be 5.5, from the beginning of July 2023, 5.0 and from the beginning of October 2023, 4.0. 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, assuming that the divestment of the Baltic businesses is closed by the end of September 2023. In case of unforeseen changes in the business environment or a delay in the approval by the competition authorities, a breach of the covenants would seem to be apparent,

management will enter into negotiations with the banks on a temporary modification of the covenants and their terms. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the financial statements.

## Disputes and pending legal proceedings

As previously reported in the 2022 financial reports, HKScan received a Request for Arbitration from the Arbitration Institute of the Finland Chamber of Commerce in March 2022, and the counterparty's Statement of Claim in June 2022. These were arbitration proceedings initiated by HKScan's contractual partner regarding an alleged breach of contract, which did not involve claims for damages against HKScan, but claims for declaratory relief relating to the interpretation of the agreements between the parties and the alleged breach of those agreements. In August 2022, HKScan responded to the claims set out in the Statement of Claim and, in its Statement of Defence, denied the claims of breach of contract made by its contractual partner as completely unfounded. On 31 January 2023, the Arbitral Tribunal issued an arbitral award dismissing the claim against HKScan. The arbitral award is final and cannot be appealed.

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 totalled EUR 37.4 (40.1) million. IFRS 16 additions to right-of-use assets amounted to EUR 9.0 (80.7) million. The comparison period's investments include the lease agreement for the Vantaa production unit and the extended lease agreement for the logistics centre in Sweden.

During 2022, HKScan invested particularly in improving production efficiency. In Sweden, Linköping and Skara implemented investments to increase production efficiency and automation levels. In Kristianstad, product packaging technology was modernised. In Finland, a new snack product line was introduced in Eura and the level of automation in sausage packaging was increased in Vantaa. In Poland, investments were made to increase the efficiency and capacity of bacon production.

During 2022, all HKScan's home markets implemented investments to prepare for exceptional energy situation. The investments increased the flexibility of energy solutions and prepared for possible exceptional situations.

| (EUR million)                       | 2022        | 2021         |
|-------------------------------------|-------------|--------------|
| <b>INVESTMENTS</b>                  |             |              |
| Finland                             |             |              |
| Gross capital expenditure on PPE    | 15.3        | 16.3         |
| Additions in right-of-use assets    | 3.0         | 70.9         |
| Investments total                   | 18.3        | 87.1         |
| Sweden                              |             |              |
| Gross capital expenditure on PPE    | 18.6        | 19.6         |
| Additions in right-of-use assets    | 4.1         | 9.1          |
| Investments total                   | 22.7        | 28.6         |
| Denmark                             |             |              |
| Gross capital expenditure on PPE    | 3.5         | 4.3          |
| Additions in right-of-use assets    | 1.9         | 0.8          |
| Investments total                   | 5.4         | 5.1          |
| <b>Total, continuing operations</b> | <b>46.4</b> | <b>120.8</b> |

## Operating environment

### Changes in consumer behaviour

Changes in HKScan's business environment were clearly reflected in consumer behaviour in 2022. In the first quarter of the year, restrictions related to the Covid-19 pandemic were removed, allowing consumers to move more freely and normalise their purchasing behaviour. The food service market recovered to near pre-pandemic levels in all of HKScan's home markets and volume growth in retail sales levelled off. The food service market showed significant growth, both in terms of volume and value. However, the positive effects of pandemic relief were short-lived as the changed security situation in Europe created new challenges for the market.

Russia's invasion of Ukraine caused geopolitical tensions in Europe, pushed up energy prices and created instability in financial markets. Cost inflation and rising interest rates weakened consumer purchasing power. In the first half of the year, the effects of the war were seen in the retail sector in the form of increased demand for canned, frozen and dry goods. There were also challenges in the availability of some imported food products and prices rose, further strengthening demand for domestic products and increasing consumer awareness of the importance of self-sufficiency.

The effects of cost inflation were reflected in consumer behaviour in all of HKScan's home markets and intensified towards the end of the year. In retail, the importance of promotions and campaigns was particularly evident in the second half of the year. In retail, the focus of consumption shifted within product categories from more expensive value-added products towards more affordable products. Retail volumes of pork and beef declined, particularly in the higher-priced categories, somewhat offset by strong growth in food service sales. The strong demand for familiar basic ingredients used in home cooking, such as minced meat, poultry and sausages, which characterised the period throughout the pandemic, continued from the second quarter onwards. The reasons for the strong demand were, however, related to the weakened purchasing power of consumers.

Clear market-specific differences in consumption trends towards lower-priced products could be seen in the second and third quarters of the year, but the differences narrowed by year-end. Consumption polarised within markets as well. While some consumers chose cheaper basic products in their shopping basket, others continued to follow consumption patterns that had changed during the pandemic, favouring ready meals, meal components, premium cold cuts and restaurant-level retail meals. The increase in snacking already seen in previous years continued in the year under review, with a more diversified product range in the category.

In the second half of the year, retail sales in HKScan's home markets saw a slight decline in volume as food service sales increased. Despite the decline in overall retail volumes and last year's high comparison figures, the value of sales developed positively, in particular due to higher food prices. Demand for ready-to-eat meals and salads, meal components and snacks continued to grow, but at a slower pace.

### Changes in the international meat market

Rising production input and energy prices widely affect the value chain of food production in Europe.

Demand for poultry meat in Europe continued to grow and is expected to do so despite rising consumer prices. Beef consumption is expected to continue to fall, further increasing demand for poultry products. Increased beef prices are not expected to increase beef production in EU countries.

Pork production in the EU has been in decline and is expected to continue to fall in 2023. Pork imports from the EU increased, especially to Japan, Korea and other Asian countries. Export to China, on the other hand, fell as the country increased its self-sufficiency. Pork prices are expected to remain high in the EU, but profitability of production remains weak due to high input prices.

## Export

In 2022, exports of HKScan's consumer products continued to grow and materialised as planned. The opening of the food service market after the Covid-19 pandemic increased demand for meat in HKScan's export markets. In a challenging global logistics chain, HKScan has been able to secure transport to its export customers in five continents.

In January 2022, HKScan's Rauma unit received an export approval for Finnish poultry products from the South Korean authorities. An export licence for beef from Finland to Japan was obtained at the end of December. HKScan will start exporting beef from Finland to Japan in early 2023.

## Review by Business Unit

| (EUR million)                             | 2022           | 2021           |
|---|----------------|----------------|
| <b>NET SALES</b>                          |                |                |
| - Finland                                 | 868.3          | 772.3          |
| - Sweden                                  | 745.1          | 700.4          |
| - Denmark                                 | 220.4          | 172.7          |
| <b>Group total, continuing operations</b> | <b>1,833.8</b> | <b>1,815.3</b> |
| <b>EBIT</b>                               |                |                |
| - Finland                                 | 5.6            | 12.1           |
| - Sweden                                  | 16.6           | 22.6           |
| - Denmark                                 | 1.4            | 0.0            |
| Segments total                            | 23.5           | 34.7           |
| Group administration costs                | -13.4          | -13.3          |
| <b>Group total, continuing operations</b> | <b>10.1</b>    | <b>21.4</b>    |

### Items affecting comparability

| (EUR million)   | 2022        | 2021        |
|---|-------------|-------------|
| <b>Comparable EBIT, continuing operations</b>             | <b>9.7</b>  | <b>17.9</b> |
| Termination of employment, Group Management <sup>1)</sup> | -1.8        | 0.2         |
| Loss of prepayment, Finland <sup>4)</sup>                 | -0.2        | -           |
| Impairment of assets, Sweden <sup>2)</sup>                | -           | -0.2        |
| Reversal of impairment of assets, Finland <sup>2)</sup>   | 2.3         | 3.1         |
| Gain on sale of tangible assets, Finland <sup>4)</sup>    | -           | 0.5         |
| <b>EBIT, continuing operations</b>                        | <b>10.1</b> | <b>21.4</b> |

<sup>1)</sup> Included in the Income Statement in the item "Employee benefit expenses"

<sup>2)</sup> Included in the Income Statement in the item "Depreciation and amortization"

<sup>3)</sup> Included in the Income Statement in the item "Other operating expenses"

<sup>4)</sup> Included in the Income Statement in the item "Other operating income"

## Business Unit Finland

In Finland, net sales increased to EUR 868.3 (772.3) million as a result of price increases. Net sales increased in all sales channels, with food service and export sales showing the strongest growth. Sales volumes slightly increased from the comparison year. Food service volumes increased clearly, with particularly strong growth in meal components. Consumer demand for pork and beef decreased in the Finnish retail, which led to an increase in exports of pork in particular.

EBIT was EUR 5.6 (12.1) million. Comparable EBIT was EUR 3.4 (8.5) million. The review year's EBIT included a positive item of EUR 2.1 million affecting comparability. HKScan made an impairment reversal of EUR 2.3 million in its Eura production unit due to higher utilisation rate and an improved outlook. EBIT for the comparison year included a positive item of EUR 3.6 million affecting comparability.

The EBIT was affected by high cost inflation. Due to a structural pricing delay, sales price increases were able to offset the negative impact of cost increases from the second quarter onwards, but the exceptionally sharp rise in energy prices weakened the EBIT from July onwards. In addition, higher logistics costs had a negative impact on the EBIT at the end of the year. The increase in pork and beef exports weakened the EBIT.

HKScan continued its growth in meals and snacks in line with the strategy. Meal sales increased clearly in retail. In September, HKScan launched Via Pizzas, produced on a new multifunctional snack line at the production unit in Eura.

HKScan's goal is to clearly improve the cost efficiency and competitiveness of production. During the review year, HKScan conducted statutory negotiations in the Rauma and Eura production units of its Finnish poultry business and in the Forssa unit of its meat business. In Forssa, a significant investment in production development will be carried out. The measures are aimed at achieving a clear improvement in profitability.

HKScan began monitoring climate impacts on the farm level with a new Zero Carbon tool, which enables the monitoring of the effectiveness of climate measures and the reduction of emissions. By the end of the year, the tool was available for use on Finnish contract poultry and pig farms and some cattle farms.

## Business Unit Sweden

In Sweden, net sales increased to EUR 745.1 (700.4) million. At comparable exchange rates, net sales increased clearly, with the negative effect of the exchange rate change of the Swedish krona on net sales amounting to EUR 36.6 million. Net sales grew in retail due to price increases and sales volumes were at the comparison year level. Food service sales clearly increased as a result of price increases and volume growth. Meat exports also increased considerably.

EBIT was EUR 16.6 (22.6) million. Comparable EBIT was EUR 16.6 (22.9) million. The effect of the exchange rate change on EBIT was EUR -0.9 million. At the start of the year, sales pricing could not yet respond to the strong cost inflation, but the situation was corrected during the second and third quarters. After the summer, the exceptionally high cost inflation and in particular the increased energy costs had a negative impact on EBIT.

HKScan's collaboration with Scandinavian Aquasystems on Gårdsfisk fish products was expanded. Sales of Gårdsfisk products transferred to HKScan in March.

HKScan's plant-based Scan products, launched in the spring, gained a strong foothold in the market. Plant-based alternatives to the popular Scan classics respond to the growing consumer demand for local plant-based food.

HKScan increased its cattle procurement in northern Sweden by deepening its cooperation with a local partner. The cooperation will secure HKScan's animal sourcing in northern Sweden in the long-term.



HKScan deepened its cooperation with a local retail customer with the aim of developing consumer demand for Swedish pork and pork products. The long-term and high-volume cooperation also includes responsibility initiatives related to nature and the farming community.

## Business Unit Denmark

Net sales increased by 28 per cent to EUR 220.4 (172.7) million, mainly due to higher sales prices. The retail sales of the Rose brand increased by 36 per cent. Sales increased in all channels, with food service sales in particular showing a clear increase. Sales for Danish poultry products also increased clearly in Sweden.

EBIT was EUR 1.4 (0.0) million. There were no items affecting comparability during the review period and comparison period. The impact of exceptionally high cost inflation could be passed on to sales prices. The positive EBIT development was also due to the sales channel choices in line with the strategy and on increasing added value through improved sales mix as well as by continuing efforts to improve production efficiency.

The Rose brand, well-known in Denmark for its high-quality and responsible poultry products, celebrated its 70th anniversary in September. HKScan implements its strategy by increasing sales of fresh and cooked products of higher added value.

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

Group has on December 13th 2022 agreed on selling Baltics business unit to an Estonian AS Maag Grupp. The sale includes the whole segment. Because of this in the financial statement on December 31st 2022 the business unit has been classified as assets and liabilities held for sale and they are presented as discontinued operations. The debt-free purchase price is 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 years 2024-2026. Of the EUR 70 million fixed purchase price, EUR 55 million will be paid at the closing of the transaction and the remainder over the next three years. The transaction is expected to be closed in the second half of 2023 and it is subject to regulatory approvals in Estonia and Latvia.

Assets and liabilities held for sale are measured at debt-free purchase price EUR 83.2 million deducted with transaction costs which led to EUR 30.6 million impairment in book value. EUR 6.6 million of the impairment was allocated to goodwill, EUR 0.4 million to other intangible assets and the rest to tangible assets. During financial year in Q2 an impairment amounting to EUR 15.6 million was recorded to Baltics goodwill. As result the whole year impairment to Baltics book value is EUR 46.2 million. Fair value measurement of assets and liabilities held for sale includes management consideration and estimate. Estimate includes transaction costs, post-closing purchase price discounting and an estimate on conditional EUR 20 million purchase price. Post-closing fixed purchase price has been discounted with 5 per cent and conditional purchase price with 9.7 per cent. Management has estimated the probability of earn-out realisation and estimate includes the uncertainty in development of profitability. EBITDA for the sold business required for realisation of earn-out is lower than the Group has previously used for valuation, because realization of earn-out is significantly impacted by development of buyer's meat business and synergies. The amount of conditional purchase price is estimated at 13.2 million and its carrying amount at fair value is 9.8 million.

The significant transactions between continuing and discontinued operations are Baltics' product sales and purchases with Group companies, Group's service fee from Baltics and Group's financial income from financing Baltics. Figures for continuing and discontinued operations represent external sales and its costs according to Group's segment reporting. Group service fee from Baltics has been reduced to post closing level agreed with the buyer. This improves the profit for discontinued operation and respectively reduces profit of continuing operations. Baltics' external financial expenses are shown as financial expenses for the discontinued operation.

| <b>Profit/loss for discontinued operations</b>                 | <b>2022</b>  | <b>2021</b> |
|--|--------------|-------------|
| Net sales  | 195.7        | 170.0       |
| Cost of goods sold   | -222.7       | -166.2      |
| Other operating items  | -3.2         | -7.3        |
| Operating profit   | -30.2*       | -3.6        |
| Financial income and expenses                                  | -0.3         | -0.1        |
| Income tax   | 0.0          | 0.0         |
| Profit/loss for the period                                     | -30.5        | -3.7        |
| Impairment from fair-value measurement                         | -30.6        | -           |
| <b>Profit/loss for the period from discontinued operations</b> | <b>-61.1</b> | <b>-3.7</b> |

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

| <b>Cash flow of discontinued operations</b> | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
| Cash flow from operating activities         | -15.5        | -2.0         |
| Cash flow from investing activities         | -5.7         | -7.7         |
| Cash flow from financing activities         | -1.3         | -0.9         |
| <b>Cash flow total</b>                      | <b>-22.5</b> | <b>-10.6</b> |

| <b>Assets and liabilities of disposal group classified as held for sale</b> | <b>2022</b>  |
|---|--------------|
| Intangible assets   | -            |
| Tangible assets   | 49.7         |
| Inventories   | 34.4         |
| Receivables   | 17.8         |
| <b>Total assets (A)</b>   | <b>101.9</b> |
| Lease liabilities   | 8.1          |
| Trade payables and other liabilities  | 32.2         |
| <b>Total liabilities (B)</b>  | <b>40.4</b>  |
| <b>Net balance sheet value (A-B)</b>  | <b>61.5</b>  |



## 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 businesses. Meat, processed meat products and ready-made foods, such as meals, meal components and snacks, are HKScan's core business. Within its financial resources, HKScan is looking for new growth and actively pursuing new business opportunities promoting its strategy.

To advance its long-term strategy, HKScan will need a stronger balance sheet. To increase financial flexibility, the company is constantly assessing the position of its businesses within the Group.

The key drivers of value creation in HKScan's business are growth in the core business by increasing the added value of products and by strengthening the value creation capabilities of the company's own brands. The target is to grow in meals, snacks and new product categories and to strengthen in growing and new sales channels. Increasing productivity in all business processes is an important driver of value creation. Building responsibility as a value-creating basis for business plays a key role in creating differentiating value in the market.

## Key events in 2022

### HKScan signed an agreement to sell its Baltic business

On 13 December 2022, HKScan announced that it has signed an agreement to sell its Baltic business to the Estonian AS Maag Grupp. The debt-free purchase price is EUR 90 million, of which EUR 20 million is conditional on the combined results of the separately defined meat business to be sold and Maag Grupp's Baltic meat business in 2024-2026. The transaction is expected to be closed in the second half of 2023 and it is subject to approval by the competition authorities in Estonia and Latvia. Further information on assets and liabilities held for sale and discontinued operations can be found in Note 20 in Group financial statement.

In connection with the divestment of the Baltic business, HKScan started a written procedure in December to seek approval for a temporary waiver from the covenant in the terms and conditions of a EUR 90 million bond issued in March 2021. The temporary waiver was approved in a written procedure before Christmas. Further details are given in the company's stock exchange releases published on 13 December 2022 and 20 December 2022.

### New bank loan to repay the bond and an increase in credit facilities

In June 2022, HKScan agreed on a new EUR 39.5 million unsecured bank facility to repay the bond maturing in September 2022. Additionally, in early October, the company agreed on an increase of EUR 45.0 million in credit facilities.

### Juha Ruohola started as interim CEO on 29 September 2022

The Board of Directors of HKScan Corporation and CEO Tero Hemmilä jointly agreed that Hemmilä would leave his position as HKScan's CEO on 29 September 2022. HKScan's Board of Directors appointed Juha Ruohola as interim CEO of the company. As a member of the Group Executive Team, Juha Ruohola has been responsible for the Business Unit Baltics, the Polish business, the Group's meat balance, and exports and imports. At the same time, Markus Kirsberg was appointed to the Group Executive Team as interim EVP for Business Unit Baltics.

### HKScan promoted cost efficiency in Finnish operations and clarified the Group's operating model

HKScan's goal is to clearly improve the cost efficiency and competitiveness of production. In 2022, HKScan conducted statutory negotiations in the Rauma and Eura production units of its Finnish poultry business and in the Forssa unit of its meat business. In Forssa, an investment of more than EUR 5 million in production development will be carried out. The changes in the poultry business are expected to generate annual savings of more than EUR 3 million in 2023. In Forssa, the measures are expected to generate annual savings of more than EUR 2 million, estimated to be realised after the completion of the investment in 2024 at the latest.

In addition, HKScan's Group operations in Finland conducted statutory negotiations in the spring and autumn to streamline and clarify the operating model.

The change in the operating model and other efficiency measures are expected to result in total annual savings of approximately EUR 3 million, which are expected to be realised after the first quarter of 2023.

## HKScan improved its energy efficiency and prepared for possible exceptional situations

Since early spring, HKScan prepared for exceptional situations in the energy market and secured the energy supply to its production units by increasing the flexibility of its energy solutions. The company introduced an energy-saving programme to improve energy efficiency through operational changes and investments.

## Report on non-financial information

HKScan is a Northern European food company that makes tasty and responsibly produced food for consumers' various food moments. The company's long-term strategic target is to grow into a versatile food company. HKScan's continuing operations' home markets are Finland, Sweden and Denmark. The company's well-known brands include HK, Kariniemen, Via, Scan, Pärsons and Rose. HKScan's Report on non-financial information covers the Group's continuing operations.

Responsibility work is the basis of HKScan's strategy and its focus is on the company's business needs and the expectations and requirements of key stakeholders. In June 2022, HKScan's Executive Team approved the company's updated responsibility programme, with material themes defined on the basis of a stakeholder analysis and a materiality assessment.

The targets of HKScan Group's responsibility programme relate to the wellbeing of nature and people: to climate, packaging, biodiversity and the safety and wellbeing of employees. In 2022, a commitment to increasing biodiversity in the company's long food chain was added to the programme. Other key responsibility themes for the company include animal welfare, safe food and a competitive farmer community. These themes are promoted within the Business Units as they are subject to local regulation and stakeholder expectations vary across markets.

The progress of HKScan's responsibility work will be reported in more detail in the Annual and Responsibility Report based on the GRI Standards framework to be published in week 11/2023. The report will describe in more detail HKScan's environmental work, such as waste and water impacts, and social responsibility with regard to employees and society.

## Key commitments, policies and principles

HKScan's values and ethical guidelines (Code of Conduct) form the foundation of the company's way of working. HKScan's operations are guided by, for instance, Group-level policies on corporate governance, information security, data privacy, disclosure, remuneration, risk management, environment, work health and safety, food safety and quality as well as animal welfare. In addition to these, the company has a number of internal policies and guidelines relating to ethical conduct.

HKScan is a member of the UN Global Compact sustainability initiative and has integrated its sustainable business principles into the company's Code of Conduct. In addition, HKScan is committed to the UN Sustainable Development Goals (SDGs) as part of the Group's responsibility programme. Progress towards the Sustainable Development Goals related to health and wellbeing (SDG 3), gender equality (SDG 5), work (SDG 8), responsible consumption (SDG 12), climate (SDG 13) and terrestrial ecosystems (SDG 15) is monitored through the indicators of the Group's responsibility programme.

HKScan is committed to setting climate targets under the Science Based Targets (SBTi) initiative. In 2022, the company proceeded with the definition and validation of science-based climate targets under the SBTi process.

## External recognitions

HKScan improved its results in independent annual ESG ratings (Environment, Social, Governance). In the ESG assessment of ISS (Institutional Shareholder Services), published in July, HKScan ranked in the top 20 per cent of international food companies. In September, Sustainalytics rated HKScan in the top 8 per cent of nearly 600 international food companies in terms of responsibility risk management. Among packaged food producers, HKScan was ranked in the top 4 per cent in the same assessment.



HKScan's listed A-shares are included in the Nasdaq OMX Sustainability Finland index, which includes a number of Finland's leading companies in terms of sustainability. The company has been a Nasdaq Transparency Partner for several years in recognition of its transparent responsibility reporting.

In May, HKScan was included in the Financial Times' European Climate Leaders list for the second year in a row. The Financial Times has listed some 400 European companies that have reduced climate emissions from their own production most in relation to net sales between 2015 and 2020.

## EU taxonomy

EU taxonomy is the EU's sustainable finance classification system, which defines environmentally sustainable economic activities. The introduction of the taxonomy regulation is proceeding in stages, starting with the EU Commission's publication of technical criteria for climate change mitigation and adaptation for the sectors with the greatest climate impact.

HKScan monitors the development of the EU taxonomy and reports the data in accordance with the EU Commission's guidance. At the end of 2022, the company's sector, the manufacture and sale of food products, did not have an industry classification (NACE) in the EU taxonomy. In line with the EU Commission's guidance, companies must report for 2022 the activities eligible for the taxonomy classification system in terms of net sales as well as capital and operating expenditure.

## Net sales

HKScan's continuing operations' net sales of EUR 1,833.8 (1,645.3) million consist almost entirely of sales of food products manufactured by the company, for which there is no industry classification in the EU taxonomy. The company therefore has no taxonomy-eligible net sales and, as a result, no taxonomy-aligned net sales. In relation to net sales, a significant part of HKScan's continuing operations' costs arises from the purchase of meat raw material from contract farmers. The EU's taxonomy criteria for the primary production of meat are under preparation and their final content and impact on HKScan's reporting under the taxonomy regulation is still uncertain.

## Capital and operating expenses

As HKScan has no taxonomy-eligible net sales, it accordingly has no taxonomy-eligible or taxonomy-aligned capital or operating expenses.

## Environment

In 2022, HKScan promoted its Zero Carbon climate plan with a goal of carbon-neutral food chain (scope 1-3) from farms to consumers by the end of 2040. For its own production (scope 1 and 2), the company's target is carbon-neutrality by the end of 2025.

In the climate work in its own production, HKScan focused in particular on improving energy efficiency and saving energy. In August, the company launched a Group-wide energy-saving programme, which led to an improvement in energy efficiency. The company also made investments to improve energy efficiency. Due to the geopolitical situation in Europe, HKScan made changes in the energy solutions of its production units, increased the flexibility of its energy systems and prepared for possible energy-related exceptional situations.

HKScan continued to study ways to reduce the climate impact of meat production together with its contract farmers and other partners on 80 pilot farms in Finland, Sweden and Denmark. In Finland, the company introduced a Zero Carbon tool to help farms monitor their climate impact. By the end of the year, the tool was available for use on Finnish contract poultry and pig farms and some cattle farms. The tool provides HKScan with information on the climate impact of its contract farmers and allows farms to target their climate actions on the most impactful issues. The Zero Carbon tool enables the monitoring of the effectiveness of the measures and the reduction of emissions. In Sweden and Denmark, HKScan is involved in national climate calculation projects.

HKScan added a new target of increasing biodiversity in the company's food chain to its responsibility programme, which was updated in summer 2022. HKScan promotes biodiversity on farms and in its own production as well as through responsible procurement practices. The company will later define more specific indicators to promote biodiversity.

In all the home markets of its continuing operations, HKScan continued to promote the recyclability of packaging and development work to increase renewable packaging materials. In addition, the company continued to optimise the use of packaging materials and to make plastic materials thinner.

HKScan's value chain generates climate emissions, and the company is working systematically to reduce them. HKScan has assessed the risks and opportunities related to climate change and their financial impact in line with the Task Force on Climate-Related Financial Disclosure (TCFD) model. Key risks relate to issues such as legislation, the availability of lower emission technologies, energy costs, consumer behaviour and attractiveness as an employer and as an investment opportunity. An updated description of risks and opportunities will be published in HKScan's Annual and Responsibility Report in week 11/2023.

The effectiveness and impact of HKScan's environmental work on the company's own production is assessed by internal and external ISO 14001 audits, with the exception of the Danish production units. In 2022, there were no significant environmental deviations. Environmental risks at HKScan's production units have been identified as part of the ISO 14001 environmental management system, and the most significant ones are related to wastewater and possible chemical leaks. Environmental risks are controlled and managed at the unit level through, for example, preventive maintenance and monitoring equipment. Personnel are trained on environmental matters and encouraged to make environmental observations and to report any deviations observed.

## Social responsibility and HR matters

At the end of 2022, HKScan's continuing operations had a total of 5,390 (5,354) employees. In addition, the Business Unit Baltics, which is reported as discontinued operations, had 1,445 (1,538) employees. In 2022, HKScan's salaries and remunerations for continuing operations, including social costs, totalled EUR 301.7 (302.7) million. In addition, HKScan's continuing operations' value chain includes some 6,400 contract farmers, with whom the company works closely to develop production and responsibility and to ensure the competitiveness of local meat production.

| Personnel in continuing operations | 2022    | 2021    |
|------------------------------------|---------|---------|
| Personnel on average*              | 5,390   | 5,354   |
| Finland                            | 2,747   | 2,755   |
| Sweden**                           | 1,978   | 1,945   |
| Denmark                            | 664     | 655     |
| Women / men %                      | 35 / 65 | 36 / 64 |
| Women / men of superiors %         | 26 / 74 | 27 / 73 |

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

\*\* Including Polish personnel.

HKScan works in a goal-oriented way towards zero accidents at work with the Safety First principle, with a particular focus on promoting a preventive safety culture. In 2022, the emphasis was on increasing safety awareness and observation. Personnel made on average 1.89 safety observations per year, which is 94 per cent more than in the comparison year. The company has set a target of two safety observations per employee per year. Safety observations, near misses and accidents were systematically addressed and used to improve the safety of practices, processes and work environment. Safety culture is also promoted through careful risk assessments and process management.

In 2022, HKScan's accident frequency fell by 25 per cent and days of absences due to accidents decreased by 4 per cent from the comparison year. The Blue Rules online training on safe working to avoid life-threatening accidents was launched to white collars at the end of the year. Blue collar workers will complete the Blue Rules training in early 2023. In October, the European Occupational Health and Safety Week was held across the Group, with the theme of psychological safety and preventive occupational safety.

HKScan continued to promote wellbeing at work with the Group-wide programme Better Together, which aims to promote responsible leadership, employee engagement and wellbeing. Action plans for wellbeing at work have been drawn up for each production unit and Business Unit.



HKScan defined its leadership principles with the aim of promoting a good employee experience, strengthening values-based culture and developing leadership practices throughout the organisation. The leadership principles will be rolled out in the Business Units and included in the evaluation of managerial work in 2023.

Competence of HKScan employees was supported by introducing the Learning Point learning and training platform, which brings together all training courses HKScan offers to its employees. HKScan started the High Five Rewards programme to recognise the work and achievements of teams in line with their targets.

HKScan's human resource risks relate to the availability of skilled and committed personnel, work safety and the attractiveness of the food industry and HKScan as an employer. In addition, any legal or illegal strikes in HKScan's value chain and in its operations may cause business risks. HKScan has zero tolerance for any kind of inappropriate treatment of its personnel, which is ensured by the Group's guidelines on inappropriate treatment and the Fair Way whistleblowing channel. The risks are reduced by developing cooperation and the competence and wellbeing of employees. Work safety risks are managed through the systematic promotion of work safety.

### **Human rights and measures against bribery and corruption**

HKScan respects and supports international human rights agreements, the UN Convention on the Rights of the Child, and the International Labour Organization's core conventions. In its operations, HKScan also takes into consideration the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. HKScan does not accept corruption or bribery.

The online training on HKScan's Code of Conduct was updated. All employees complete the training every two years. The training strengthens employees' competence on issues such as human rights and the principles against corruption and bribery.

HKScan has Supplier Guidelines, which commit suppliers to comply with the company's principles on human rights, anti-corruption and anti-bribery. In 2022, HKScan started updating its Supplier Guidelines and continued to develop its responsible procurement processes.

HKScan's stakeholders can use the company's anonymised Fair Way whistleblowing channel to report suspicions of unethical conduct. In 2022, the company received 20 (8) reports of suspected negligence or misconduct through the Fair Way channel. The reports mainly concerned suspicions of inappropriate behaviour or management challenges. Most of the reports were resolved through HR processes during 2022. Based on the reports, internal policies and management development were revised and reviewed.

In 2022, HKScan started a human rights impact assessment process for people working in its own production units. HKScan's risks concerning human rights are related to treatment of employees throughout the value chain.

Corruption and bribery risks associated with the company's own activities are prevented and managed through clearly defined approval processes, other internal control processes and personnel training. Potential risks related to human rights and corruption in the supply chain are managed through procurement risk assessments, standard requirements and by requiring a commitment to the Supplier Guidelines. The implementation of these principles is monitored through internal audit and third-party audits. In 2022, no deviations from the principles on human rights, bribery and corruption were detected.

## Food safety

Food safety is of key importance in the long food production chain of the food industry. HKScan ensures product safety through systematic work from procurement to the customer. All HKScan's production units are certified in accordance with the Global Food Safety Initiative (GFSI) standards (FSSC 22000, IFS or BRC).

The company carries out systematic food safety risk management at all stages of its value chain. Risk assessment in the production units is based on the HACCP (Hazard Analysis Critical Control Point) process. Its operational level is verified annually by several internal and external audits. HKScan also requires its raw material suppliers and subcontractors to have food safety management systems in place and monitors their implementation. The company regularly organises food safety training for its personnel and partners and encourages them to make food safety observations and to react to any deviations.

With the globalisation of the food chain, food fraud and deliberate sabotage have become central themes alongside other food safety risks. To identify and prevent related risks, HKScan Group has a risk assessment model covering the whole chain.

## Animal welfare

HKScan is committed to promoting animal welfare with the company's contract farmers in Finland, Sweden and Denmark. Animal health and welfare is based on compliance with the EU and local legislation as well as HKScan's own guidelines. The monitoring of animal welfare is systematic and any deviations are addressed immediately. The focus on animal health and welfare is shown, for example, in the very low use of antibiotics. HKScan requires that antibiotics are not used as a preventive measure or to promote growth, but only when an animal becomes ill, on the prescription and under the supervision of a veterinarian and in compliance with precautionary periods.

Risks related to animal diseases are managed by continuously monitoring the animal disease situation and by working closely together with authorities, veterinarians and farmers. There are national programmes for the prevention of animal diseases, and farms follow disease prevention guidelines and good hygiene practices. HKScan's production units have contingency plans in place for animal disease situations. However, the possibility of animal diseases cannot be fully excluded. For example, African swine fever and avian flu cases in European countries have already reduced the export potential of meat outside the EU.



## Key targets and results

| Target   | Corporate Governance  | Results for continuing operations 2022   |
|--|---|--|
| <b>NATURE</b>  |   |  |
| <b>Environment</b>   |   |  |
| Zero Carbon <ul style="list-style-type: none"> <li>• carbon-neutral own production (scope 1 &amp; 2) by the end of 2025</li> <li>• carbon-neutral food chain (scope 1 - 3) by the end of 2040</li> </ul> | Action plan towards carbon neutrality   | <ul style="list-style-type: none"> <li>• Climate impacts of own production (scope 1 and 2) 34,900 (34,800)* tCO<sub>2</sub>e, carbon intensity 0.06 (0.06)* tCO<sub>2</sub>e / sold product tonne</li> <li>• Climate impact of the whole food chain (scope 1-3) 2.2 (2.2)* MtCO<sub>2</sub>e, carbon intensity 4.00 (3.97)* tCO<sub>2</sub>e / sold product tonne</li> <li>• Energy consumption 0.74 (0.76)* MWh / sold product tonne</li> </ul> |
| Responsible packaging <ul style="list-style-type: none"> <li>• 100% recyclable packaging by the end of 2030</li> <li>• 80% renewable or recycled packaging materials by the end of 2030</li> </ul>       | Business Units' plans towards targets   | <ul style="list-style-type: none"> <li>• 73 (72)% of packaging recyclable</li> <li>• 59 (47)% renewable or recycled materials</li> </ul>   |
| We commit to increasing biodiversity in our food chain   | Part of climate work. Biodiversity management approach, targets and indicators defined later.   | Target added to the programme in 2022. Biodiversity promoted on farms as part of Zero Carbon climate work.   |
| <b>PEOPLE</b>  |   |  |
| <b>Social and HR matters</b>   |   |  |
| Determined work towards zero accidents   | Safety First programme to promote work safety   | <ul style="list-style-type: none"> <li>• Accidents at work resulting in at least one day's absence 15.6 (20.9) /million working hours</li> <li>• Days of absence due to accidents 1848 (1919)</li> </ul>   |
| Continuous promotion of personnel wellbeing at work  | Better Together programme for promotion of wellbeing at work  | <ul style="list-style-type: none"> <li>• Personnel satisfaction eNPS -3 (5)</li> <li>• Absences 8.0 (6.8)% of working hours</li> </ul>   |
| <b>Human rights and measures against bribery and corruption</b>  |   |  |
| <ul style="list-style-type: none"> <li>• Human rights impact assessment for people working in HKScan's production units</li> <li>• 100% of personnel completed the Code of Conduct training</li> </ul>   | <ul style="list-style-type: none"> <li>• Human rights impact assessment</li> <li>• Personnel training on compliance with HKScan's policies</li> </ul> | <ul style="list-style-type: none"> <li>• Phase 1 of the human rights impact assessment work started</li> <li>• 95% of white-collars completed the Code of Conduct training updated in 2022</li> <li>• 78 (70)% of the entire personnel completed the Code of Conduct training</li> </ul>   |

Results of HKScan's responsibility work will be described in more detail in the Annual and Responsibility Report 2022 based on the GRI Standards framework to be published in week 11/2023.

## Tables in accordance with the EU Taxonomy Regulation

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities in 2022.

| NET SALES   |             |                       | Substantial contribution criteria |                               |                               |                                |                      |               |                                  | DNSH criteria (Does Not Significantly Harm) |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
|---|-------------|-----------------------|-----------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------|---------------|----------------------------------|---|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|---|---|------------------------------------|--|
| Economic activities (1)   | Code(s) (2) | Absolute turnover (3) | Proportion of turnover (4)        | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11)              | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of turnover, year 2022 (18) | Taxonomy-aligned proportion of turnover, year 2022-1 (19) | Category (en-abling activity) (20) | Category (trans-itional activity) (21) |
|   |             | EUR million           | %                                 | %                             | %                             | %                              | %                    | %             | %                                | Y/N   | Y/N                            | Y/N                             | Y/N                   | Y/N            | Y/N                              | Y/N                     | Percent   | Percent   | E                                  | T                                      |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>  |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>   |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification  |             | 0                     | 0                                 | 0                             | 0                             | -                              | -                    | -             | -                                | -   | -                              | -                               | -                     | -              | -                                | -                       | -   | -   | -                                  | -                                      |
| Net sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)  |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>         |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification  |             | 0                     | 0                                 |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Net sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A.1 + A.2)</b>  |             | <b>0</b>              | <b>0</b>                          |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>  |             |                       |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Net sales of Taxonomy-non-eligible activities (B)</b>  |             | 1,833.8               | 100                               |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A + B)</b>  |             | <b>1,833.8</b>        | <b>100</b>                        |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |

Proportion of capital expenditures from products or services associated with Taxonomy-aligned economic activities in 2022.

| CAPITAL EXPENDITURES  |             |                    | Substantial contribution criteria |                               |                               |                                |                      |               |                                  | DNSH criteria (Does Not Significantly Harm) |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
|---|-------------|--------------------|-----------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------|---------------|----------------------------------|---|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|---|---|------------------------------------|--|
| Economic activities (1)   | Code(s) (2) | Absolute CapEx (3) | Proportion of CapEx (4)           | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11)              | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of turnover, year 2022 (18) | Taxonomy-aligned proportion of turnover, year 2022-1 (19) | Category (en-abling activity) (20) | Category (trans-itional activity) (21) |
|   |             | EUR million        | %                                 | %                             | %                             | %                              | %                    | %             | %                                | Y/N   | Y/N                            | Y/N                             | Y/N                   | Y/N            | Y/N                              | Y/N                     | Percent   | Percent   | E                                  | T                                      |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>  |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>   |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification  |             | 0                  | 0                                 | 0                             | 0                             | -                              | -                    | -             | -                                | -   | -                              | -                               | -                     | -              | -                                | -                       | -   | -   | -                                  | -                                      |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)  |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>     |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification  |             | 0                  | 0                                 |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A.1 + A.2)</b>  |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>  |             |                    |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>CapEx of Taxonomy-non-eligible activities (B)</b>  |             | 46.4               | 100                               |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A + B)</b>  |             | <b>46.4</b>        | <b>100</b>                        |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |



Proportion of operating expenditure from products or services associated with Taxonomy-aligned economic activities in 2022.

| OPERATING EXPENDITURE  |             |                   | Substantial contribution criteria |                               |                               |                                |                      |               |                                  | DNSH criteria (Does Not Significantly Harm) |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
|--|-------------|-------------------|-----------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------|---------------|----------------------------------|---|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|---|---|------------------------------------|--|
| Economic activities (1)  | Code(s) (2) | Absolute OpEx (3) | Proportion of OpEx (4)            | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11)              | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum safeguards (17) | Taxonomy-aligned proportion of turnover, year 2022 (18) | Taxonomy-aligned proportion of turnover, year 2022-1 (19) | Category (en-abling activity) (20) | Category (trans-itional activity) (21) |
|  |             | EUR million       | %                                 | %                             | %                             | %                              | %                    | %             | %                                | Y/N   | Y/N                            | Y/N                             | Y/N                   | Y/N            | Y/N                              | Y/N                     | Percent   | Percent   | E                                  | T                                      |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>   |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>  |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification   |             | 0                 | 0                                 | 0                             | 0                             | -                              | -                    | -             | -                                | -   | -                              | -                               | -                     | -              | -                                | -                       | -   | -   | -                                  | -                                      |
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)  |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>    |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| Activity: HKScan's industry has no Taxonomy classification   |             | 0                 | 0                                 |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A.1 + A.2)</b>   |             | <b>0</b>          | <b>0</b>                          |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>   |             |                   |                                   |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>OpEx of Taxonomy-non-eligible activities (B)</b>  |             | 0                 | 0                                 |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |
| <b>Total (A + B)</b>   |             | <b>0</b>          | <b>0</b>                          |                               |                               |                                |                      |               |                                  |   |                                |                                 |                       |                |                                  |                         |   |   |                                    |  |

## Group Management

Mika Koskinen, HKScan's EVP, strategic business development, investments, procurement, exports and imports and member of the Group Executive Team, moved to a new position outside the company at the end of June 2022. The transfer of his responsibilities was carried out through internal arrangements within the company.

HKScan's CEO Tero Hemmilä left his position on 29 September 2022.

The HKScan Board of Directors appointed Juha Ruohola as interim CEO.

As a member of the Group Executive Team, Juha Ruohola had previously been responsible for the Business Unit Baltics, the Polish business and the Group's meat balance as well as exports and imports. At the same time, Markus Kirsberg was appointed to the Group Executive Team as interim EVP for Business Unit Baltics.

Jouni T. Laine, HKScan's EVP for Food Solutions Unit and member of the Group Executive Team, moved to a new position outside the company in the beginning of 2023. Jouni T. Laine's term as a member of the Group Executive Team ended on 18 November 2022.

## Research and development

HKScan's R&D aims to develop the product offering on all key markets to meet changing consumer and customer demand. In the product development, HKScan focuses on the existing and new product categories and raw materials defined in the Group strategy, evolving and growing sales channels, changes in consumer behaviour as well as sustainability aspects.

In April 2020, HKScan decided to support companies that reshape the food system in Finland, other Nordic countries and the Baltics, through the new capital investment fund Nordic FoodTech VC. The fund aims to invest in technology companies that change the food chain into a more resource-efficient and ecological direction, produce food in novel ways or promote healthy eating. The outlook for future food technologies brought about by the investment provides excellent support for HKScan's strategic renewal and responsibility work.

Innovation funding organisation Business Finland participates in funding HKScan's Digitalized Agrofood Ecosystem® business development project. It aims to generate new business by increasing the transparency of the entire value chain and to develop the responsibility of operations through better resource efficiency and productivity. Digitalisation is a key aspect in the business models under development.

## Shares and shareholders

At the end of December 2022, 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 periods 2018-2020 and 2019-2021. On 4 March 2022 a total of 236,269 HKScan Corporation's series A shares owned by the company was transferred without consideration to the participants of the share-based incentive plan in accordance with the terms 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 December, the company held 1,621,795 (1,858,064) A shares as treasury shares, corresponding to 1.64% of the company's total number of shares and 0.8% of the total number of votes.

The calculational market value of HKScan's shares at the end of December stood at EUR 84.6 (161.2) million. The market value of the Series A shares was EUR 79.9 (152.2) million and the calculational market value of the unlisted Series K shares was EUR 4.7 (9.0) million.

A total of 16,990,679 (32,515,203) of the company's shares were traded with a total value of EUR 22,060,625 (67,774,266). The highest price quoted was EUR 1.71 (2.52) and the lowest EUR 0.86 (1.57). The average price was EUR 1.31 (2.08). At the end of December, the closing price was EUR 0.87 (1.66).

At the end of 2022, the shareholders maintained by Euroclear Finland Ltd included 15,698 (15,422) shareholders. Nominee-registered foreign shareholders held 6.5 (15.2) per cent of the company's shares.

At the end of 2022, members of the Board of Directors and the company's President and CEO and his deputy, as well as their related parties owned a total of 409,876 A Shares, corresponding to 0.4 per cent of the total number of shares and 0.2 per cent of the votes.

## Ownership breakdown by amount of share on 31 December 2022

| Number of shares   | Number of shareholder | % of shareholders | Number of shares  | % of share capital |
|--------------------|-----------------------|-------------------|-------------------|--------------------|
| 1-100              | 4,058                 | 25.85             | 190,350           | 0.19               |
| 101-500            | 4,995                 | 31.82             | 1,442,880         | 1.46               |
| 501-1,000          | 2,441                 | 15.55             | 1,952,609         | 1.97               |
| 1,001-5,000        | 3,117                 | 19.86             | 7,235,316         | 7.31               |
| 5,001-10,000       | 570                   | 3.63              | 4,216,946         | 4.26               |
| 10,001-50,000      | 420                   | 2.68              | 8,315,815         | 8.40               |
| 50,001-100,000     | 43                    | 0.27              | 3,004,349         | 3.04               |
| 100,001-500,000    | 34                    | 0.22              | 7,622,260         | 7.70               |
| 500,001-&above     | 19                    | 0.12              | 64,178,676        | 64.86              |
| On common accounts | 0                     | 0.00              | 127,580           | 0.13               |
| On waiting list    | 1                     | 0.01              | 665,000           | 0.67               |
| <b>Total</b>       | <b>15,698</b>         | <b>100</b>        | <b>98,951,781</b> | <b>100</b>         |

## Shares by share series 31 December 2022

| Share series | Number of shares  | % of shares | % of votes |
|--------------|-------------------|-------------|------------|
| A Shares     | 93,551,781        | 94.54       | 46.42      |
| K Shares     | 5,400,000         | 5.46        | 53.58      |
| <b>Total</b> | <b>98,951,781</b> | <b>100</b>  | <b>100</b> |

## Ownership breakdown by sector on 31 december 2022

|                                 | Share of owners % | Share of shares % | Share of votes % |
|---------------------------------|-------------------|-------------------|------------------|
| Corporates                      | 3.31              | 44.71             | 66.59            |
| Finance and insurance companies | 0.11              | 5.39              | 2.65             |
| Public entities                 | 0.03              | 10.16             | 4.99             |
| Households                      | 95.91             | 27.23             | 13.37            |
| Non-profit organizations        | 0.34              | 0.91              | 0.44             |
| Abroad                          | 0.31              | 10.80             | 11.57            |
| Other                           | 0.01              | 0.86              | 0.39             |
| <b>All sectors, total</b>       | <b>100</b>        | <b>100</b>        | <b>100</b>       |



## 20 Largest shareholders on 31 December 2022

|   | A shares          | K shares         | Of total shares, % | Of total votes, % |
|---|-------------------|------------------|--------------------|-------------------|
| 1 LSO Osuuskunta  | 25,083,884        | 4,735,000        | 30.13              | 59.43             |
| 2 Lantmännen ek. För  | 6,869,750         | 665,000          | 7.61               | 10.01             |
| 3 Keskinäinen työeläkevakuutusyhtiö Varma                                   | 4,846,806         |                  | 4.90               | 2.40              |
| 4 Apteekkien Eläkekassa   | 3,581,889         |                  | 3.62               | 1.78              |
| 5 Maa- ja metsätaloustuottajain Keskusliitto MTK ry                         | 2,711,414         |                  | 2.74               | 1.35              |
| 6 HKScan Oyj  | 1,621,795         |                  | 1.64               | 0.80              |
| 7 Oy Etra Invest Ab   | 1,500,000         |                  | 1.52               | 0.74              |
| 8 Jocer Oy Ab   | 1,175,000         |                  | 1.19               | 0.58              |
| 9 Suhonen Jyrki   | 1,125,951         |                  | 1.14               | 0.56              |
| 10 Keskinäinen Työeläkevakuutusyhtiö Elo                                    | 1,125,000         |                  | 1.14               | 0.56              |
| 11 Etola Group Oy   | 1,000,000         |                  | 1.01               | 0.50              |
| 12 Sinituote Oy   | 600,000           |                  | 0.61               | 0.30              |
| 13 Pivosto Oy   | 582,190           |                  | 0.59               | 0.29              |
| 14 Petter ja Margit Forsströmin säätiö Karl ja Olivia Forsströmin muistolle | 522,000           |                  | 0.53               | 0.26              |
| 15 Ab 2011 Fruitgum Company Oy  | 510,000           |                  | 0.52               | 0.25              |
| 16 Sun Marianne Oy  | 508,200           |                  | 0.51               | 0.25              |
| 17 Sijoitusrahasto Aktia Capital  | 500,000           |                  | 0.51               | 0.25              |
| 18 Valtion Eläkerahasto   | 500,000           |                  | 0.51               | 0.25              |
| 19 Gripenberg Jarl kuolinpesä   | 500,000           |                  | 0.51               | 0.25              |
| 20 J & K Hämmäläinen Oy   | 414,504           |                  | 0.42               | 0.21              |
| <b>Other shareholders</b>   | <b>38,273,398</b> | <b>0</b>         | <b>38.68</b>       | <b>18.99</b>      |
| <b>Total</b>  | <b>93,551,781</b> | <b>5,400,000</b> | <b>100</b>         | <b>100</b>        |

Source: Euroclear Finland

## Annual General Meeting 2022

HKScan Corporation's Annual General Meeting was held on 30 March 2022 in Turku 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 2021–31 December 2021 and discharged the members of the Board of Directors and the CEO from liability. The AGM resolved that a dividend of EUR 0.04 be paid for each share for the year 2021.

The decisions of the AGM have been published in their entirety in a stock exchange release on 30 March 2022, and the minutes are available in Finnish on the company website at [www.hkscan.com](http://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 were paid out in spring 2021 according to the original payment schedule and part of the rewards were 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 were paid out in spring 2022 according to the original payment schedule.

Read more in HKScan's 2021 Financial Statements Bulletin and Remuneration Report. The company will publish its Remuneration Report for 2022 in week 11/2023.

## Short-term business risks

### Financial operating environment and risks related to financing

The war in Ukraine is causing uncertainty in the European energy market and disturbances particularly in the supply chains of grains and vegetable oils. High inflation in the euro area is expected to continue due to the unstable geopolitical situation. In the fourth quarter of 2022, inflation in the euro area remained high, especially due to rapidly rising energy, food and transport prices. Inflation pressures have also spread to the prices of other commodities and services. The uncertainty related to the increased cost inflation in 2023 has decreased in late 2022 and January 2023. Especially the uncertainty related to energy and electricity prices has been reduced for 2023, based on electricity price forecasts at the end of the year 2022 and after the financial year, from a very unstable and highly volatile market price situation in the second half of 2022.

There is still uncertainty for 2023 related to the evolution of consumer demand in the environment of high inflation and high interest rates. If consumer demand weakens significantly and the company's sales volumes fall considerably, this will negatively affect the company's profitability. The developments described above or a delay in the closing of the sale of the Baltic business would lead to a breach of the covenants. The covenants will remain close to their limits for the full year. In case of unforeseen changes in the business environment or a delay in the approval by the competition authorities, a breach of the covenants would seem to be apparent, 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. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the financial statements.

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

Especially energy price volatility in Europe remains significant. This will continue to put pressure on the cost of packaging materials and other production inputs.

Feed prices have remained high. Uncertainty about the availability and price of production inputs may continue to be reflected in production costs. Increases in producer prices have eased the liquidity and profitability crisis on farms. If the crisis is prolonged, the situation may 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 its customers 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 may lead to significant local price fluctuations. The effects of these price fluctuations are partly unpredictable and affect 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

With the sharp rise in food prices following the rise in food chain costs, consumer purchasing behaviour is expected to change clearly. Depending on the purchasing power of consumers in HKScan's different home markets, consumer demand for food will focus on lower-priced products and product groups. For HKScan's sales volumes, this may be seen as a weakening in more expensive products and a strengthening in basic foods. In the unstable geopolitical situation, 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 the 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 business risk and the Covid-19 situation is closely monitored.

The risk of cyber-attacks is higher than before due to the unstable geopolitical situation. If realised, cyber-attacks could have a significant negative impact on HKScan's operations.

The weakened functioning of global logistics chains may pose risks to the company's ability to execute its investment within the planned timeframes and costs, and may 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.

As a company that is critical for security of supply, HKScan is prepared for regional electricity supply restrictions through advance planning, contingency plans and recovery plans. The company has negotiated with the electricity distribution network companies on how to operate in possible electricity shortage situations. Restrictions on electricity supply, if realised, could significantly harm the company's operations.

## Board of Directors' proposal on the distribution of profit

The parent company's distributable equity is EUR 265.4 (282.5) million, including the reserve for invested unrestricted equity of EUR 216.0 (215.4) million and the profit for the financial year 2022 of EUR -13.9 million. The Board of Directors proposes to the Annual General Meeting that no dividends be paid for 2022. The remaining distributable assets will be retained in equity.

## Outlook for 2023

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.

## Annual General Meeting 2023

HKScan's Annual General Meeting is planned to be held in Turku on Thursday, 20 April 2023. The invitation will be published later.



## Key figures

| Financial indicators   | 2022    | 2021    | 2020    | 2019    | 2018    |
|--|---------|---------|---------|---------|---------|
| Net sales, EUR million, continuing operations                                    | 1,833.8 | 1,645.3 | 1,606.0 | 1,575.9 | 1,553.2 |
| Operating profit/loss (EBIT), EUR million, continuing operations                 | 10.1    | 21.4    | 16.5    | -30.8   | -50.2   |
| - % of net sales   | 0.5     | 1.3     | 1.0     | -2.0    | -3.2    |
| Comparable operating profit/loss, EUR million, continuing operations             | 9.7     | 17.9    | 11.8    | -10.0   | -48.2   |
| - % of net sales   | 0.5     | 1.1     | 0.7     | -0.6    | -3.1    |
| Profit/loss before taxes, EUR million, continuing operations                     | -0.9    | 10.3    | 7.5     | -42.1   | -60.3   |
| - % of net sales   | 0.0     | 0.6     | 0.5     | -2.7    | -3.9    |
| Return on equity (ROE), %, incl. discontinued operations                         | -21.7   | -0.4    | 1.5     | -11.5   | -15.2   |
| Return on capital employed before taxes (ROCE), %, incl. discontinued operations | -6.5    | 3.6     | 3.9     | -3.1    | -6.7    |
| Equity ratio, %  | 28.8    | 33.5    | 33.7    | 34.8    | 33.3    |
| Net gearing ratio, %   | 124.4   | 95.2    | 91.0    | 84.8    | 103.3   |
| Gross capital expenditure on PPE, EUR million, continuing operations             | 37.4    | 40.1    | 78.6    | 20.1    | 30.6    |
| Additions in right-of-use assets, EUR million, continuing operations             | 9.0     | 80.7    | 6.3     | 11.1    | 10.3    |
| Investments total, EUR million, continuing operations                            | 46.4    | 120.8   | 84.9    | 31.2    | 40.9    |
| - % of net sales   | 2.5     | 7.3     | 5.3     | 2.0     | 2.6     |
| R&D expenses, EUR million, continuing operations                                 | 5.3     | 6.2     | 4.5     | 5.6     | 8.3     |
| - % of net sales   | 0.3     | 0.4     | 0.3     | 0.4     | 0.5     |
| Employees, average (FTE), continuing operations                                  | 5,390   | 5,354   | 5,212   | 5,161   | 5,305   |

| Per share data   | 2022   | 2021   | 2020   | 2019   | 2018   |
|--|--------|--------|--------|--------|--------|
| Undiluted earnings per share (EUR/share), continuing operations                      | -0.11  | -0.02  | -0.05  | -0.62  | -1.03  |
| Earnings per share adjusted for dilution effect (EUR/share), continuing operations   | -0.11  | -0.02  | -0.05  | -0.62  | -1.03  |
| Undiluted earnings per share (EUR/share), discontinued operations                    | -0.63  | -0.04  | 0.05   | 0.09   | 0.03   |
| Earnings per share adjusted for dilution effect (EUR/share), discontinued operations | -0.63  | -0.04  | 0.05   | 0.09   | 0.03   |
| Undiluted earnings per share (EUR/share)   | -0.73  | -0.06  | -0.01  | -0.52  | -1.00  |
| Earnings per share adjusted for dilution effect (EUR/share)                          | -0.73  | -0.06  | -0.01  | -0.52  | -1.00  |
| Comparable earnings per share, EUR, continuing operations                            | -0.11  | -0.06  | -0.10  | -0.36  | -1.00  |
| Equity per share, EUR  | 2.61   | 3.17   | 3.19   | 3.18   | 5.73   |
| Dividend paid per share, EUR   | 0.00*  | 0.04   | 0.03   | 0.00   | 0.00   |
| Dividend payout ratio, undiluted, %  | 0.0*   | -200.0 | -55.3  | 0.0    | 0.0    |
| Dividend payout ratio, diluted, %  | 0.0*   | -200.0 | -55.3  | 0.0    | 0.0    |
| Effective dividend yield, %  | 0.0*   | 2.4    | 1.5    | 0.0    | 0.0    |
| Price-to-earnings ratio (P/E)  |        |        |        |        |        |
| undiluted  | -7.9   | -83.0  | -36.1  | -4.5   | -1.4   |
| diluted  | -7.9   | -83.0  | -36.1  | -4.5   | -1.4   |
| Lowest trading price, EUR  | 0.86   | 1.57   | 1.60   | 1.48   | 1.29   |
| Highest trading price, EUR   | 1.71   | 2.52   | 2.85   | 2.88   | 3.23   |
| Middle price during the period, EUR  | 1.31   | 2.08   | 2.03   | 2.05   | 2.40   |
| Share price at the end of the year, EUR  | 0.87   | 1.66   | 1.96   | 2.76   | 1.42   |
| Market capitalisation, EUR million   | 84.7   | 161.2  | 190.0  | 267.6  | 76.7   |
| Trading volume (1 000)   | 16,991 | 32,515 | 27,000 | 26,948 | 11,400 |
| % of the average volume  | 17.5   | 33.5   | 27.8   | 33.7   | 21.1   |
| Adjusted number of outstanding shares (1 000)  |        |        |        |        |        |
| average during financial period  | 97,291 | 97,046 | 96,952 | 79,943 | 54,030 |
| at the end of financial period   | 97,330 | 97,094 | 96,952 | 96,952 | 54,034 |
| fully diluted  | 97,330 | 97,094 | 96,952 | 96,952 | 54,034 |

\* Based on the Board of Directors' proposal.

## 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.

|   |   |  |   |
|---|---|--|---|
| <b>Return on equity (%)</b>                             | $\frac{\text{Profit}}{\text{Total equity (average)}} \times 100$  | <b>P/E ratio</b>                           | $\frac{\text{Closing price on the last trading day of the financial year}}{\text{Earnings per share}}$  |
| <b>Return on capital employed (ROCE) before tax (%)</b> | $\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$ | <b>Market capitalization</b>               | $\text{The number of outstanding shares at the end of period} \times \text{the closing price on the last trading day of the financial year}$  |
| <b>Equity ratio (%)</b>                                 | $\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$   | <b>Cash flow before debt service</b>       | $\text{Cash flow after investment activities - financial items}$  |
| <b>Gearing ratio (%)</b>                                | $\frac{\text{Interest-bearing liabilities}}{\text{Total equity}} \times 100$  | <b>Employee numbers</b>                    | $\text{Average of workforce figures calculated at the end of calendar months}$  |
| <b>Net gearing ratio (%)</b>                            | $\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$  | <b>Items affecting comparability</b>       | $\text{One-time charges, which are not related to the normal continuing operations and materially affect company's finance. Examples of such expenses are: capacity adjustment (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency / reorganization programmes, significant compensations or penalties paid out due to legal verdict or settlement, transaction fees / expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.}$ |
| <b>Earnings per share*</b>                              | $\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$                 | <b>Comparable EBIT</b>                     | $\text{Operating profit - items affecting comparability}$   |
| <b>Equity per share</b>                                 | $\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$  | <b>Comparable earnings per share*</b>      | $\frac{\text{Profit for the period attributable to equity holders of the parent - items affecting comparability}}{\text{Average number of outstanding shares during period}}$   |
| <b>Dividend per share</b>                               | $\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$   | <b>Interest-bearing net debt</b>           | $\text{Interest-bearing debt - cash and bank}$  |
| <b>Dividend payout ratio (%)</b>                        | $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$  | <b>Net debt to EBITDA ratio (leverage)</b> | $\frac{\text{Interest-bearing net debt}}{\text{EBITDA + share of profit/loss in associates and joint ventures}}$  |
| <b>Effective dividend yield (%)</b>                     | $\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial year}} \times 100$   |  |   |

\* 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.

# Financial Statements 2022

## Consolidated income statement for 1 January - 31 December

| (EUR million)                                     | Note   | 2022         | 2021        |
|---|--------|--------------|-------------|
| Continuing operations                             |        |              |             |
| Net sales   | 1.     | 1,833.8      | 1,645.3     |
| Other operating income                            | 2.     | 8.0          | 7.4         |
| Materials and services                            | 3.     | -1,296.5     | -1,112.8    |
| Employee benefits expenses                        | 4.     | -301.7       | -302.7      |
| Depreciation and amortisation                     | 5.,13. | -45.8        | -49.9       |
| Other operating expenses                          | 6.     | -187.8       | -165.7      |
| <b>EBIT</b>                                       |        | <b>10.1</b>  | <b>21.4</b> |
| Financial income                                  | 7.     | 2.9          | 2.7         |
| Financial expenses                                | 7.,13. | -19.2        | -17.2       |
| Share of associates' and joint ventures' results  |        | 5.4          | 3.4         |
| <b>Profit/loss before taxes</b>                   |        | <b>-0.9</b>  | <b>10.3</b> |
| Income tax  | 8.     | -4.0         | -7.8        |
| Profit/loss for the period, continuing operations |        | -4.9         | 2.5         |
| Profit/loss for discontinued operations           | 20.    | -61.1        | -3.7        |
| <b>Profit/loss for the period</b>                 |        | <b>-66.0</b> | <b>-1.2</b> |
| Profit/loss for the period attributable to:       |        |              |             |
| Equity holders of the parent                      |        | -69.7        | -4.5        |
| Non-controlling interests                         |        | 3.7          | 3.2         |
| <b>Total</b>                                      |        | <b>-66.0</b> | <b>-1.2</b> |

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

|  |    |       |       |
|--|----|-------|-------|
| EPS, undiluted, continuing operations, EUR/share   | 9. | -0.11 | -0.02 |
| EPS, diluted, continuing operations, EUR/share     | 9. | -0.11 | -0.02 |
| EPS, undiluted, discontinued operations, EUR/share | 9. | -0.63 | -0.04 |
| EPS, diluted, discontinued operations, EUR/share   | 9. | -0.63 | -0.04 |
| EPS, undiluted, EUR/share                          | 9. | -0.73 | -0.06 |
| EPS, diluted, EUR/share                            | 9. | -0.73 | -0.06 |

The notes 1-29 form an integral part of the consolidated financial statements.

## Consolidated statement of comprehensive income 1 January - 31 December

| (EUR million)   | 2022         | 2021       |
|---|--------------|------------|
| Profit/loss for the period                                    | -66.0        | -1.2       |
| OTHER COMPREHENSIVE INCOME (after taxes):                     |              |            |
| Items that may be subsequently reclassified to profit or loss |              |            |
| Exchange differences on translating foreign operations        | -7.2         | -2.0       |
| Cash flow hedging   | 15.2         | 7.4        |
| Items that will not be reclassified to profit or loss         |              |            |
| Actuarial gains or losses                                     | 14.1         | 2.9        |
| <b>Total other comprehensive income</b>                       | <b>22.2</b>  | <b>8.3</b> |
| <b>Total comprehensive income for the period</b>              | <b>-43.8</b> | <b>7.1</b> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD<br>ATTRIBUTABLE TO: |              |            |
| Equity holders of the parent                                  | -47.4        | 3.9        |
| Non-controlling interests                                     | 3.7          | 3.2        |
| <b>Total</b>  | <b>-43.8</b> | <b>7.1</b> |

The notes 1-29 form an integral part of the consolidated financial statements.



## Consolidated balance sheet on 31 December

| (EUR million)  | Note    | 31 Dec.<br>2022 | 31 Dec.<br>2021 |
|--|---------|-----------------|-----------------|
| Intangible assets                                    | 10.     | 67.1            | 72.9            |
| Goodwill   | 11.     | 46.8            | 71.3            |
| Tangible assets                                      | 12.,13. | 378.6           | 459.7           |
| Shares in associates and joint ventures              | 14.     | 29.3            | 26.4            |
| Other receivables                                    | 15.     | 12.2            | 7.3             |
| Other shares and holdings                            | 15.     | 11.8            | 12.1            |
| Deferred tax asset                                   | 16.     | 31.8            | 36.3            |
| <b>Non-current assets</b>                            |         | <b>577.5</b>    | <b>686.0</b>    |
| Inventories  | 17.     | 115.9           | 131.1           |
| Trade receivables                                    | 18.     | 118.7           | 117.4           |
| Other receivables                                    | 18.     | 36.6            | 23.9            |
| Income tax receivable                                | 18.     | 0.2             | 0.0             |
| Cash and bank  | 19.     | 17.2            | 27.2            |
| <b>Current assets</b>                                |         | <b>288.6</b>    | <b>299.6</b>    |
| Assets of disposal group classified as held for sale | 20.     | 101.9           | -               |
| <b>Assets</b>  |         | <b>968.1</b>    | <b>985.6</b>    |
| Share capital  | 21.     | 66.8            | 66.8            |
| Share premium reserve                                | 21.     | 72.9            | 72.9            |
| Treasury shares                                      | 21.     | -4.1            | -4.8            |
| Hybrid loan  | 21.     | 25.9            | 25.9            |
| Fair value reserve and other reserves                | 21.     | 247.6           | 232.4           |
| Translation differences                              | 21.     | -19.8           | -12.6           |
| Retained earnings                                    | 21.     | -134.9          | -72.4           |
| Equity attributable to equity holders of the parent  |         | 254.5           | 308.3           |
| Non-controlling interests                            |         | 24.6            | 22.1            |
| <b>Equity</b>  |         | <b>279.1</b>    | <b>330.3</b>    |

|   |         |              |              |
|---|---------|--------------|--------------|
| Deferred tax liability                                    | 16.     | 22.4         | 20.1         |
| Non-current interest-bearing liabilities                  | 13.,24. | 333.9        | 210.1        |
| Non-current non-interest-bearing liabilities              | 24.     | 0.0          | 0.2          |
| Non-current provisions                                    | 23.     | 5.1          | 5.2          |
| Pension obligations                                       | 22.     | 13.2         | 38.1         |
| <b>Non-current liabilities</b>                            |         | <b>374.6</b> | <b>273.6</b> |
| Current interest-bearing liabilities                      | 13.,24. | 30.6         | 131.8        |
| Trade and other payables                                  | 24.     | 233.9        | 240.7        |
| Refund liabilities  | 24.     | 7.7          | 6.8          |
| Income tax liability                                      | 24.     | 1.5          | 2.2          |
| Current provisions  | 23.     | 0.2          | 0.1          |
| <b>Current liabilities</b>                                |         | <b>273.9</b> | <b>381.7</b> |
| Liabilities of disposal group classified as held for sale | 20.     | 40.4         | -            |
| <b>Equity and liabilities</b>                             |         | <b>968.1</b> | <b>985.6</b> |

The notes 1-29 form an integral part of the consolidated financial statements.

## Consolidated cash flow statement

| (EUR million)                                     | 2022         | 2021        |
|---|--------------|-------------|
| Profit/loss for the period, continuing operations | -4.9         | 2.5         |
| Profit/loss for discontinued operations           | -61.1        | -3.7        |
| Adjustments                                       | 119.2        | 76.3        |
| Cash flow before change in net working capital    | 53.2         | 75.1        |
| Change in net working capital                     | -18.9        | 0.2         |
| Other changes                                     | -1.9         | -3.0        |
| Interest paid                                     | -16.0        | -14.3       |
| Other financial expenses paid                     | -9.0         | -8.5        |
| Interest received                                 | 2.3          | 2.1         |
| Other financial income received                   | 9.2          | 4.3         |
| Dividends received                                | 2.4          | 1.2         |
| Income taxes paid                                 | -2.4         | -2.5        |
| <b>Cash flow from operating activities (A)</b>    | <b>18.9</b>  | <b>54.6</b> |
| Total investments                                 | -46.1        | -51.0       |
| Total sales of assets                             | 2.4          | 77.5        |
| Acquisition of subsidiary, net of cash acquired   | 0.3          | -           |
| Loan receivables, borrowings and repayments       | 2.6          | 0.0         |
| <b>Cash flow from investing activities (B)</b>    | <b>-40.8</b> | <b>26.5</b> |

|  |             |               |
|--|-------------|---------------|
| Hybrid loan                                    | -2.1        | -2.1          |
| Proceeds from external borrowings              | 139.5       | 92.8          |
| Repayment of external borrowings               | -105.6      | -175.4        |
| Payment of lease liabilities                   | -12.1       | -11.3         |
| Dividends paid                                 | -5.3        | -4.4          |
| <b>Cash flow from financing activities (C)</b> | <b>14.4</b> | <b>-100.3</b> |
| <b>Net cash flow (A+B+C)</b>                   | <b>-7.4</b> | <b>-19.2</b>  |
| Cash and cash equivalents, end balance         | 17.8        | 27.2          |
| Cash and cash equivalents, opening balance     | 27.2        | 46.8          |
| Effect of changes in exchange rates            | -2.0        | -0.4          |
| <b>Change</b>                                  | <b>-7.4</b> | <b>-19.2</b>  |

The notes 1-29 form an integral part of the consolidated financial statements.

**Statement of changes in consolidated equity**

| (EUR million)                                    | Share capital | Share premium reserve | Revaluation reserve | Reserve for invested unrestricted equity (RIUE) | Hybrid loan | Other reserves | Translation differences | Treasury shares | Retained earnings | Equity holders of the parent | Non-controlling interests | Total        |
|--|---------------|-----------------------|---------------------|---|-------------|----------------|-------------------------|-----------------|-------------------|------------------------------|---------------------------|--------------|
| <b>EQUITY ON 1 Jan. 2022</b>                     | <b>66.8</b>   | <b>72.9</b>           | <b>6.6</b>          | <b>215.4</b>                                    | <b>25.9</b> | <b>10.4</b>    | <b>-12.6</b>            | <b>-4.8</b>     | <b>-72.4</b>      | <b>308.3</b>                 | <b>22.1</b>               | <b>330.3</b> |
| Result for the financial period                  | -             | -                     | -                   | -   | -           | -              | -                       | -               | -69.7             | -69.7                        | 3.7                       | -66.0        |
| Other comprehensive income (+) / expense (-)     |               |                       |                     |   |             |                |                         |                 |                   |                              |                           |              |
| Translation difference                           | -             | -                     | 0.0                 | -   | -           | -              | -7.2                    | -               | -                 | -7.2                         | -                         | -7.2         |
| Cash flow hedging                                | -             | -                     | 15.2                | -   | -           | -              | -                       | -               | -                 | 15.2                         | -                         | 15.2         |
| Actuarial gains or losses                        | -             | -                     | -                   | -   | -           | -              | -                       | -               | 14.1              | 14.1                         | -                         | 14.1         |
| Total other comprehensive income / expense       | -             | -                     | 15.3                | -   | -           | -              | -7.2                    | -               | 14.1              | 22.2                         | -                         | 22.2         |
| <b>Total comprehensive income for the period</b> | <b>-</b>      | <b>-</b>              | <b>15.3</b>         | <b>-</b>  | <b>-</b>    | <b>-</b>       | <b>-7.2</b>             | <b>-</b>        | <b>-55.5</b>      | <b>-47.4</b>                 | <b>3.7</b>                | <b>-43.8</b> |
| Direct recognitions                              | -             | -                     | -                   | -   | -           | -              | -                       | -               | -0.3              | -0.3                         | -                         | -0.3         |
| 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                           | -             | -                     | -                   | -   | -           | -              | -                       | -               | -                 | -                            | 0.3                       | 0.3          |
| Hybrid loan                                      | -             | -                     | -                   | -   | -           | -              | -                       | -               | -2.1              | -2.1                         | -                         | -2.1         |
| <b>EQUITY ON 31 Dec. 2022</b>                    | <b>66.8</b>   | <b>72.9</b>           | <b>21.9</b>         | <b>215.4</b>                                    | <b>25.9</b> | <b>10.4</b>    | <b>-19.8</b>            | <b>-4.1</b>     | <b>-134.9</b>     | <b>254.5</b>                 | <b>24.6</b>               | <b>279.1</b> |
| <b>EQUITY ON 1 Jan. 2021</b>                     | <b>66.8</b>   | <b>72.9</b>           | <b>-0.8</b>         | <b>215.4</b>                                    | <b>25.9</b> | <b>10.3</b>    | <b>-10.6</b>            | <b>-4.8</b>     | <b>-66.4</b>      | <b>308.8</b>                 | <b>20.3</b>               | <b>329.1</b> |
| Result for the financial period                  | -             | -                     | -                   | -   | -           | -              | -                       | -               | -4.5              | -4.5                         | 3.2                       | -1.2         |
| Other comprehensive income (+) / expense (-)     |               |                       |                     |   |             |                |                         |                 |                   |                              |                           |              |
| Translation difference                           | -             | -                     | -                   | -   | -           | -              | -2.0                    | -               | -                 | -2.0                         | -                         | -2.0         |
| Cash flow hedging                                | -             | -                     | 7.4                 | -   | -           | -              | -                       | -               | -                 | 7.4                          | -                         | 7.4          |
| Actuarial gains or losses                        | -             | -                     | -                   | -   | -           | -              | -                       | -               | 2.9               | 2.9                          | -                         | 2.9          |
| Total other comprehensive income / expense       | -             | -                     | 7.4                 | -   | -           | -              | -2.0                    | -               | 2.9               | 8.3                          | -                         | 8.3          |
| <b>Total comprehensive income for the period</b> | <b>-</b>      | <b>-</b>              | <b>7.4</b>          | <b>-</b>  | <b>-</b>    | <b>-</b>       | <b>-2.0</b>             | <b>-</b>        | <b>-1.5</b>       | <b>3.9</b>                   | <b>3.2</b>                | <b>7.1</b>   |
| Direct recognitions                              | -             | -                     | -                   | -   | -           | 0.0            | -                       | -               | 0.5               | 0.5                          | -                         | 0.5          |
| Dividend distribution                            | -             | -                     | -                   | -   | -           | -              | -                       | -               | -2.9              | -2.9                         | -1.4                      | -4.3         |
| Hybrid loan                                      | -             | -                     | -                   | -   | -           | -              | -                       | -               | -2.1              | -2.1                         | -                         | -2.1         |
| <b>EQUITY ON 31 Dec. 2021</b>                    | <b>66.8</b>   | <b>72.9</b>           | <b>6.6</b>          | <b>215.4</b>                                    | <b>25.9</b> | <b>10.4</b>    | <b>-12.6</b>            | <b>-4.8</b>     | <b>-72.4</b>      | <b>308.3</b>                 | <b>22.1</b>               | <b>330.3</b> |

The notes 1-29 form an integral part of the consolidated financial statements.

# Notes to the financial statements for 2022

## Basic information about the entity

HKScan Corporation is a Finnish public limited company operating in food industry. The company is domiciled in Turku.

HKScan Corporation and its subsidiaries (together 'the Group') produce, sell and market high-quality and responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Its customers are the retail, food service, industry and export sectors. The Group is active in Baltic Sea region in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark, and Germany. HKScan Corporation's A share has been quoted on Nasdaq Helsinki since 1997.

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting on 8 February 2023. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting can also modify the financial statements.

A copy of the HKScan Group's consolidated financial statements is available on the company's website at [www.hkscan.com](http://www.hkscan.com) or in the parent company's head office at Lemminkäisenkatu 48, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements are also available at the same address.

## Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have consistently been applied to all the years presented, unless otherwise stated.

### Assumption of ability to continue as a going concern

The financial statement for the financial year 2022 has been prepared on the going concern basis, assuming that HKScan will be able to realise its assets and settle its liabilities in the foreseeable future as part of normal operations. In assessing the going concern principle, 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 for the next 12 months.

HKScan's profitability weakened due to the exceptionally high cost inflation (raw material, energy and electricity) in 2022 and related weakening of consumer demand. As the company announced on 29 September 2022, the development of profitability was below the defined targets. The impact of cost inflation on profitability was only partially covered by the gradual increase in sales prices, production efficiency measures and cost savings implemented during 2022, which led to an unsatisfactory profitability development in 2022. In addition, HKScan's operative working capital has increased in 2022 due to cost inflation. The weak profitability development and 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.

The uncertainty related to the increased cost inflation in 2023 has decreased in late 2022 and January 2023. Especially the uncertainty related to energy and electricity prices has been reduced for 2023, based on electricity price forecasts at the end of the year 2022 and after the financial year, from a very unstable and highly volatile market price situation in the second half of 2022.

There is still uncertainty for 2023 related to the evolution of consumer demand in the environment of high inflation and high interest rates. If consumer demand weakens significantly and the company's sales volumes fall considerably, this will negatively affect the company's profitability. This may also lead to a temporary increase in working capital, which would weaken the profitability and have a negative impact on the company's cash flow and asset values. This could lead to a breach of the covenants.

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

In December 2022, in connection to the sale of the Baltic business, the company negotiated temporary waivers to the net gearing covenants of the revolving credit facilities, the bank loan, certain export credit agreements and the bond. The waivers are valid until the closing of the sale, but expire at the latest on 1 January 2024. The temporary limit on the net gearing ratio is 140 per cent for the bank loans and 145 per cent for the bond. At the end of 2022, the company's net gearing ratio was 124.4 per cent. Once the transaction of the Baltic business is closed, the net gearing covenant will decrease by 15 percentage points, and at the same time the Group's net gearing will decrease accordingly.

The covenant limit for the net debt to EBITDA ratio is 6.0. At the end of 2022, the net debt to EBITDA ratio was 5.6. From the beginning of April 2023, the limit will be 5.5, from the beginning of July 2023, 5.0 and from the beginning of October 2023, 4.0.

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, assuming that the divestment of the Baltic businesses is closed by the end of September 2023. The covenants will remain close to their limits for the full year. In case of unforeseen changes in the business environment or a delay in the approval by the competition authorities, a breach of the covenants would seem to be apparent, 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 values and/or classification 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.

## Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS standards and SIC and IFRIC interpretations effective on 31 December 2022. 'International Financial Reporting Standards' refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for some financial instruments and biological assets, which have been measured at fair value.

The accounting policies in respect of subsidiaries have been changed to correspond to those of the parent company if required.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the accounting policies under critical accounting estimates and judgements.



Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros. Consequently, some totals may not agree with the sum of their constituent parts.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2021 except for the adoption of new standards.

### **New and amended standards adopted by the group**

There have been no new standards, amendments or interpretations, which are effective for the financial year beginning on 1 January 2022 that affect Group's accounting policies or any of the disclosures.

### **Comparability with previous years**

The years 2022 and 2021 are comparable with each other, except change in depreciation schedule for equipment and machinery from ten to fifteen years in BU Finland's Rauma factory starting from the beginning of 2022. This has annual positive impact to comparable EBIT amounting to some EUR three million.

### **Consolidation subsidiaries**

The consolidated financial statements include the accounts of the parent company HKScan Corporation and its subsidiaries. Subsidiaries are entities over which the Group exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the

acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value, or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Recorded goodwill is originally the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. If the consideration is smaller than the fair value of the subsidiary's acquired net assets, the difference is recognised through profit or loss.

Subsidiaries acquired are consolidated from the date the Group acquires a controlling interest in them. All intragroup transactions, receivables and liabilities, and intragroup profit distribution, have been eliminated upon preparation of the consolidated financial statements.

A previous shareholding in a sequential acquisition is measured at the fair value and any profit or loss derived from this is recorded in the income statement as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair value of the date of the expiry of control and the difference derived from this is recognised through profit and loss.

Distribution of profit for the period between holders of the parent and non-controlling interests is presented in the separate income statement, and the distribution of comprehensive income between holders of the parent and non-controlling interests is presented in the statement of comprehensive income. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the share held by non-controlling interests becomes negative. The share of equity owing to non-controlling interests is presented as a separate item on the balance sheet under equity. Changes in the parent company's shareholding in a subsidiary, which do not lead to loss of control, are treated as equity-related transactions. The difference between fair value of any consideration paid, and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### **Associates**

Associates are companies over which the Group exercises a significant influence which usually arises when the Group holds 20-50 per cent of a company's voting rights. Associates have been consolidated using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the Group's share of the losses of an associate exceeds the investment's carrying amount, the investment is recognized as having no value and, unless the Group is committed to meeting the obligations of associates, no losses exceeding the carrying amount are consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 27, 'Related Party Transactions' have been consolidated into the consolidated financial statements. Share of associates' results is presented below EBIT.

The Group's share in associates' changes recognised in other items of comprehensive income are recognised in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2021-2022 financial periods.

### **Joint ventures**

A joint venture is a company in which the Group exercises joint control with another party. Joint ventures are consolidated using the equity method.

More detailed information about holdings in Group companies and associates and joint ventures is presented in Note 28, 'Related party transactions'.

### **Foreign Currency Translation**

The items included in the financial statements of the Group companies are valued in the currency of the main operating environment for that company (functional currency). The consolidated financial statements are presented in euros, the parent company's functional and reporting currency.

The assets and liabilities of foreign subsidiaries, and the foreign joint venture, are translated into euros at the closing exchange rates confirmed by the European Central Bank on the balance sheet date. The income statements are translated into euros using the average rate for the period. A translation difference arises from translating the result for the period and the comprehensive result at different rates in the income statement and comprehensive income statement and the balance sheet. The difference is recognised under equity. The change in the translation difference is recognised in other comprehensive income. The translation differences arising from eliminating the acquisition cost of foreign subsidiaries, and the joint venture, and from the translation of equity items accrued after the acquisition, are recognised in translation differences in the Group's equity, and the change is recognised in items of comprehensive income.

Group companies recognise transactions in foreign currencies at the rate prevailing on the day of the transaction. Trade receivables, trade payables, and loan receivables denoted in foreign currencies, and foreign currency bank accounts, have been translated into the operational currency at the exchange rates quoted on the balance sheet date. Exchange rate gains and losses on loans denoted in foreign currencies are included in financial income and expenses below EBIT. As a rule, exchange rate gains and losses related to business operations are included in the corresponding items above EBIT.

## Property, plant and equipment

Property, plant and equipment have been measured at cost less accumulated depreciation and any impairment. Depreciation of assets is made on a straight-line basis over the expected useful life. No depreciation is made on land.

The expected useful lives are as follows:

|                                  |              |
|----------------------------------|--------------|
| Buildings and structures         | 25-50 years  |
| Building machinery and equipment | 8-12.5 years |
| Machinery and equipment          | 2-15 years   |

The residual value and useful life of assets are reviewed in each financial statement and if necessary adjusted to reflect changes taking place in expected useful life.

Depreciation on property, plant and equipment ends when an item is classified as being for sale. Gains and losses arising on the disposal and discontinuation and assignment of property, plant and equipment are included either in other operating income or expenses.

Maintenance and repair costs arising from normal wear and tear are recognized as an expense when they occur. Major refurbishment and improvement investments are capitalised and depreciated over the remaining useful life of the main asset to which they relate.

## Government grants

Government grants, such as grants from the State or the EU relating to PPE acquisitions, have been recognized as deductions in the carrying amounts of PPE when receipt of the grants and the Group's eligibility for them is reasonably certain. The grants are recognised as income in the form of lower depreciations over the useful life of the item. Grants received in reimbursement of expenses incurred are recognised as income in the income statement at the same time as the costs relating to the object of the grant are recognised as an expense. Grants of this kind are reported under other operating income.

## Intangible assetst

### Goodwill

Goodwill arises on the acquisition of subsidiaries or business operations and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree, and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the segment level.

Goodwill impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill and other intangible items that have an unlimited useful life are not subject to regular depreciation, being instead tested yearly for impairment. For this reason, goodwill is allocated to CGUs or, in the case of an associate, included in the acquisition cost of the associate concerned. Goodwill is measured according to the historical cost convention less impairments. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of goodwill are not reversed. See, 'Impairment' and 'Impairment testing'.

### **Research and development costs**

Research and development costs are charged as incurred.

### **Other intangible rights and assets**

An intangible asset is recognised on the balance sheet only if its acquisition cost can be reliably determined and it is likely that the company will reap the expected economic benefit of the asset. Intangible rights include trademarks and patents, while items such as software licenses are included in other intangible assets. Patents and software licenses are recognised on the balance sheet at cost and are depreciated on a straight-line basis during their useful life, which varies from five to 10 years. No depreciation is made on intangible assets with an unlimited useful life.

Brands have been estimated to have an unlimited useful life. The good recognition of the brands and analyses performed support the view of management that the brands will affect cash flow generation for an indeterminate period of time.

### **Impairment of non-financial assets**

Intangible assets that have an indefinite useful life, or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

See 'Critical accounting estimates and judgements' and 'Goodwill'.

### **Inventories**

Raw materials are measured at weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labor costs, other direct costs and a systematically allocated proportion of variable and fixed production overheads. In determining the acquisition cost, standard cost accounting is applied and standard costs are reviewed regularly and changed if necessary. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of obsolescence and related factors.

## Biological assets

Biological assets, which in the case of the HKScan Group means living animals, are recognised on the balance sheet at fair values less estimated sales-related expenses. The Group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

Biological assets are included in inventories on the balance sheet and changes in the fair value are included in material costs in the income statement. Animals producing slaughter animals are included in fixed assets.

## Leases

### The Group as lessee

The Group recognises a right-of-use asset and related lease liability from all lease for all leases with term of more than 12 months. Less than 12 months agreements and assets of low value are excluded by the Group. Office equipment such as printers, coffee machines, phones and computers are considered assets of low value. Initial recognition is based on discounted present value of the lease payments. The discount rate is a rate from the agreement, or if not available, the interest rate for additional loan. Discounted present value of the lease payments include expected payable residual value guarantee, price of purchase or continuation option if likely that the Group will utilise option and expected payments from the ending of the agreement. Lease agreements without end date (with short notice period) are based on management judgement considered with two years duration which is renewed when the time expires. Also, other justified duration based on management judgment can be used. Depreciations from right-of-use assets and interest expense on lease liability are recorded to income statement instead of the lease expense. Right-of-use assets are depreciated with straight-line method during the lease period. Lease payments are divided into interest expense and lease liability amortisation with effective interest rate method. Right-of-use assets are included in tangible assets and lease liabilities in interest bearing debts in the balance sheet.

When an arrangement enters into force, the Group uses its factual content to determine whether the arrangement is a lease agreement or whether it includes one. A lease agreement exists if the following conditions are met: there is an identified asset, customer has the right to obtain substantially all of the economical benefits from the use of the asset throughout the period of use, customer has the right to direct how and for what purpose the asset is used throughout the period of use, or if the use is predetermined, customer operates the asset or has designed the asset.

### The Group as lessor

The Group's leased assets whose risks and rewards of ownership have essentially been transferred to the lessee are recognised as receivables on the balance sheet. Receivables are initially recognised at their present value. Financing income is recognised during the term of the lease so as to achieve a constant rate of return on the outstanding net investment over the term of lease.

Other assets leased under other operating leasing agreements are included in property, plant and equipment on the balance sheet. They are depreciated over their useful lives in the same way as corresponding property, plant and equipment in the company's own use are. Rental income is recognised in the income statement on a straight-line basis over the lease term.



## Employee benefits

### Pension obligations

Pension plans are classified as defined benefit plans and defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate entity. The Group is under no legal or actual obligation to make additional payments in the event that the entity collecting pension payments is unable to meet its obligations to pay the pension benefits in question. Any pension plan that does not meet these criteria is a defined benefit plan.

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local practice.

In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognised in the income statement during the financial period in which they are incurred.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, curtailments and settlements.

Past-service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the period in which they arise.

### Share based payments

Based on IFRS2, the fair value of share based incentives is determined at the grant date and the fair value is expensed until vesting. If the share reward is paid as a combination of shares and cash, the fair value determination is divided into equity-settled and cash-settled portions. The equity-settled portion is booked into equity and cash-settled into liabilities. The fair value of equity-settled portion is the fair value of Company share at the grant date deducted with expected dividends to be paid before the reward payment. Furthermore, the share purchase and ownership requirement in the performance period is taken into account by deducting the estimated financing costs of the share purchases from the fair value. The fair value of the cash-settled portion is recalculated on each reporting date until the reward payment.

## Provisions

A provision is recognised when the Group has a legal or actual obligation as the result of a past event, it is likely that the payment obligation will be realised and the magnitude of the obligation can be reliably estimated.

A restructuring provision is made when the Group has compiled a detailed restructuring plan and launched its implementation or announced the plan. No provision is made for expenses relating to the Group's continuing operations.

A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group's environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

## Taxes and deferred taxes based on taxable income for the period

The income tax expense in the income statement consists of tax based on taxable income and deferred tax. Taxes are recognised in the income statement, except when related to items recognised directly in equity, or the statement of comprehensive income, in which event the tax is also recognised in the said items. Tax based on taxable income in the financial period is calculated from taxable income on the basis of the tax law of the domicile of each company. Taxes are adjusted with any taxes relating to previous financial periods.

Deferred tax assets and liabilities are calculated on temporary differences in bookkeeping and taxation using the tax rate valid at the balance sheet date or expected date the tax is paid. The most significant temporary differences arise from measurement to fair value of derivative instruments, defined benefit pension plans, unclaimed tax losses and measurements to fair value in connection with acquisitions. No deferred tax is recognised on non-deductible goodwill. Deferred tax assets are recognised for the amount which it is likely that taxable profit will be generated in the future, against which the temporary difference can be utilised.

Deferred taxes are calculated using the tax rates which have been enacted or which in practice have been adopted by the reporting date.

## Revenue recognition policies

Net sales is presented as revenue from the sales of products and services measured at fair value and adjusted for indirect taxes, discounts and translation differences resulting from sales in foreign currencies.

The Group sells food products, feed, animals and to a small extent slaughtering and transport services. The Group fulfils its performance obligation and recognises revenue when the product is delivered, and service is performed. Food products have limited shelf life, so quality and warranty issues realise quickly. There is no additional warranty provision recorded for the delivered products. Product and service prices and quantities do not include significant judgement. Variable discount periods are typically short, value is low, and usually end at year end so they can be reliably estimated. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is short.

## Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets need to be disposable in their current condition immediately with conventional conditions, management needs to be committed to the sale and the sale can be expected to realise within one year from classification. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. After classification depreciations are no longer booked. Assets held for sale and related liabilities are presented as separate line item in the Group balance sheet. Comparison year is not restated.

Discontinued operation is a material part of the Group that has been disposed of or classified as held for sale. Profit from discontinued operations is disclosed as a separate item in the income statement and comparison year figures have been restated respectively.

## Financial assets and liabilities

### Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loan receivables under current and non-current financial assets.

#### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as financial income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

#### Derecognition

Financial assets are derecognised from the balance sheet when the Group's contractual right to the cash flows has expired or when the risks and rewards of ownership have to a significant degree been transferred outside the Group.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Group applies a simplified approach in calculating ECLs.

The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets, and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Credit accounts relating to the Group accounts are included in current financial liabilities, and they are recognized as setoffs, as the Group has an agreement-based legal right to settle or otherwise eliminate the amount to be paid to the creditor in full or in part.

### **Financial liabilities**

The Group's financial liabilities are classified into the following categories: financial liabilities recognised at fair value through profit or loss, and other financial liabilities at amortised cost.

Financial liabilities recognised at fair value through profit or loss are initially and subsequently measured at fair value with the same principles as corresponding financial assets. Derivative financial liabilities are included in this category. Other financial liabilities are initially recognised at fair value and transaction costs are included in the original carrying amount. Financial liabilities, except for derivative contract liabilities, are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in current and non-current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as a part of the cost of the said asset when it is

likely that these will generate future economic benefits, and when the costs can be measured reliably. During the financial years presented, the Group did not have any qualifying investments.

Other borrowing costs are recognised as an expense in the period in which they are incurred. Credit fees related to loan commitments are recognised as transaction costs in proportion to the extent that it is probable that the total loan commitment or a part of it will be raised. Credit fees are recognised on the balance sheet until the loan is raised. In connection with the drawdown, the credit fee related to loan commitments is recognised as part of the transaction costs. To the extent that it is probable that the loan commitment will not be raised, the credit fee is recognised as a prepaid expense in respect of the liquidity-related services and is accrued for the period of the loan commitment.

### **Derivatives and hedge accounting**

Derivative contracts are initially accounted for at fair value on the date on which the Group becomes a party to the contract and subsequently continue to be measured at fair value. Gains and losses arising from the measurement at fair value are treated in the income statement in the manner determined by the purpose of the derivative. The impacts on profit or loss arising from changes in the value of derivative contracts to which hedge accounting applies and which are effective hedges, are presented in a manner consistent with the hedged item.

When derivative contracts are entered into, the Group treats the derivatives, as in the case of interest rate risk, as cash flow hedges, cash flow hedges of a highly probable forecast transaction, or derivatives that do not satisfy the criteria for applying hedge accounting. The Group documents the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group documents and assesses the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows.

### Cash flow hedging

A change in the fair value of the effective portion of derivative instruments that satisfy the conditions for hedging cash flow are recognised under other comprehensive income and reported in the hedging reserve (included in Fair value reserve and other reserves). Gains and losses accrued from the hedging instrument are transferred to the income statement when the hedged item affects profit or loss. The ineffective portion of the hedging instrument's profit or loss is recognised as financial income or expenses (interest rate derivatives) or other operating expenses (commodity derivatives).

When a hedging instrument acquired to hedge cash flow matures or is sold, or when the criteria for hedge accounting are no longer satisfied, the profit or loss accrued from the hedging instrument remains in equity until the forecast transaction is carried out. Nevertheless, if the forecast hedged transaction is no longer expected to be realised the profit or loss accrued in equity is recognised immediately in the income statement.

### Other hedging instruments where hedge accounting is not applied

Despite the fact that some hedging relationships satisfy the Group's risk management hedging criteria, hedge accounting is not applied to them. Derivatives hedging against currency and interest risk fall into this category. In accordance with the Group's recognition policy, changes in the fair value of foreign exchange contracts hedging commercial flows are recognised in other operating income and expenses, and changes in the value of foreign exchange contracts hedging financial items are recognised in the income statement in foreign exchange gains and losses from financing operations. On the balance sheet, derivatives relating to currency-denominated trade receivables or trade payables are presented in other current receivables or liabilities. Changes in the fair value of interest rate derivatives are recognised in financial items. On the balance sheet the fair value of interest rate derivatives is presented in current and non-current liabilities according to maturity.

Changes in the hedging reserve are presented in Note 21. 'Notes relating to equity' under 'Revaluation reserve'.

### Equity

All company shares are reported as share capital. Any repurchase of its own shares by the company is deducted from equity.

### Dividend

The dividend proposed to the Annual General Meeting by the Board of Directors is not deducted from distributable equity until approved by the AGM.

### EBIT

The concept of EBIT is not defined in IAS 1: Presentation of Financial Statements. The Group employs the following definition: EBIT is the net sum arrived at by adding other operating income to net sales, deducting from this purchase costs as well employee benefit expenses, depreciation and impairment losses, if any, and other operating expenses. All other income statement items are presented below EBIT.

Where necessary, major gains and losses on disposal, impairment and recognitions of discontinuations, reorganisations of operations or significant compensations or penalties paid out due to the legal verdict or settlement, recorded as items affecting comparability, as well as comparable EBIT may be presented separately in interim reports and financial statement bulletins.

### Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions affecting the content and to exercise judgement in applying the accounting policies. The most important of these estimates affect the possible impairment of goodwill and other assets as well as provisions. Actual results may differ from these estimates.



The estimates made in preparation of the financial statements are based on the best judgement of management on the reporting date. The estimates are based on historical experience and assumptions regarding the future seen as most likely on the balance sheet date. Such assumptions are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. The estimations and judgements are reviewed regularly.

The most important areas in which the estimations and judgement have been used are presented below.

The assumptions made by the management regarding the taxable income of the Group companies in the coming reporting periods are taken into account when estimating the amount of recognised deferred tax assets.

#### **Measurement to fair value of assets acquired in business combinations**

Where possible, Management has used available market values as the basis of determining the fair value of the net assets acquired in a business combination. When this is not possible, measurement is principally based on the historic return from the asset item and its intended use in business operations. Measuring the intangible right at fair value has required the Management to make estimations on the future cash flows. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require Management's estimates and assumptions about the future use of assets and the effect on the company's financial position. Changes in the emphasis and direction of business operations may result in changes to the original measurement in the future.

In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

#### **Impairment testing**

The Group tests goodwill annually for possible impairment. The recoverable amounts of cash generating units are determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Although the assumptions used are appropriate according to the Management, the estimated recoverable amounts may differ substantially from those realised in future. The assumptions used in the impairment calculation involve judgement that the Management has used in estimating the development of different factors. The sensitivity analysis emphasises that the factors related to revenue growth are the most central sources of uncertainty in the methods, assumptions and estimates used in the calculations. This sensitivity derives from the challenging estimation of the future development of the previously mentioned factors.

#### **Deferred tax**

Deferred tax assets are recognised for the amount which it is likely that taxable profit will be generated in the future, against which the temporary difference can be utilised. The Group assesses the principles for recognising deferred tax in connection with the financial statements. To this end, it has assessed how likely subsidiaries are to have recoverable taxable income against which the unused tax losses or unused tax credits can be utilised.

#### **Valuation of inventories**

Management's principle is to recognise an impairment loss for slowly moving and outdated inventories based on the management's best possible estimate of possibly unusable inventories in the Group's possession at the reporting date. The Group has valuation policy for inventories which is approved by the Management. Management bases its estimates on systematic and continuous monitoring and evaluations. Also, biological assets' fair value includes Management's judgement.

#### **Application of new and revised IFRS norms**

There are no new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

# Notes to income statement

## 1. Business segments

The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team. The division into business segments is based on the reports used by the Group Management Team for the allocation of resources and assessment of performance.

The Group Management Team monitors business performance by geographical area. The geographical segments monitored are Sweden, Finland and Denmark.

All the geographical segments manufacture, sell and market meat products, processed meat products and convenience foods. In addition to this the Group sells to a small extent slaughtering and transport services.

The net sales and EBIT for specific segments do not include intercompany sales and margins. Segments report external sales and cost of the external sales.

The assets and liabilities of the segments are items that are either directly or fairly allocated to the business of the relevant segment. Segment assets include tangible and intangible assets, shares in associates, inventories and non-interest bearing receivables. Segment liabilities include leases and current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

| Year 2022   | Swedish operations | Finnish operations | Danish operations | Baltic operations | Business segments, total | Group administration | Eliminations | Un-allocated | Group total  |
|---|--------------------|--------------------|-------------------|-------------------|--------------------------|----------------------|--------------|--------------|--------------|
| <b>Income statement information</b>                       |                    |                    |                   |                   |                          |                      |              |              |              |
| Net sales   | 745.1              | 868.3              | 220.4             | -                 | 1,833.8                  | -                    | -            | -            | 1,833.8      |
| EBIT  | 16.6               | 5.6                | 1.4               | -                 | 23.5                     | -13.4                | -            | -            | 10.1         |
| Share of associates' results                              | 0.1                | 5.0                | 0.3               | -                 | 5.4                      | -                    | -            | -            | 5.4          |
| Financial income and expenses                             |                    |                    |                   |                   |                          |                      |              | -16.3        | -16.3        |
| Income taxes  |                    |                    |                   |                   |                          |                      |              | -4.0         | -4.0         |
| <b>Result for the period</b>                              |                    |                    |                   |                   |                          |                      |              |              | <b>-4.9</b>  |
| <b>Balance sheet information</b>                          |                    |                    |                   |                   |                          |                      |              |              |              |
| Segment assets  | 284.7              | 447.8              | 71.3              | -                 | 803.8                    | 29.1                 | -52.0        | -            | 780.9        |
| Shares in associates                                      | 5.0                | 19.1               | 4.7               | -                 | 28.8                     | 0.5                  | -            | -            | 29.3         |
| Assets of disposal group classified as held for sale      | -                  | -                  | -                 | 101.9             | 101.9                    | -                    | -            | -            | 101.9        |
| Unallocated assets  | -                  | -                  | -                 | -                 | -                        | -                    | -            | 55.9         | 55.9         |
| <b>Total assets</b>                                       | <b>289.7</b>       | <b>466.9</b>       | <b>76.0</b>       | <b>101.9</b>      | <b>934.5</b>             | <b>29.6</b>          | <b>-52.0</b> | <b>55.9</b>  | <b>968.1</b> |
| Segment liabilities                                       | 126.9              | 198.4              | 22.5              | -                 | 347.9                    | 14.1                 | -6.7         | -            | 355.3        |
| Liabilities of disposal group classified as held for sale | -                  | -                  | -                 | 40.4              | 40.4                     | -                    | -            | -            | 40.4         |
| Unallocated liabilities                                   | -                  | -                  | -                 | -                 | -                        | -                    | -            | 293.3        | 293.3        |
| <b>Total liabilities</b>                                  | <b>126.9</b>       | <b>198.4</b>       | <b>22.5</b>       | <b>40.4</b>       | <b>388.3</b>             | <b>14.1</b>          | <b>-6.7</b>  | <b>293.3</b> | <b>688.9</b> |

| Year 2022   | Swedish operations | Finnish operations | Danish operations | Baltic operations | Business segments, total | Group administration | Eliminations | Un-allocated | Group total  |
|---|--------------------|--------------------|-------------------|-------------------|--------------------------|----------------------|--------------|--------------|--------------|
| <b>Other information</b>  |                    |                    |                   |                   |                          |                      |              |              |              |
| Sales, goods  | 745.1              | 864.4              | 220.4             | -                 | 1,829.8                  | -                    | -            | -            | 1,829.8      |
| Sales, services   | 0.1                | 3.9                | -                 | -                 | 3.9                      | -                    | -            | -            | 3.9          |
| Investments   | 22.7               | 17.1               | 5.4               | -                 | 45.1                     | 1.3                  | -            | -            | 46.4         |
| Depreciation and amortisation                                   | -13.8              | -28.8              | -4.4              | -                 | -46.9                    | -1.2                 | -            | -            | -48.1        |
| Impairment  | -                  | 2.3                | -                 | -                 | 2.3                      | -                    | -            | -            | 2.3          |
| Goodwill  | 26.9               | 19.8               | -                 | -                 | 46.8                     | -                    | -            | -            | 46.8         |
| Cash flow before debt service                                   | 8.2                | 1.1                | -3.4              | -17.5             | -11.6                    | -1.8                 | -            | -            | -13.4        |
| <b>Cash flow before debt service reconciliation Group total</b> |                    |                    |                   |                   |                          |                      |              |              |              |
| Cash flow from operating activities                             |                    |                    |                   |                   |                          |                      |              |              | 18.9         |
| Financial items (-)   |                    |                    |                   |                   |                          |                      |              |              | 11.1         |
| Cash flow from investing activities                             |                    |                    |                   |                   |                          |                      |              |              | -40.8        |
| Loan receivables Borrowings and repayments (-)                  |                    |                    |                   |                   |                          |                      |              |              | -2.6         |
| <b>Cash flow before debt service</b>                            |                    |                    |                   |                   |                          |                      |              |              | <b>-13.4</b> |

| Year 2021                           | Swedish operations | Finnish operations | Danish operations | Baltic operations | Business segments, total | Group administration | Eliminations | Un-allocated | Group total |
|-------------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------------|----------------------|--------------|--------------|-------------|
| <b>Income statement information</b> |                    |                    |                   |                   |                          |                      |              |              |             |
| Net sales                           | 700.4              | 772.3              | 172.7             | -                 | 1,645.3                  | -                    | -            | -            | 1,645.3     |
| EBIT                                | 22.6               | 12.1               | 0.0               | -                 | 34.7                     | -13.3                | -            | -            | 21.4        |
| Share of associates' results        | 0.3                | 3.1                | 0.1               | -                 | 3.4                      | -                    | -            | -            | 3.4         |
| Financial income and expenses       |                    |                    |                   |                   |                          |                      |              | -14.6        | -14.6       |
| Income taxes                        |                    |                    |                   |                   |                          |                      |              | -7.8         | -7.8        |
| <b>Result for the period</b>        |                    |                    |                   |                   |                          |                      |              |              | <b>2.5</b>  |

| Year 2021  | Swedish operations | Finnish operations | Danish operations | Baltic operations | Business segments, total | Group administration | Eliminations | Un-allocated | Group total  |
|--|--------------------|--------------------|-------------------|-------------------|--------------------------|----------------------|--------------|--------------|--------------|
| <b>Balance sheet information</b>                                   |                    |                    |                   |                   |                          |                      |              |              |              |
| Segment assets   | 287.1              | 430.0              | 62.9              | 145.6             | 925.6                    | 39.7                 | -61.8        | -            | 903.5        |
| Shares in associates   | 5.4                | 16.1               | 4.4               | -                 | 25.9                     | 0.5                  | -            | -            | 26.4         |
| Unallocated assets   | -                  | -                  | -                 | -                 | -                        | -                    | -            | 55.7         | 55.7         |
| <b>Total assets</b>  | <b>292.4</b>       | <b>446.1</b>       | <b>67.3</b>       | <b>145.6</b>      | <b>951.5</b>             | <b>40.2</b>          | <b>-61.8</b> | <b>55.7</b>  | <b>985.6</b> |
| Segment liabilities  | 146.6              | 187.1              | 21.4              | 34.3              | 389.4                    | 14.5                 | -5.7         | -            | 398.2        |
| Unallocated liabilities  | -                  | -                  | -                 | -                 | -                        | -                    | -            | 257.1        | 257.1        |
| <b>Total liabilities</b>   | <b>146.6</b>       | <b>187.1</b>       | <b>21.4</b>       | <b>34.3</b>       | <b>389.4</b>             | <b>14.5</b>          | <b>-5.7</b>  | <b>257.1</b> | <b>655.3</b> |
| <b>Other information</b>   |                    |                    |                   |                   |                          |                      |              |              |              |
| Sales, goods   | 700.3              | 769.0              | 172.7             | -                 | 1,641.9                  | -                    | -            | -            | 1,641.9      |
| Sales, services  | 0.1                | 3.3                | -                 | -                 | 3.3                      | -                    | -            | -            | 3.3          |
| Investments  | 28.6               | 85.0               | 5.1               | -                 | 118.7                    | 2.1                  | -            | -            | 120.8        |
| Depreciation and amortisation                                      | -13.6              | -33.1              | -4.8              | -                 | -51.5                    | -1.3                 | -            | -            | -52.8        |
| Impairment   | -0.2               | 3.1                | -                 | -                 | 2.9                      | -                    | -            | -            | 2.9          |
| Goodwill   | 29.2               | 19.8               | -                 | -                 | 49.1                     | -                    | -            | -            | 49.1         |
| Cash flow before debt service                                      | 7.0                | 99.5               | -2.2              | -6.9              | 97.3                     | -0.9                 | -            | -            | 96.4         |
| <b>Cash flow before debt service reconciliation to Group total</b> |                    |                    |                   |                   |                          |                      |              |              |              |
| Cash flow from operating activities                                |                    |                    |                   |                   |                          |                      |              |              | 54.6         |
| Financial items (-)  |                    |                    |                   |                   |                          |                      |              |              | 15.2         |
| Cash flow from investing activities                                |                    |                    |                   |                   |                          |                      |              |              | 26.5         |
| Loan receivables Borrowings and repayments (-)                     |                    |                    |                   |                   |                          |                      |              |              | 0.0          |
| <b>Cash flow before debt service</b>                               |                    |                    |                   |                   |                          |                      |              |              | <b>96.4</b>  |



## 2. Other operating income

|   | 2022       | 2021       |
|---|------------|------------|
| Rental income   | 1.3        | 1.2        |
| Gain on disposal of non-current assets                      | 0.0        | 1.5        |
| Exchange rate gains related to foreign exchange derivatives | 1.0        | 0.6        |
| Insurance compensation                                      | 2.0        | -          |
| Government grants   | 0.1        | 0.2        |
| Other operating income                                      | 3.7        | 3.9        |
| <b>Other operating income</b>                               | <b>8.0</b> | <b>7.4</b> |

## 3. Materials and services

|  | 2022            | 2021            |
|--|-----------------|-----------------|
| Purchases during the financial period      | -1,164.4        | -987.9          |
| Increase/decrease in inventories           | 13.2            | 8.9             |
| Work performed for own use and capitalised | 0.0             | 0.0             |
| <b>Materials and supplies</b>              | <b>-1,151.2</b> | <b>-979.0</b>   |
| External services                          | -145.3          | -133.9          |
| <b>Materials and services</b>              | <b>-1,296.5</b> | <b>-1,112.8</b> |

## 4. Employee benefit expenses

|   | 2022          | 2021          |
|---|---------------|---------------|
| Salaries and fees                                       | -236.2        | -235.0        |
| Share-based payments                                    | 0.0           | -0.7          |
| Pension expenses, defined contribution plans            | -27.8         | -29.3         |
| Pension expenses, defined benefit plans                 | -2.0          | -1.9          |
| Total pension expenses                                  | -29.8         | -31.3         |
| Other social expenses                                   | -35.7         | -35.7         |
| <b>Employee benefit expenses</b>                        | <b>-301.7</b> | <b>-302.7</b> |
| <b>Key management personnel compensation:</b>           |               |               |
| Short-term employee benefits                            | -3.2          | -4.1          |
| Post-employment benefits                                | -0.5          | -0.5          |
| Termination benefits                                    | -1.6          | -0.2          |
| Share-based payments                                    | -0.4          | -0.2          |
| <b>Key management salaries, fees and benefits</b>       | <b>-5.8</b>   | <b>-5.0</b>   |
| Average number of employees during financial year (FTE) |               |               |
| Clerical employees                                      | 970           | 954           |
| Workers   | 4,419         | 4,401         |
| <b>Total</b>  | <b>5,390</b>  | <b>5,354</b>  |

| <b>Members of Board of Directors:</b> | <b>Salaries and fees</b> | <b>Post-employment benefits</b> |
|---------------------------------------|--------------------------|---------------------------------|
| Reijo Kiskola, Chairman               | 0.123                    | -                               |
| Jari Mäkilä, Debuty Chairman          | 0.057                    | -                               |
| Per Olof Nyman                        | 0.055                    | -                               |
| Harri Suutari                         | 0.053                    | -                               |
| Terhi Tuomi                           | 0.051                    | -                               |
| Anne Leskelä                          | 0.061                    | -                               |
| Carl-Peter Thorwid                    | 0.009                    | -                               |
| Ilkka Uusitalo                        | 0.037                    | -                               |
| Ove Conradsson                        | 0.025                    | -                               |
| <b>Total</b>                          | <b>0.471</b>             | <b>0</b>                        |
| <b>CEO</b>                            |                          |                                 |
| Tero Hemmilä                          | 1.718                    | 0.168                           |
| Juha Ruohola                          | 0.124                    | 0.024                           |

The Finnish members of the Group Leadership Team are covered by a contribution-based additional pension insurance. The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years.

## Share-based payments

### Long-term incentive scheme 2018-2020

On 7 February 2018, HKScan announced that the Board of Directors had approved a share based incentive scheme for the Group's key management. It comprises a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure. Each Plan covers a three-year period. The earning opportunity of the participants within these plans is capped.

In 2021 the Board of Directors decided that out of the total gross rewards earned based on initial performance criteria outcome approximately half will be paid during 2021-2023, subject to employment precondition. In order to ensure that the reward payments are aligned with long-term company performance and shareholder returns, the Board of Directors decided to defer and pay the remaining portion of the Group Executive Team rewards during 2024-2025, subject to employment precondition. The rewards for which payment is deferred, will be paid based on the minimum requirements set by the Board of Directors on the company's total shareholder return (TSR) and profitability. The Board of Directors has set a maximum limit for the cost of deferred reward.

### PSP 2018-2020

The potential share rewards under PSP 2018-2020, performance period 2018-2020, will be paid partly in the Company's A series shares and partly in cash during the years 2021-2025. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. As a main rule, no reward will be paid, if the key employee's employment or service ends before reward payment. The performance targets based on which the potential share reward under PSP 2018-2020 will be paid are the comparable EBIT (operating profit) and comparable EPS (earnings per share) of HKScan for year 2018 and HKScan operative cash flow for years 2019-2020.

The plan is directed to approximately 30 people. The rewards to be paid on basis of the performance period are a maximum approximate total of 910 400 HKScan Corporation series A shares, including the cash payment for taxes and tax-related costs. If the end value of the class A share of HKScan within the three-year plan exceeds three times its start value, the exceeding value of the reward will be cut and will not be paid.

### PSP 2019-2021

The potential share rewards under PSP 2019-2021, performance period 2019-2021, will be paid partly in the Company's A series shares and partly in cash during 2022-2025. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. As a main rule, no reward will be paid, if the key employee's employment or service ends before reward payment. The performance criterion based on which the potential share rewards under PSP 2019-2021 will be paid is the operative cash flow of HKScan.

Eligible to participate in PSP 2019-2021 are the Group Management Team members, in total maximum of 10 individuals. The rewards to be paid on basis of the performance period are a maximum approximate total of 1 322 200 HKScan Corporation series A shares, including the cash payment for taxes and tax-related costs. If the end value of the class A share of HKScan within the three-year plan exceeds four times its start value, the exceeding value of the reward will be cut and will not be paid.

### RSP 2019-2021

The potential share rewards under RSP 2019-2021 will be paid partly in the Company's A series shares and partly in cash during 2022-2025. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will be paid, if the key employee's employment or service ends before reward payment. In addition to the afore-mentioned employment precondition, the Board has for RSP 2019-2021 set a company level financial criterion, the fulfilment of which is a precondition for the payment of the share reward under the plan. This criterion is based on the average comparable ROCE (return on capital employed) before taxes.

Eligible to participate in RSP 2019-2021 are the Group Management Team members, in total maximum of 10 individuals. The rewards to be paid on basis of the performance period are a maximum approximate total of 881 500 HKScan Corporation series A shares, including the cash payment for taxes and tax-related costs. If the end value of the class A share of HKScan within the plan exceeds four times its start value, the exceeding value of the reward will be cut and will not be paid.

More specific information of the performance share plan grants are presented in the tables below.

**Share based incentives during the reporting period 1 Jan. - 31 Dec. 2022**

| <b>Instrument</b>   | <b>PSP 2019-2021<br/>(2 tranche)</b>   | <b>RSP 2019-2021<br/>(2 tranche)</b>  | <b>PSP 2019-2021<br/>(1 tranche)</b>   | <b>RSP 2019-2021<br/>(1 tranche)</b>  | <b>PSP 2018-2020</b>   | <b>TOT/WA</b> |
|---|--|---|--|---|--|---------------|
| Initial amount, pcs                                       | 661,100  | 440,750   | 661,100  | 440,750   | 910,400  | 3,114,100     |
| Initial allocation date                                   | 26.6.2019  | 26.6.2019   | 26.6.2019  | 26.6.2019   | 5.3.2018   |               |
| Vesting date / payment approximately                      | 31.3.2023, 31.5.2024,<br>31.5.2025   | 31.3.2023, 31.5.2024,<br>31.5.2025  | 31.3.2022, 31.5.2024,<br>31.5.2025   | 31.3.2022, 31.5.2024,<br>31.5.2025  | 31.3.2021, 31.3.2022,<br>31.5.2024, 31.5.2025  |               |
| Maximum contractual life, yrs                             | 6.0  | 6.0   | 6.0  | 6.0   | 7.0  | 6.3           |
| Remaining contractual life, yrs                           | 2.4  | 2.4   | 2.4  | 2.4   | 2.4  | 2.4           |
| Vesting conditions  | Operative Cash flow,<br>Employment precondition,<br>in addition TSR and<br>profitability for 2024-2025<br>payments | ROCE, Employment<br>precondition, in addition<br>TSR and profitability for<br>2024-205 payments | Operative Cash flow,<br>Employment precondition,<br>in addition TSR and<br>profitability for 2024-2025<br>payments | ROCE, Employment<br>precondition, in addition<br>TSR and profitability for<br>2024-205 payments | 2018: EBIT (50%),<br>EPS (50%); 2019-2020<br>Operative Cash flow,<br>TSR and profitability for<br>2024-2025 payments,<br>Employment precondition |               |
| Number of persons at the end of the reporting year        | 6  | 5   | 6  | 5   | 4  |               |
| Payment method  | Cash & Equity  | Cash & Equity   | Cash & Equity  | Cash & Equity   | Cash & Equity  |               |
| <b>Changes during the period 2022</b>                     | <b>PSP 2019-2021<br/>(2 tranche)</b>   | <b>RSP 2019-2021<br/>(2 tranche)</b>  | <b>PSP 2019-2021<br/>(1 tranche)</b>   | <b>RSP 2019-2021<br/>(1 tranche)</b>  | <b>PSP 2018-2020</b>   | <b>Total</b>  |
| 1 Jan. 2022   |  |   |  |   |  |               |
| Outstanding at the beginning of the reporting period, pcs | 566,179  | 366,165   | 566,179  | 366,165   | 228,477  | 2,093,165     |
| Changes during the period                                 |  |   |  |   |  |               |
| Granted   | -  | -   | -  | -   | -  | -             |
| Forfeited   | 146,258  | 134,365   | 100,415  | 73,230  | 49,775   | 504,043       |
| Exercised   | -  | -   | 132,769  | 177,035   | 121,752  | 431,556       |
| Expired   | 200,571  | -   | 200,571  | -   | -  | 401,142       |
| 31 Dec. 2022  |  |   |  |   |  |               |
| Outstanding at the end of the period                      | 219,350  | 231,800   | 132,424  | 115,900   | 56,950   | 756,424       |

## Fair value determination

Based on IFRS2 standard, the fair value of share based incentives is determined at grant date and the fair value is expensed until vesting. The fair value is booked to equity and possible social security contributions to liability. The fair value of the equity is the fair value of Company share at grant date deducted with expected dividends to be paid before reward payment; unless dividends are compensated within the plan. The fair value of the liability is recalculated on each reporting date until reward payment.

No new share plan grants were made during the period.

### Effect of share-based incentives on the result and financial position during the period

|  |         |
|--|---------|
| Expenses for the financial year, share-based payments, euros   | 21,473  |
| Expenses for the financial year, share-based payments, equity-settled, euros                                 | 20,546  |
| Liabilities arising from share-based payments 31 Dec. 2022, euros  | 11,990  |
| Estimated amount of cash to be paid to the tax authorities under the plans which have not yet been delivered | 305,751 |

## 5. Depreciation and impairment

|   | 2022         | 2021         |
|---|--------------|--------------|
| Depreciation according to plan              | -35.6        | -40.8        |
| Depreciation expense of right-of-use assets | -12.6        | -12.1        |
| Impairment                                  | 2.3          | 2.9          |
| <b>Total</b>                                | <b>-45.8</b> | <b>-49.9</b> |

In 2022 a reversal of impairment loss amounting to EUR 2.3 million was recorded to Eura factory due to increased utilisation and improved outlook. In 2021 a similar reversal amounting to EUR 3.0 was recorded.

## 6. Other operating expenses

|  | 2022          | 2021          |
|--|---------------|---------------|
| Rents/leases   | -1.8          | -1.8          |
| Losses on disposal of non-current assets                     | -0.2          | 0.0           |
| Non-statutory staff costs                                    | -9.2          | -7.8          |
| Energy   | -51.0         | -33.8         |
| Maintenance  | -36.6         | -34.6         |
| Advertising, marketing and entertainment costs               | -16.5         | -16.6         |
| Service, information management and office costs             | -25.9         | -26.0         |
| Exchange rate losses related to foreign exchange derivatives | -0.7          | -0.4          |
| Other expenses   | -45.8         | -44.8         |
| <b>Total other operating expenses</b>                        | <b>-187.8</b> | <b>-165.7</b> |

### Audit fees

The Group's audit fees paid to independent auditors are presented in the table below. The audit fees are in respect of the audit of the annual accounts and legislative functions closely associated therewith. Other expert services include tax consulting and advisory services in corporate arrangements.

|                          | 2022        | 2021        |
|--------------------------|-------------|-------------|
| Audit fees               | -0.5        | -0.5        |
| Tax consultation         | 0.0         | -0.1        |
| Other fees               | -0.1        | 0.0         |
| <b>Audit fees, total</b> | <b>-0.6</b> | <b>-0.6</b> |

Ernst & Young Oy was paid from non-audit services to entities of HKScan in total 48 thousand euros during the financial year 2022.

## 7. Financial income and expenses

| Financial income                           | 2022       | 2021       |
|--|------------|------------|
| Dividend income                            | 0.4        | 0.6        |
| Interest income                            |            |            |
| Interest income from loans and receivables | 2.4        | 2.1        |
| Other financial income                     | 0.0        | 0.0        |
| <b>Total</b>                               | <b>2.9</b> | <b>2.7</b> |

### Financial expenses

|  |              |              |
|--|--------------|--------------|
| Interest expenses  |              |              |
| Interest expenses from other liabilities at amortised cost | -11.7        | -7.9         |
| Interest expenses from interest derivatives                | -0.9         | -2.4         |
| Interest expenses from lease liabilities                   | -4.5         | -4.1         |
| Other financial expenses                                   |              |              |
| Change in fair value of interest rate derivatives          | 1.4          | 2.5          |
| Other financial expenses                                   | -2.6         | -5.2         |
| Exchange gains and losses from loans and other receivables | -0.9         | -0.2         |
| <b>Total</b>   | <b>-19.2</b> | <b>-17.2</b> |
| <b>Total financial income and expenses</b>                 | <b>-16.3</b> | <b>-14.5</b> |



## 8. Income taxes

| Income taxes  | 2022        | 2021        |
|---|-------------|-------------|
| Income tax on ordinary operations                             | -2.4        | -3.8        |
| Tax for previous financial periods                            | 0.0         | 0.0         |
| Change in deferred tax liabilities and assets                 | -1.6        | -4.0        |
| <b>Income tax on ordinary operations</b>                      | <b>-4.0</b> | <b>-7.8</b> |
| <b>Cumulative tax rate reconciliation</b>                     |             |             |
| Accounting profit/loss before taxes                           | -0.9        | 10.3        |
| Deferred tax at parent company's tax rate                     | 0.2         | -2.1        |
| Effect of different tax rates applied to foreign subsidiaries | 0.0         | -0.3        |
| Share of associates' results                                  | 1.1         | 0.7         |
| Tax-exempt income   | 0.1         | 0.1         |
| Non-deductible expenses                                       | -0.3        | -0.1        |
| Unrecognised tax on the losses for the financial period       | -5.1        | -6.2        |
| Tax for previous financial periods                            | 0.0         | 0.0         |
| <b>Tax expenses in the income statement</b>                   | <b>-4.0</b> | <b>-7.8</b> |

## 9. Earnings per share

|   | 2022         | 2021        |
|---|--------------|-------------|
| Profit for the period attributable to equity holders of the parent from continuing operations   | -8.6         | -0.7        |
| Profit for the period attributable to equity holders of the parent from discontinued operations | -61.1        | -3.7        |
| Hybrid loan calculational interest (after taxes) from continuing operations                     | -1.7         | -1.7        |
| <b>Total</b>  | <b>-71.3</b> | <b>-6.1</b> |
| Weighted average number of outstanding shares in thousands                                      | 97,291       | 97,046      |
| Weighted average number of outstanding shares adjusted for dilution effect                      | 97,291       | 97,046      |
| Undiluted earnings per share (EUR/share), continuing operations                                 | -0.11        | -0.02       |
| Earnings per share adjusted for dilution effect (EUR/share), continuing operations              | -0.11        | -0.02       |
| Undiluted earnings per share (EUR/share), discontinued operations                               | -0.63        | -0.04       |
| Earnings per share adjusted for dilution effect (EUR/share), discontinued operations            | -0.63        | -0.04       |
| Undiluted earnings per share (EUR/share)  | -0.73        | -0.06       |
| Earnings per share adjusted for dilution effect (EUR/share)                                     | -0.73        | -0.06       |

# Notes to the balance sheet

## 10. Intangible assets

|   | 2022        | 2021        |
|---|-------------|-------------|
| Opening balance, cumulative acq cost                        | 114.7       | 113.7       |
| Translation differences                                     | -4.7        | -1.3        |
| Additions   | 2.0         | 1.5         |
| Disposals   | -           | -0.9        |
| Reclassification between items                              | 1.3         | 1.6         |
| Assets of disposal group classified as held for sale        | -2.0        | -           |
| Closing balance, cumulative acq cost                        | 111.4       | 114.7       |
| Opening balance, cumulative depreciations                   | -41.7       | -37.5       |
| Translation differences                                     | 0.4         | 0.1         |
| Accumulated depreciation on disposals and reclassifications | -           | 0.2         |
| Depreciation for the financial period                       | -4.5        | -4.6        |
| Assets of disposal group classified as held for sale        | 1.5         | -           |
| Closing balance, cumulative depreciations                   | -44.3       | -41.7       |
| <b>Intangible assets on 31 Dec.</b>                         | <b>67.1</b> | <b>72.9</b> |

The trademarks included in the Swedish business operations, carrying amount EUR 49.1 (53.2) million, are tested for impairment each year. The Group has estimated that their useful life is unlimited. These are well known trademarks with a long history, high business and profitability impact and it is expected to be so also in the future. An impairment test is made on the segment level and it covers all the segment's assets, see detailed description in note 11. Remaining balance includes IT-software, other trademarks and connection fees.

## 11. Goodwill

|  | 2022        | 2021        |
|--|-------------|-------------|
| Opening balance                                      | 71.3        | 71.8        |
| Translation differences                              | -2.3        | -0.6        |
| Additions  | -           | 0.1         |
| Disposals  | -           | 0.0         |
| Depreciation and impairment                          | -15.6       | -           |
| Assets of disposal group classified as held for sale | -6.6        | -           |
| <b>Closing balance</b>                               | <b>46.8</b> | <b>71.3</b> |

### Allocation of goodwill

All acquisitions resulting in the Group recognising goodwill have concerned the acquisition of net assets or business by an individual CGU and goodwill has been allocated to said CGU separately in respect of each acquisition. Goodwill has been allocated to a total of three CGUs.

| Specification of goodwill | 2022        | 2021        |
|---------------------------|-------------|-------------|
| Finland                   | 19.8        | 19.9        |
| Sweden                    | 26.9        | 29.2        |
| Baltics                   | -           | 22.2        |
| <b>Total</b>              | <b>46.8</b> | <b>71.3</b> |

In addition to goodwill, trademarks related to Swedish business operations, carrying amount EUR 49.1 (53.2) million, have unlimited useful life. These are tested for impairment each year.

## Impairment testing

The company tests for impairment each year. 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 the CGU level. Business Unit Baltics has been classified as held for sale and measured according to IFRS 5 at fair value less transaction costs, see note 20.

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 cautious growth factor (1.0 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 8.9 (8.3) per cent in Sweden, 8.7 (6.9) per cent in Finland and 8.2 (9.0) 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 33 million in Finland and EUR 6 million in Denmark. If EBITDA in testing would be 10% smaller, impairment loss amounting to EUR 52 million in Finland and EUR 14 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 2.8, Finland 0.2, Denmark 0.0. Recoverable amounts in testing exceeded the assets values by EUR 7 million in Finland and EUR 0 million in Denmark.

The following table presents EBITDA used in testing.

|         | 2021 | 2022 | 2023 | terminal | terminal year |
|---------|------|------|------|----------|---------------|
| Sweden  | 33.0 | 30.8 | 33.1 | 33.1     | 2023 ->       |
| Finland | 37.4 | 31.4 | 41.3 | 41.3     | 2023 ->       |
| Denmark | 3.7  | 4.6  | 5.5  | 9.6      | 2025 ->       |

As far as Management is aware, reasonable changes in assumptions used in respect of other factors do not necessitate impairment for the goodwill of Sweden or Finland. 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.

In 2022 an impairment amounting to EUR 15.6 million was recorded to goodwill in Baltics before the segment was classified as held for sale. No impairment has been booked based on impairment testing in 2021.

## 12. Tangible assets

| <b>Tangible assets 2022</b>                                 | <b>Land and water</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Other property, plant and equipment</b> | <b>Pre-payments and work in progress</b> | <b>Total</b> |
|---|-----------------------|---------------------------------|--------------------------------|--|--|--------------|
| Opening balance, cumulative acq cost                        | 10.5                  | 427.1                           | 811.2                          | 19.7                                       | 24.4                                     | 1,292.9      |
| Translation differences                                     | -0.2                  | -5.6                            | -16.7                          | -  | -0.7                                     | -23.2        |
| Additions   | 1.1                   | 0.5                             | 6.4                            | 1.1  | 34.5                                     | 43.6         |
| Disposals   | -0.2                  | 0.0                             | -1.0                           | -0.6                                       | -  | -1.9         |
| Reclassification between items                              | 0.2                   | 3.0                             | 21.7                           | 0.4  | -26.5                                    | -1.2         |
| Assets of disposal group classified as held for sale        | -4.8                  | -88.3                           | -108.7                         | -15.1                                      | -4.4                                     | -221.4       |
| Closing balance, cumulative acq cost                        | 6.7                   | 336.6                           | 712.8                          | 5.4  | 27.2                                     | 1,088.8      |
| Opening balance, cumulative depreciations                   | 0.0                   | -277.6                          | -647.8                         | -17.5                                      | -  | -942.8       |
| Translation differences                                     | -                     | 5.2                             | 12.2                           | -  | -  | 17.5         |
| Accumulated depreciation on disposals and reclassifications | -                     | 0.0                             | 0.8                            | 0.0  | -  | 0.8          |
| Depreciation for the financial period                       | -                     | -11.3                           | -28.1                          | -0.8                                       | -  | -40.2        |
| Impairment charge reversals                                 | -                     | 2.3                             | 0.0                            | 0.0  | -  | 2.3          |
| Assets of disposal group classified as held for sale        | -                     | 55.0                            | 87.6                           | 13.4                                       | -  | 156.0        |
| Closing balance, cumulative depreciations                   | 0.0                   | -226.3                          | -575.3                         | -4.8                                       | -  | -806.4       |
| <b>Tangible assets on 31 Dec. 2022</b>                      | <b>6.7</b>            | <b>110.3</b>                    | <b>137.5</b>                   | <b>0.6</b>                                 | <b>27.2</b>                              | <b>282.4</b> |
| Right-of-use assets (Note 13)                               | 2.2                   | 86.6                            | 15.4                           | -  | -  | 104.1        |
| Assets of disposal group classified as held for sale        | -                     | -6.3                            | -1.6                           | -  | -  | -7.9         |
| <b>Tangible assets total on 31 Dec. 2022</b>                | <b>8.8</b>            | <b>190.6</b>                    | <b>151.3</b>                   | <b>0.6</b>                                 | <b>27.2</b>                              | <b>378.6</b> |

| <b>Tangible assets 2021</b>                                 | <b>Land and water</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Other property, plant and equipment</b> | <b>Pre-payments and work in progress</b> | <b>Total</b> |
|---|-----------------------|---------------------------------|--------------------------------|--|--|--------------|
| Opening balance, cumulative acq cost                        | 48.4                  | 531.8                           | 790.8                          | 20.4                                       | 20.5                                     | 1,411.8      |
| Translation differences                                     | 0.0                   | -1.6                            | -4.2                           | 0.0  | -0.3                                     | -6.1         |
| Additions   | -                     | 1.1                             | 10.1                           | 1.0  | 34.4                                     | 46.6         |
| Disposals   | -37.8                 | -104.9                          | -12.8                          | -2.1                                       | 0.0                                      | -157.6       |
| Impairment losses   | -                     | -                               | -                              | -  | -0.2                                     | -0.2         |
| Reclassification between items                              | -                     | 0.7                             | 27.3                           | 0.4  | -30.0                                    | -1.6         |
| Closing balance, cumulative acq cost                        | 10.5                  | 427.1                           | 811.2                          | 19.7                                       | 24.4                                     | 1,292.9      |
| Opening balance, cumulative depreciations                   | 0.0                   | -337.7                          | -630.7                         | -18.1                                      | -  | -986.5       |
| Translation differences                                     | -                     | 1.4                             | 3.1                            | 0.0  | -  | 4.6          |
| Accumulated depreciation on disposals and reclassifications | -                     | 67.3                            | 12.7                           | 1.5  | -  | 81.5         |
| Depreciation for the financial period                       | -                     | -11.7                           | -33.0                          | -0.8                                       | -  | -45.5        |
| Impairment charge reversals                                 | -                     | 3.0                             | 0.1                            | -  | -  | 3.1          |
| Closing balance, cumulative depreciations                   | 0.0                   | -277.6                          | -647.8                         | -17.5                                      | -  | -942.8       |
| <b>Tangible assets on 31 Dec. 2021</b>                      | <b>10.5</b>           | <b>149.5</b>                    | <b>163.4</b>                   | <b>2.2</b>                                 | <b>24.4</b>                              | <b>350.1</b> |
| Right-of-use assets (Note 13)                               | 2.2                   | 92.1                            | 15.3                           | -  | -  | 109.5        |
| <b>Tangible assets total on 31 Dec. 2021</b>                | <b>12.7</b>           | <b>241.6</b>                    | <b>178.7</b>                   | <b>2.2</b>                                 | <b>24.4</b>                              | <b>459.7</b> |

### 13. Right-of-use assets and lease liabilities

The company leases land, premises, machinery and equipment. Lease durations vary from few years for machinery and equipment up to decades for land. An expense amounting to EUR -1.8 (-1.8) million has been recognised in other operating expenses from short term and items of low value leases.

In 2021 the increase in buildings and structures is due to Vantaa property sale and leaseback and opening of the new logistics center in Estonia.

|  | Land and Water | Buildings and structures | Machinery and equipment | Total       | Lease liabilities |
|--|----------------|--------------------------|-------------------------|-------------|-------------------|
| Opening balance on 1.1.2022  | 2.2            | 92.1                     | 15.3                    | 109.5       | 113.4             |
| Translation differences  | -              | -0.8                     | -0.2                    | -1.1        | -1.1              |
| Additions  | 0.1            | 3.7                      | 5.8                     | 9.6         | 9.6               |
| Depreciation for the financial period                                | -0.1           | -8.4                     | -5.5                    | -14.0       | -                 |
| Reclassification between items                                       | -              | -                        | -                       | -           | 0.0               |
| Payments   | -              | -                        | -                       | -           | -12.1             |
| Assets and liabilities of disposal group classified as held for sale | -              | -6.3                     | -1.6                    | -7.9        | -8.1              |
| <b>Closing balance on 31 Dec. 2022</b>                               | <b>2.2</b>     | <b>80.3</b>              | <b>13.8</b>             | <b>96.3</b> | <b>101.7</b>      |

|  | 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                | -              | -0.1                     | -0.1                    | -0.2         | -0.2              |
| Additions                              | 0.1            | 84.1                     | 5.3                     | 89.4         | 89.3              |
| Depreciation for the financial period  | -0.1           | -7.5                     | -5.4                    | -13.0        | -                 |
| Reclassification between items         | -              | -                        | -                       | -            | 0.0               |
| Payments                               | -              | -                        | -                       | -            | -11.3             |
| <b>Closing balance on 31 Dec. 2021</b> | <b>2.2</b>     | <b>92.1</b>              | <b>15.3</b>             | <b>109.5</b> | <b>113.4</b>      |

|   | 2022         | 2021         |
|---|--------------|--------------|
| Depreciation expense of right-of-use assets       | -12.6        | -12.1        |
| Interest expense on lease liabilities             | -4.5         | -4.1         |
| <b>Total amounts recognised in profit or loss</b> | <b>-17.1</b> | <b>-16.1</b> |

Maturity of lease liabilities is disclosed in note 25 regarding interest bearing loans.



## 14. Shares in associates and joint ventures

|  | 2022        | 2021        |
|--|-------------|-------------|
| Opening balance                                  | 26.4        | 21.6        |
| Translation differences                          | -0.4        | -0.2        |
| Additions  | 0.0         | 2.6         |
| Disposals, business disposals                    | -0.1        | -0.4        |
| Closing balance                                  | 25.9        | 23.7        |
| Share of associates' and joint ventures' results | 5.4         | 3.4         |
| Dividend from associates and joint ventures      | -2.0        | -0.7        |
| <b>Shares in associates on 31 Dec.</b>           | <b>29.3</b> | <b>26.4</b> |
| <b>Effect on the Group's earnings:</b>           |             |             |
| Associates                                       | 0.5         | 0.2         |
| Joint ventures                                   | 4.8         | 3.2         |
| <b>Total</b>                                     | <b>5.4</b>  | <b>3.4</b>  |
| <b>Book value in the Group's balance sheet:</b>  |             |             |
| Associates                                       | 12.0        | 12.0        |
| Joint ventures                                   | 17.3        | 14.4        |
| <b>Total</b>                                     | <b>29.3</b> | <b>26.4</b> |

Associated companies and joint ventures consolidated in the Group's financial statements are listed in note 28. The Group conducts business through the associates and joint ventures. The activities include slaughtering, cutting, meat processing, and the use of leasing, waste disposal, research and advisory services.

There are no contingent liabilities relating to the Group's interest in the associates and joint ventures.

### Material investment in joint venture:

Honkajoki Oy is a recycling facility for animal-based raw materials. HKScan Finland Oy owns 50% of the company and exercises joint control in it with Atria Oyj.

| <b>Summary of Honkajoki Group's results:</b>                                       | 2022        | 2021        |
|--|-------------|-------------|
| Net sales  | 66.1        | 53.1        |
| EBIT   | 12.4        | 8.6         |
| Profit before taxes  | 12.2        | 8.4         |
| Profit for the period  | 9.8         | 6.7         |
| <b>Summary of Honkajoki Group's balance sheet:</b>                                 |             |             |
| <b>Assets</b>  |             |             |
| Non-current assets   | 36.0        | 27.3        |
| Current assets   | 16.3        | 19.7        |
| <b>Total assets</b>  | <b>52.3</b> | <b>47.1</b> |
| <b>Liabilities</b>   |             |             |
| Non-current liabilities  | 7.0         | 9.1         |
| Current liabilities  | 11.4        | 9.8         |
| <b>Total assets</b>  | <b>18.4</b> | <b>18.9</b> |
| <b>Net assets</b>  | <b>34.0</b> | <b>28.1</b> |
| <b>Reconciliation of the summary of financial information for Honkajoki Group:</b> |             |             |
| Profit for the period  | 9.8         | 6.7         |
| Share of non-controlling interest  | 0.1         | 0.0         |
| Income from joint venture (50%)  | 4.9         | 3.3         |
| Net assets 1. Jan.   | 28.1        | 22.7        |
| Profit for the period  | 9.8         | 6.7         |
| Other changes  | -           | -           |
| Dividend distribution  | -4.0        | -1.2        |
| Net assets 31. Dec.  | 34.0        | 28.1        |
| Share of non-controlling interest  | 0.3         | 0.2         |
| Share of joint venture (50%)   | 16.8        | 14.0        |

## 15. Financial assets and liabilities

### Financial instruments by category 2022

|   | Assets and liabilities at fair value through profit and loss | Financial assets at amortised cost | Equity instruments at fair value through OCI | Derivatives used for hedging | Other financial liabilities at amortised cost | Total        | Fair value | Fair value hierarchy |
|---|--|------------------------------------|--|------------------------------|---|--------------|------------|----------------------|
| <b>Assets as per balance sheet</b>      |  |                                    |  |                              |   |              |            |                      |
| Non-current trade and other receivables | -  | 3.1                                | -  | -                            | -   | 3.1          | -          | -                    |
| Other shares and holdings               | -  | -                                  | 11.8   | -                            | -   | 11.8         | 11.8       | 3                    |
| Trade and other receivables *           | -  | 130.6                              | -  | -                            | -   | 130.6        | -          | -                    |
| Derivative financial instruments        | 1.1  | -                                  | -  | 24.0                         | -   | 25.1         | 25.1       | 2                    |
| Cash and bank                           | -  | 17.2                               | -  | -                            | -   | 17.2         | -          | -                    |
| <b>Total</b>                            | <b>1.1</b>   | <b>150.9</b>                       | <b>11.8</b>                                  | <b>24.0</b>                  | <b>0.0</b>                                    | <b>187.7</b> | <b>-</b>   | <b>-</b>             |

<sup>\*)</sup> Trade and other receivables balance sheet amount of EUR 155.3 million euros includes derivative financial instruments amounting to EUR 16.0 million euros and prepayments and other items that are not financial instruments amounting to EUR 8.7 million euros.

|  |            |            |            |            |              |              |          |          |
|--|------------|------------|------------|------------|--------------|--------------|----------|----------|
| <b>Liabilities as per balance sheet</b>      |            |            |            |            |              |              |          |          |
| Non-current interest-bearing liabilities     | -          | -          | -          | -          | 333.9        | 333.9        | -        | -        |
| Non-current non-interest bearing liabilities | -          | -          | -          | -          | 0.0          | 0.0          | -        | -        |
| Current interest-bearing liabilities         | -          | -          | -          | -          | 30.6         | 30.6         | -        | -        |
| Derivative financial instruments *           | -          | -          | -          | 0.1        | -            | 0.1          | 0.1      | 2        |
| Trade and other payables *                   | -          | -          | -          | -          | 241.2        | 241.2        | -        | -        |
| <b>Total</b>                                 | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>605.7</b> | <b>605.8</b> | <b>-</b> | <b>-</b> |

<sup>\*)</sup> Trade and other payables balance sheet amount of EUR 241.6 million euros includes derivative financial instruments amounting to EUR 0.1 million euros and advance payments that are not financial instruments amounting to EUR 0.4 million euros.

## Financial instruments by category 2021

|   | Assets and liabilities at fair value through profit and loss | Financial assets at amortised cost | Equity instruments at fair value through OCI | Derivatives used for hedging | Other financial liabilities at amortised cost | Total        | Fair value | Fair value hierarchy |
|---|--|------------------------------------|--|------------------------------|---|--------------|------------|----------------------|
| <b>Assets as per balance sheet</b>      |  |                                    |  |                              |   |              |            |                      |
| Non-current trade and other receivables | -  | 5.7                                | -  | -                            | -   | 5.7          | -          | -                    |
| Other shares and holdings               | -  | -                                  | 12.1   | -                            | -   | 12.1         | 12.1       | 3                    |
| Trade and other receivables *           | -  | 127.4                              | -  | -                            | -   | 127.4        | -          | -                    |
| Derivative financial instruments        | -  | -                                  | -  | 7.4                          | -   | 7.4          | 7.4        | 2                    |
| Cash and bank                           | -  | 27.2                               | -  | -                            | -   | 27.2         | -          | -                    |
| <b>Total</b>                            | <b>0.0</b>   | <b>160.3</b>                       | <b>12.1</b>                                  | <b>7.4</b>                   | <b>0.0</b>                                    | <b>179.8</b> | <b>-</b>   | <b>-</b>             |

\* Trade and other receivables balance sheet amount of EUR 141.3 million euros includes derivative financial instruments amounting to EUR 5.7 million euros and prepayments and other items that are not financial instruments amounting to EUR 8.2 million euros.

|  |            |            |            |            |              |              |          |          |
|--|------------|------------|------------|------------|--------------|--------------|----------|----------|
| <b>Liabilities as per balance sheet</b>      |            |            |            |            |              |              |          |          |
| Non-current interest-bearing liabilities     | -          | -          | -          | -          | 210.1        | 210.1        | -        | -        |
| Non-current non-interest bearing liabilities | -          | -          | -          | -          | 0.0          | 0.0          | -        | -        |
| Current interest-bearing liabilities         | -          | -          | -          | -          | 131.8        | 131.8        | -        | -        |
| Derivative financial instruments *           | 1.4        | -          | -          | -          | -            | 1.4          | 1.4      | 2        |
| Trade and other payables *                   | -          | -          | -          | -          | 246.1        | 246.1        | -        | -        |
| <b>Total</b>                                 | <b>1.4</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>588.0</b> | <b>589.4</b> | <b>-</b> | <b>-</b> |

\* Trade and other payables balance sheet amount of EUR 247.5 million euros includes derivative financial instruments amounting to EUR 1.3 million euros and advance payments that are not financial instruments amounting to EUR 0.2 million euros.

Other shares and holdings consists of holdings in non-listed entities and are measured at cost as it is considered appropriate estimate of fair value. Change in value between year is due to translation difference. The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments.

Fair value of financial instruments, other than those recorded at fair value (hierarchy 2), is close to the balance sheet value and therefore they are not separately disclosed. EUR 90.0 million bond that have balance sheet value of EUR 89.5 million have market value of EUR 76.5 million at the end of 2022.

## 16. Deferred tax assets and liabilities

### Specification of deferred tax assets

|                                 | 1 Jan. 2022 | Translation difference | Recognised in income statement | Recognised in equity | 31 Dec. 2022 |
|---------------------------------|-------------|------------------------|--------------------------------|----------------------|--------------|
| Pension benefits                | 7.7         | -0.4                   | -0.9                           | -3.8                 | 2.5          |
| Other timing differences        | 1.3         | 0.0                    | 0.0                            | -                    | 1.3          |
| Postponed tax depreciations     | 9.9         | -                      | -                              | -                    | 9.9          |
| Non-deductible interest expense | 4.5         | -                      | -                              | -                    | 4.5          |
| Adopted losses                  | 13.9        | -                      | -0.3                           | -                    | 13.6         |
| Arising from hedge accounting   | -1.0        | 0.0                    | -                              | 1.0                  | 0.0          |
| <b>Total</b>                    | <b>36.3</b> | <b>-0.4</b>            | <b>-1.2</b>                    | <b>-2.8</b>          | <b>31.8</b>  |

### Specification of deferred tax liabilities

|                               | 1 Jan. 2022 | Translation difference | Recognised in income statement | Recognised in equity | 31 Dec. 2022 |
|-------------------------------|-------------|------------------------|--------------------------------|----------------------|--------------|
| Depreciation difference       | 6.5         | -0.4                   | 0.5                            | 0.0                  | 6.6          |
| Other timing differences      | 1.0         | 0.0                    | -0.1                           | -                    | 0.9          |
| Arising from consolidation    | 12.6        | -0.9                   | 0.0                            | -                    | 11.6         |
| Arising from hedge accounting | 0.0         | -                      | -                              | 3.3                  | 3.3          |
| <b>Total</b>                  | <b>20.1</b> | <b>-1.4</b>            | <b>0.4</b>                     | <b>3.3</b>           | <b>22.4</b>  |

### Specification of deferred tax assets

|                                 | 1 Jan. 2021 | Translation difference | Recognised in income statement | Recognised in equity | 31 Dec. 2021 |
|---------------------------------|-------------|------------------------|--------------------------------|----------------------|--------------|
| Pension benefits                | 8.6         | -0.1                   | -0.1                           | -0.8                 | 7.7          |
| Other timing differences        | 1.9         | 0.0                    | -0.6                           | -                    | 1.3          |
| Postponed tax depreciations     | 9.9         | -                      | -                              | -                    | 9.9          |
| Non-deductible interest expense | 4.5         | -                      | -                              | -                    | 4.5          |
| Adopted losses                  | 15.8        | -                      | -1.9                           | -                    | 13.9         |
| Arising from hedge accounting   | 0.1         | 0.0                    | -                              | -1.2                 | -1.0         |
| <b>Total</b>                    | <b>40.9</b> | <b>-0.2</b>            | <b>-2.6</b>                    | <b>-2.0</b>          | <b>36.3</b>  |

## Specification of deferred tax liabilities

|                            | 1 Jan. 2021 | Translation difference | Recognised in income statement | Recognised in equity | 31 Dec. 2021 |
|----------------------------|-------------|------------------------|--------------------------------|----------------------|--------------|
| Depreciation difference    | 5.1         | -0.1                   | 1.5                            | -                    | 6.5          |
| Other timing differences   | 1.1         | 0.0                    | -0.1                           | -                    | 1.0          |
| Arising from consolidation | 12.8        | -0.2                   | 0.0                            | -                    | 12.6         |
| <b>Total</b>               | <b>19.0</b> | <b>-0.3</b>            | <b>1.4</b>                     | <b>-</b>             | <b>20.1</b>  |

Out of the total EUR 31.8 million, EUR 28.0 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 profitability improves.

Deferred tax assets are assumed to be used during current decade. Consideration is based on management's plans for the near future. As plans always 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. Postponed tax depreciations and non-deducted interest expense do not have a time limit.

In 2022, the company was able to utilize some of the tax losses and EUR 0.2 (2.0) million deferred tax asset was used and recognized as a tax expense in 2022. Unrecognized Finnish deferred tax asset at the end of 2022 was EUR 23.8 million. The losses in taxation in Finland expire with the following schedule: EUR 11.5 million in 2023, EUR 10.2 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 27.2 million in 2028, EUR 10.1 million in 2029 and EUR 1.6 million in 2031.

On 31 December 2022, the Group had EUR 37.4 (33.1) million of unrecognized deferred tax asset.

## 17. Inventories

|                             | 2022         | 2021         |
|-----------------------------|--------------|--------------|
| Materials and supplies      | 66.2         | 72.2         |
| Unfinished products         | 6.1          | 5.4          |
| Finished products           | 41.9         | 46.0         |
| Other inventories           | -            | 0.4          |
| Prepayments for inventories | 1.7          | 1.0          |
| Biological assets           | 0.0          | 6.0          |
| <b>Total inventories</b>    | <b>115.9</b> | <b>131.1</b> |

## 18. Trade and other current receivables

|  | 2022         | 2021         |
|--|--------------|--------------|
| Trade receivables from associates      | 1.9          | 1.6          |
| Other receivables from associates      | 0.0          | -            |
| Current receivables from associates    | 1.9          | 1.6          |
| Trade receivables                      | 116.8        | 115.8        |
| Loan receivables                       | 0.1          | 0.2          |
| Other receivables                      | 10.2         | 8.1          |
| Current receivables from others        | 127.1        | 124.0        |
| Current derivative receivables         | 16.0         | 5.7          |
| Interest receivables                   | 1.6          | 1.7          |
| Other prepayments and accrued income   | 8.7          | 8.2          |
| Current prepayments and accrued income | 10.3         | 9.9          |
| Trade and other receivables            | 155.3        | 141.3        |
| Tax receivables (income taxes)         | 0.2          | -            |
| <b>Total current receivables</b>       | <b>155.5</b> | <b>141.3</b> |



## Age breakdown of trade receivables and items recognised as impairment losses

|               | 2022         | Expected loss rate | Impairment losses | Net 2022     |
|---------------|--------------|--------------------|-------------------|--------------|
| Unmatured     | 114.6        | 0.01% - 0.1%       | -0.12             | 114.5        |
| Matured:      |              |                    |                   |              |
| Under 30 days | 3.8          | 0.01% - 0.1%       | 0.0               | 3.8          |
| 30-60 days    | 0.3          | 20% - 35%          | -0.1              | 0.2          |
| 61-90 days    | 0.3          | 35% - 50%          | -0.1              | 0.2          |
| over 90 days* | 0.6          | 50% - 100%         | -0.7              | -0.1         |
| <b>Total</b>  | <b>119.7</b> |                    | <b>-1.0</b>       | <b>118.7</b> |

\* Comprise among other receivables to be set off against payments for animals.

|               | 2021         | Expected loss rate | Impairment losses | Net 2021     |
|---------------|--------------|--------------------|-------------------|--------------|
| Unmatured     | 114.2        | 0.01% - 0.1%       | -0.11             | 114.1        |
| Matured:      |              |                    |                   |              |
| Under 30 days | 3.2          | 0.01% - 0.1%       | 0.0               | 3.2          |
| 30-60 days    | 0.1          | 20% - 35%          | 0.0               | 0.1          |
| 61-90 days    | 0.0          | 35% - 50%          | 0.0               | 0.0          |
| over 90 days* | 0.4          | 50% - 100%         | -0.3              | 0.0          |
| <b>Total</b>  | <b>117.9</b> |                    | <b>-0.5</b>       | <b>117.4</b> |

\* Comprise among other receivables to be set off against payments for animals.

Expected loss rates used by the company represent long term average bad debt history adjusted with management judgment and estimate of the future. In addition, netting right related to animal sales receivables is considered. As result over 90 days old receivable are not fully written down.

Covid-19 pandemic has not significantly impacted realised or expected credit losses.

## The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

|   | 2022 | 2021 |
|---|------|------|
| Opening loss allowance at 1 January                                     | 0.5  | 0.6  |
| Increase in loss allowance recognised in profit or loss during the year | 1.0  | 0.5  |
| Unused amount reversed  | -0.5 | -0.6 |
| Closing loss allowance at 31 December                                   | 1.0  | 0.5  |

## 19. Cash and cash equivalents

The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments.

Cash and cash equivalents according to the cash flow statement are as follows:

|  | 2022        | 2021        |
|--|-------------|-------------|
| Cash and bank                          | 17.2        | 27.2        |
| Short-term money market investments    | -           | -           |
| Other financial instruments            | -           | -           |
| <b>Total cash and cash equivalents</b> | <b>17.2</b> | <b>27.2</b> |

There are no significant concentrations of credit risk associated with cash and cash equivalents.

## 20. Assets and liabilities of disposal group classified as held for sale

Group has on December 13th 2022 agreed on selling Baltics business unit to an Estonian AS Maag Grupp. The sale includes the whole segment. Because of this in the financial statement on December 31st 2022 the business unit has been classified as assets and liabilities held for sale and they are presented as discontinued operations. The debt-free purchase price is 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 years 2024-2026. Of the EUR 70 million fixed purchase price, EUR 55 million will be paid at the closing of the transaction and the remainder over the next three years. The transaction is expected to be closed in the second half of 2023 and it is subject to regulatory approvals in Estonia and Latvia.

Assets and liabilities held for sale are measured at debt-free purchase price EUR 83.2 million deducted with transaction costs which led to EUR 30.6 million impairment in book value. EUR 6.6 million of the impairment was allocated to goodwill, EUR 0.4 million to other intangible assets and the rest to tangible assets. During financial year in Q2 an impairment amounting to EUR 15.6 million was recorded to Baltics goodwill. As result the whole year impairment to Baltics book value is EUR 46.2 million. Fair value measurement of assets and liabilities held for sale includes management consideration and estimate. Estimate includes transaction costs, post-closing purchase price discounting and an estimate on conditional EUR 20 million purchase price. Post-closing fixed purchase price has been discounted with 5 per cent and conditional purchase price with 9.7 per cent. Management has estimated the probability of earn-out realisation and estimate includes the uncertainty in development of profitability. EBITDA for the sold business required for realisation of earn-out is lower than the Group has previously used for valuation, because realization of earn-out is significantly impacted by development of buyer's meat business and synergies. The amount of conditional purchase price is estimated at 13.2 million and its carrying amount at fair value is 9.8 million.

The significant transactions between continuing and discontinued operations are Baltics' product sales and purchases with Group companies, Group's service fee from Baltics and Group's financial income from financing Baltics. Figures for continuing and discontinued operations represent external sales and its costs according to Group's segment reporting. Group service fee from Baltics has been reduced to post closing level agreed with the buyer. This improves the profit for discontinued operation and respectively reduces profit of continuing operations. Baltics' external financial expenses are shown as financial expenses for the discontinued operation.

| <b>Profit/loss for discontinued operations</b>                 | <b>2022</b>  | <b>2021</b> |
|--|--------------|-------------|
| Net sales  | 195.7        | 170.0       |
| Cost of goods sold   | -222.7       | -166.2      |
| Other operating items  | -3.2         | -7.3        |
| Operating profit   | -30.2*       | -3.6        |
| Financial income and expenses                                  | -0.3         | -0.1        |
| Income tax   | 0.0          | 0.0         |
| Profit/loss for the period                                     | -30.5        | -3.7        |
| Loss from fair-value measurement                               | -30.6        | -           |
| <b>Profit/loss for the period from discontinued operations</b> | <b>-61.1</b> | <b>-3.7</b> |

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

| <b>Cash flow of discontinued operations</b> | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
| Cash flow from operating activities         | -15.5        | -2.0         |
| Cash flow from investing activities         | -5.7         | -7.7         |
| Cash flow from financing activities         | -1.3         | -0.9         |
| <b>Cash flow total</b>                      | <b>-22.5</b> | <b>-10.6</b> |

| <b>Assets and liabilities of disposal group classified as held for sale</b> | <b>2022</b>  |
|---|--------------|
| Intangible assets   | -            |
| Tangible assets   | 49.7         |
| Inventories   | 34.4         |
| Receivables   | 17.8         |
| <b>Total assets (A)</b>   | <b>101.9</b> |
| Lease liabilities   | 8.1          |
| Trade payables and other liabilities  | 32.2         |
| <b>Total liabilities (B)</b>  | <b>40.4</b>  |
| <b>Net balance sheet value (A-B)</b>  | <b>61.5</b>  |

## 21. Notes relating to equity

The effects of changes in the number of outstanding shares are presented below.

|              | <b>Number of<br/>outstanding<br/>shares<br/>(1,000)</b> | <b>Share<br/>capital<br/>(EUR<br/>million)</b> | <b>Share<br/>premium<br/>reserve<br/>(EUR<br/>million)</b> | <b>RIUE<br/>(EUR<br/>million)</b> | <b>Treasury<br/>shares<br/>(EUR<br/>million)</b> | <b>Total<br/>(EUR<br/>million)</b> |
|--------------|---|--|--|-----------------------------------|--|------------------------------------|
| 1 Jan. 2021  | 96,952  | 66.8   | 72.9   | 215.4                             | -4.8   | 350.3                              |
| 31 Dec. 2021 | 97,094  | 66.8   | 72.9   | 215.4                             | -4.8   | 350.3                              |
| 1 Jan. 2022  | 97,094  | 66.8   | 72.9   | 215.4                             | -4.8   | 350.3                              |
| 31 Dec. 2022 | 97,330  | 66.8   | 72.9   | 215.4                             | -4.1   | 351.0                              |

The shares have no nominal value. All issued shares have been paid up in full. The company's stock is divided into Series A and K shares, which differ from each other in the manner set out in the Articles of Association. Each share gives equal entitlement to a dividend. K Shares produce 20 votes and A Shares 1 vote each. A Shares are numbered 93 551 791 and K Shares 5 400 000.

The equity reserves are described below:

### Share premium reserve

In share issues, decided while the earlier Finnish Companies Act (29.9.1978/734) was in force, payments in cash or kind obtained on share subscription, less transaction costs, were recognised under equity and the share premium reserve in accordance with the terms of the arrangements.

### Reserve for invested unrestricted equity

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognised under equity pursuant to an express decision to that effect.

### Treasury shares

At the beginning of the financial year 2022, HKScan held 1,858,064 treasury A shares. During the financial year The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the Group's share-based incentive plan 2019-2021, payment of the rewards for the performance period 2018-2020 and 2019-2021. On 4 March 2022 a total of 236,269 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 the financial year, the company held 1,621,795 A shares as treasury shares. At the end of the year, they had a market value of EUR 1.4 million and accounted for 1.64 per cent of all shares and 0.8 per cent of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity.

### Translation differences

The translation differences reserve includes exchange differences arising on the translation of foreign units' financial statements, as well as gains and losses arising on the hedging of net investments in foreign units, when hedge accounting requirements are satisfied.

## Revaluation reserve and other reserves

These reserves are for changes in the value of available-for-sale financial assets and changes in the fair value of derivative instruments used in cash flow hedging. The following is an itemisation of events in the hedging instruments reserve during the financial period.

| Hedging instruments reserve  | 2022 | 2021 |
|--|------|------|
| Fair value reserve and hedging instruments reserve on 1 Jan.                                   | 6.1  | -1.3 |
| Amount recognised in equity in the financial period (effective portion), commodity derivatives | 15.8 | 7.9  |
| Share of deferred tax asset of changes in period   | -1.1 | -0.5 |
| Fair value reserve and hedging instruments reserve on 31 Dec.                                  | 20.8 | 6.1  |

Gains/losses reclassified from other comprehensive income to profit or loss amounted to EUR 5.3 (-0.9) million from commodity derivatives.

## Dividends

Dividend of EUR 0.04 (0.03) per share, totalling EUR 3.9 (2.9) million, was distributed in 2022. Since the reporting date, the Board of Directors has proposed that no dividend will be paid from financial year 2022.

## Hybrid loan

In September 2018 the Group issued a EUR 40 million hybrid bond to strengthen the company's capital structure. After the conversions carried out in the context of the share issue in June 2019, the outstanding amount is EUR 25.9 million. A hybrid bond is treated as equity in consolidated financial statements prepared in accordance with IFRS. The coupon of the hybrid bond is 8.00 per cent per annum. The hybrid bond does not have a specified maturity date, but the Group is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date, and subsequently, on each annual coupon interest payment date. An interest payment obligation is set up if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately. Hybrid loan has an off-balance sheet calculational accrued interest amounting to EUR 0.6. The payment of interest is recorded from retained earnings.

## 22. Pension obligations

|   | 2022 | 2021 |
|---|------|------|
| Pension liability/receivable in balance sheet         |      |      |
| Defined benefit plans                                 | 12.4 | 37.4 |
| Other long-term employee benefits                     | 0.8  | 0.8  |
| Pension liability (+)/receivable (-) in balance sheet | 13.2 | 38.1 |

The Group's defined benefit plans consist of the pension liability for the former CEO of the parent company which is unfunded and the Swedish pension programme which is funded. The company's pension commitment in respect of the defined benefit relating to the former CEO was EUR 2.4 million on 31 December 2022. The remaining pension liability relates to the Swedish pension programme. Through its defined benefit plans the Group is exposed to a number of risks such as changes in discount rate, salary increases, inflation and life expectancy. Expected contribution into the plans for 2023 is EUR 5.8 million.

The defined benefit plan in Sweden is the ITP2 plan and it is based on final salary. HKScan has a pension foundation in Sweden to secure obligations relating to retirement pensions for white-collar workers in accordance with the ITP2 plan. Only new white-collar employees born before, or in 1979 have the possibility to choose the ITP2 solution. Pension foundation has employer and employee representatives in the board. The plan assets are invested in various funds in accordance with a distribution that is determined by the foundation's Board of Directors. Swedish companies can secure new pension obligations through pension insurance, balance-sheet provisions or pension-fund contributions. A credit insurance policy must be taken out for the value of the obligations. Special pension tax is applicable for the pension plan in Sweden.

| Summary of provision for post-employment benefits, defined benefit plans   | 2022         | 2021         |
|--|--------------|--------------|
| Obligations  | -75.0        | -102.9       |
| Fair value of plan assets  | 67.0         | 74.8         |
| Special pension tax  | -1.9         | -6.8         |
| <b>Net provision for funded post-employment benefits</b>                   | <b>-10.1</b> | <b>-35.1</b> |
| Provision for unfunded post-employment benefits                            | -2.4         | -2.3         |
| <b>Total provision for post-employment benefits, defined benefit plans</b> | <b>-12.5</b> | <b>-37.4</b> |

| <b>Pension costs in the income statement</b>   | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
| Current year service costs                     | -1.0         | -1.1         |
| Interest costs                                 | -1.9         | -1.2         |
| Interest income                                | 1.2          | 0.8          |
| Special pension tax                            | -0.3         | -0.3         |
| <b>Pension costs for defined benefit plans</b> | <b>-2.0</b>  | <b>-1.9</b>  |
| Pension costs for defined contribution plans   | -27.8        | -29.3        |
| <b>Total pension costs for the period</b>      | <b>-29.8</b> | <b>-31.3</b> |

| <b>Pension costs in other comprehensive income</b>                   | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| Changes in actuarial assumptions                                     | 14.8        | 3.0         |
| Special pension tax  | 3.6         | 0.7         |
| Income tax effect  | -3.8        | -0.8        |
| <b>Total pension costs in other comprehensive income after taxes</b> | <b>14.6</b> | <b>3.0</b>  |

The following information is about the funded defined benefit plan the Group has in Sweden:

| <b>Obligations</b>                         | <b>2022</b>  | <b>2021</b>   |
|--|--------------|---------------|
| Obligations opening balance                | -102.9       | -108.3        |
| Current year service costs                 | -1.0         | -1.1          |
| Interest costs                             | -1.9         | -1.2          |
| Remeasurements:                            |              |               |
| Effect of changes in financial assumptions | 25.1         | 0.4           |
| Effect of experience adjustments           | -7.2         | -0.5          |
| Exchange rate translation                  | 8.1          | 2.3           |
| Benefits paid                              | 5.4          | 5.4           |
| <b>Obligations closing balance</b>         | <b>-75.0</b> | <b>-102.9</b> |

| <b>Fair value of plan assets</b>        | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Plan assets opening balance             | 74.8        | 76.5        |
| Interest income                         | 1.2         | 0.8         |
| Remeasurements (experience adjustments) | -3.2        | 3.1         |
| Exchange rate translation               | -5.9        | -1.6        |
| Settlement paid                         | -           | -3.9        |
| <b>Plan assets closing balance</b>      | <b>67.0</b> | <b>74.8</b> |

| <b>Assumptions applied for actuarial calculations, %</b> | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| Discount rate  | 3.65        | 1.65        |
| Expected salary increase                                 | 2.30        | 2.45        |
| Inflation  | 2.00        | 2.15        |
| Personnel turnover rate                                  | 4           | 4           |
| Life expectancy  | DUS 21      | DUS 14      |

| <b>Plan assets by category %</b> | <b>2022</b> | <b>2021</b> |
|----------------------------------|-------------|-------------|
| Interest funds                   | 67          | 66          |
| Equity instrument funds          | 25          | 27          |
| Property funds                   | 7           | 7           |

| <b>Sensitivity analysis 2022, effect on obligation (+decrease/-increase), EUR million</b> | <b>Change</b> | <b>Used value</b> | <b>Change</b> |
|---|---------------|-------------------|---------------|
| Discount rate   | -0.50 %       | 3.65%             | 0.50%         |
|   | -4.5          | -75.0             | 4.0           |
| Salary increase   | -0.50%        | 2.30%             | 0.50%         |
|   | 0.5           | -75.0             | -0.6          |
| Inflation   | -0.50%        | 2.00%             | 0.50%         |
|   | 3.7           | -75.0             | -4.1          |
| Life expectancy   | -1 year       | DUS 21            | 1 year        |
|   | 3.0           | -75.0             | -3.0          |

Average duration of the obligation is 14 years.

## 23. Provisions

|                        | 1 Jan. 2022 | Translation difference | Increase in provisions | Exercised in financial period(-) | Reversals of provisions | 31 Dec. 2022 |
|------------------------|-------------|------------------------|------------------------|----------------------------------|-------------------------|--------------|
| Non-current provisions | 5.2         | -                      | -                      | -0.1                             | -                       | 5.1          |
| Current provisions     | 0.1         | 0.0                    | -                      | 0.1                              | -                       | 0.2          |
| <b>Total</b>           | <b>5.2</b>  | <b>0.0</b>             | <b>0.0</b>             | <b>0.1</b>                       | <b>0.0</b>              | <b>5.3</b>   |

|                        | 1 Jan. 2021 | Translation difference | Increase in provisions | Exercised in financial period(-) | Reversals of provisions | 31 Dec. 2021 |
|------------------------|-------------|------------------------|------------------------|----------------------------------|-------------------------|--------------|
| Non-current provisions | 5.2         | -                      | -                      | 0.0                              | -0.1                    | 5.2          |
| Current provisions     | 3.5         | 0.0                    | 0.0                    | -3.4                             | -                       | 0.1          |
| <b>Total</b>           | <b>8.7</b>  | <b>0.0</b>             | <b>0.0</b>             | <b>-3.5</b>                      | <b>-0.1</b>             | <b>5.2</b>   |

In 2020 a current provision amounting to EUR 3.3 million has been recorded due to decision by the Danish tax authorities, according to which the company should repay past refunds of energy taxes. 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 appealed the decision issued to it. The recorded amount has been paid to the authorities in 2021.

In 2017 a lot restoration provision amounting to EUR 5.0 million has been recorded as part of the acquisition cost of Rauma facility into non-current provisions. The amount is based on an estimate. Provision has been capitalized as part of the building's value and it is depreciated during the lot rental agreement.

### Legal matters

A number of Group companies are, and will likely continue to be subject to various legal proceedings and investigations that arise from time to time. As a result, the Group may incur substantial costs that may not be covered by insurance and could affect business and reputation. While Management does not expect any of these legal proceedings to have a material adverse effect on the Group's financial position, litigation is inherently unpredictable and the Group may in the future incur judgments, or enter into settlements, that could have a material adverse effect on the results of operations and cash flows.



## 24. Liabilities

|   | 2022         | 2021         |
|---|--------------|--------------|
| <b>Non-current liabilities</b>                      |              |              |
| Interest-bearing                                    |              |              |
| Bond  | 89.2         | 89.2         |
| Bank loans  | 148.8        | 12.5         |
| Pension loans                                       | 2.1          | 4.3          |
| Non-current lease liabilities                       | 92.0         | 102.5        |
| Other liabilities                                   | 1.8          | 1.6          |
| <b>Non-current interest-bearing liabilities</b>     | <b>333.9</b> | <b>210.1</b> |
| Non-interest-bearing                                |              |              |
| Other liabilities                                   | 0.0          | 0.0          |
| Derivatives   | -            | 0.1          |
| <b>Non-current non-interest-bearing liabilities</b> | <b>0.0</b>   | <b>0.2</b>   |
| Non-current provisions                              | 5.1          | 5.2          |
| Deferred tax liability                              | 22.4         | 20.1         |
| Pension obligations                                 | 13.2         | 38.1         |
| <b>Non-current liabilities</b>                      | <b>374.6</b> | <b>273.6</b> |
| <b>Current interest-bearing liabilities</b>         |              |              |
| Bond  | -            | 39.3         |
| Commercial paper                                    | 14.8         | 75.2         |
| Pension loans                                       | 2.1          | 2.1          |
| Bank loans  | 3.6          | 3.6          |
| Current lease liabilities                           | 9.7          | 10.9         |
| Other liabilities                                   | 0.3          | 0.6          |
| <b>Current interest-bearing liabilities</b>         | <b>30.6</b>  | <b>131.8</b> |

|   | 2022         | 2021         |
|---|--------------|--------------|
| <b>Trade and other payables</b>               |              |              |
| Advances received                             | 0.4          | 0.2          |
| Trade payables                                | 138.3        | 140.5        |
| Refund liabilities                            | 7.7          | 6.8          |
| Accruals and deferred income                  |              |              |
| Short-term interest payable                   | 3.0          | 2.0          |
| Matched staff costs                           | 57.4         | 60.3         |
| Other short-term accruals and deferred income | 27.8         | 27.2         |
| Derivatives                                   | 0.1          | 1.3          |
| Other liabilities                             | 7.0          | 9.4          |
| <b>Trade and other payables</b>               | <b>241.6</b> | <b>247.5</b> |
| Income tax liability                          | 1.5          | 2.2          |
| Current provisions                            | 0.2          | 0.1          |
| <b>Current liabilities</b>                    | <b>273.9</b> | <b>381.7</b> |
| <b>Liabilities</b>                            | <b>648.5</b> | <b>655.3</b> |

Amounts of the Group's interest-bearing liabilities and their contractual re-pricing periods are as follows:

|                | 2022          | 2021          |
|----------------|---------------|---------------|
| Under 6 months | -167.0        | -91.4         |
| 6-12 months    | -4.4          | -39.5         |
| 1-5 years      | -91.4         | -95.7         |
| Over 5 years   | -             | -1.9          |
| <b>Total</b>   | <b>-262.8</b> | <b>-228.5</b> |

## Interest-bearing net debt reconciliation

|  | 2022          | 2021          |
|--|---------------|---------------|
| Cash and cash equivalents                            | 17.2          | 27.2          |
| Liquid investments                                   | -0.9          | 0.2           |
| Lease liabilities due within 1 year                  | -9.7          | -10.9         |
| Lease liabilities due after 1 year                   | -92.0         | -102.5        |
| Borrowings due within one year (including overdraft) | -20.9         | -120.9        |
| Borrowings due after one year                        | -241.9        | -107.6        |
| <b>Interest-bearing net debt</b>                     | <b>-348.2</b> | <b>-314.5</b> |

|   | Other assets        |                    | Liabilities from financing activities |                                    |                              |                             | Total         |
|---|---------------------|--------------------|---------------------------------------|------------------------------------|------------------------------|-----------------------------|---------------|
|   | Cash/bank overdraft | Liquid investments | Lease liabilities due within 1 year   | Lease liabilities due after 1 year | Borrowings due within 1 year | Borrowings due after 1 year |               |
| Interest-bearing net debt on 1 Jan 2021                   | 46.8                | 0.0                | -9.2                                  | -26.4                              | -87.9                        | -222.8                      | -299.6        |
| Cash flows  | -19.5               | 0.2                | 11.3                                  | -                                  | -76.0                        | 158.3                       | 74.2          |
| Acquisitions - leases                                     | -                   | -                  | -3.4                                  | -85.9                              | -                            | -                           | -89.3         |
| Reclassification between items - leases                   | -                   | -                  | -9.7                                  | 9.7                                | -                            | -                           | 0.0           |
| Reclassification between items - borrowings               | -                   | -                  | -                                     | -                                  | 43.1                         | -43.1                       | 0.0           |
| Foreign exchange adjustments                              | -                   | -                  | 0.1                                   | 0.2                                | -                            | -                           | 0.2           |
| <b>Interest-bearing net debt on 31 Dec 2021</b>           | <b>27.2</b>         | <b>0.2</b>         | <b>-10.9</b>                          | <b>-102.5</b>                      | <b>-120.9</b>                | <b>-107.6</b>               | <b>-314.5</b> |
| Cash flows  | -9.4                | 0.0                | 12.1                                  | -                                  | 171.4                        | -205.6                      | -31.7         |
| Acquisitions - leases                                     | -                   | -                  | -2.3                                  | -7.4                               | -                            | -                           | -9.6          |
| Reclassification between items - leases                   | -                   | -                  | -10.0                                 | 10.0                               | -                            | -                           | 0.0           |
| Reclassification between items - borrowings               | -                   | -                  | -                                     | -                                  | -71.4                        | 71.4                        | 0.0           |
| Foreign exchange adjustments                              | -                   | -                  | 0.2                                   | 0.9                                | -                            | -                           | 1.1           |
| Liabilities of disposal group classified as held for sale | -0.6                | -1.0               | 1.2                                   | 6.9                                | -                            | -                           | 6.5           |
| <b>Interest-bearing net debt on 31 Dec 2022</b>           | <b>17.2</b>         | <b>-0.9</b>        | <b>-9.7</b>                           | <b>-92.0</b>                       | <b>-20.9</b>                 | <b>-241.9</b>               | <b>-348.2</b> |

## 25. Financial risk management

The duty of Group Treasury in the HKScan Group is to ensure cost-effective funding and financial risk management for Group companies and to attend to relations with financiers. The treasury policy approved by the Board provides the principles for financial risk management in the Group. The policy is supplemented by separate guidelines and instructions, as well as approval practices.

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. Financial risk management aims to use financial means to hedge the company's intended earnings performance and equity, and to safeguard the Group's liquidity in all circumstances and market conditions.

External funding of the Group's operations and financial risk management is centralised to the Group Treasury operating under the Group Treasurer. Group Treasury identifies and assesses the risks and acquires the instruments required for hedging against the risks, in close co-operation with the operational units.

Risk management may employ various instruments, such as currency forwards and options, interest-rate or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. Funding of the Group's subsidiaries is managed mainly through the parent company. The subsidiaries may not accept new external funding, nor may they give guarantees or pledges without the permission of the Group Treasury in the parent company.

### Foreign exchange risk

The Group's domestic market consists of Finland, Sweden, Denmark and the Baltic countries. Customers are in retail, food service, industry and export sectors. Meat products are mainly produced for domestic markets which reduces the overall currency risk in the Group.

Transaction risk arises when the Group companies engage in foreign currency denominated import and export both outside and within the Group. The aim of transaction risk management is to hedge the Group's business against foreign exchange rate movements and allow the business units time to react and adapt to fluctuations in exchange rates. Foreign exchange risk exposures, which include sales, purchases (balance sheet items and committed cash flows), financing related contractual cash flows, and highly probable forecasted cash flows, are hedged through forward contracts made with the parent company. The business units report their balance sheet risk exposures, forecasted foreign currency sales and purchases and hedging levels to the Group Treasury on a regular basis.

According to Treasury Policy, subsidiaries must hedge balance sheet items in full amount and committed cash flows from 50 to 100 per cent. In addition, forecasted, highly probable cash flows are hedged at 0 - 50 per cent for up to 12 months into the future. Group Treasury can use currency forwards, options and swaps as hedging instruments. Treasury targets to hedge fully its significant foreign exchange risk exposures. Those include commercial exposures, external financing and internal financing which is given in the subsidiary's home currency. All the forward contracts mature within one year. Hedge accounting is not applied currently. Nevertheless, all hedging instruments are done for hedging purposes.

Translation risk arises from the consolidation of equity into the basic currency in subsidiaries whose operational currency is not the euro. The largest foreign currency denominated equities of the Group companies are in Swedish krona and Danish krone and Polish zloty. Fluctuations of exchange rates affect the amount of consolidated equity, and translation differences are generated in connection with the consolidation of equity in accounting. Group Treasury identifies and manages foreign exchange translation risks according to Treasury Policy. HKScan Group is not hedging translation risk currently.

The equities of the Group's non-euro-denominated subsidiaries and associates are presented in the following table in million euros.

## Net investments

|          | 2022     | 2021     |
|----------|----------|----------|
| Currency | Exposure | Exposure |
| SEK      | 89.5     | 93.9     |
| PLN      | 12.6     | 9.8      |
| DKK      | 6.2      | 6.4      |

The parent company's functional currency is the euro. The following net positions (USD, NZD, SEK, JPY) include sales receivables, payables, interest bearing loans and receivables, cash reserves and committed commercial flows in the most significant foreign currencies. The reported amounts are translated into euros at the exchange rates of the reporting date:

|                                | 2022 |      |       |      | 2021 |      |       |      |
|--------------------------------|------|------|-------|------|------|------|-------|------|
|                                | USD  | NZD  | SEK   | JPY  | USD  | NZD  | SEK   | JPY  |
| Net position before hedging    | 2.2  | 2.9  | 46.8  | 0.4  | 1.9  | 2.6  | 26.3  | 0.1  |
| Hedging of balance sheet items | -0.9 | -2.1 | -43.7 | -0.3 | -1.0 | -1.4 | -23.9 | -0.1 |
| Hedging of committed items     | 0.0  | -0.9 | 0.0   | -0.1 | -0.4 | -0.9 | -2.2  | 0.0  |
| Open position                  | 1.4  | -0.1 | 3.1   | 0.0  | 0.4  | 0.4  | 0.3   | 0.0  |

The following table analyses the strengthening or weakening of the euro against the US dollar, New Zealand dollar, Swedish krona and Japanese yen, all other factors remaining unchanged. Sensitivity analysis is based on assets, liabilities and committed cash flows denominated in foreign currencies at the reporting date. The effects of currency derivatives, which offset the effects of changes in exchange rates, are also taken into account in sensitivity analysis. Net investments in foreign units and the instruments used to hedge these have been excluded from sensitivity analysis.

In respect of the foreign currencies, the effect would mainly be due to changes in the exchange rates applicable to foreign currency denominated trade receivables and payables.

|                               | 2022 |      |      |      | 2021 |      |      |      |
|-------------------------------|------|------|------|------|------|------|------|------|
|                               | USD  | NZD  | SEK  | JPY  | USD  | NZD  | SEK  | JPY  |
| Movement (+/-), %             | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Effect on profit before taxes | 0.1  | 0.0  | 0.3  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  |

The following assumptions were used in calculating sensitivity to currency risks: Forecast future cash flows have not been taken into account in the calculation except for committed cash flows. Financial instruments such as forward contracts used to cover these positions are included in the analysis.

The calculation and estimates of reasonably possible changes in exchange rates are based on the assumption of ordinary market and business conditions.

### Interest rate risk

The Group's main exposure to interest rate risk arises through interest-bearing liabilities. The goal of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement, minimize debt servicing costs and improve the predictability. The Group's short-term money market investments expose it to cash flow interest rate risk, but the impact is not significant as these investments are targeted to keep in minimum. Group revenues and operative cash flows are mainly independent of fluctuations in market rates.

Interest rate risk is measured by the effect of interest rate movements on the total forecasted debt portfolio.

To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at fixed or variable interest rates and use interest rate derivatives to achieve a result that is in line with the Treasury policy. The goal of the policy is to keep the fixed interest term of the loans between 12 and 48 months. On the balance sheet date the fixed interest term was 13 months.

The Group monitors and analyses its interest rate risk position on a regular basis.

The Group has determined sensitivity limits for interest rate movements.

The sensitivity of net financial expenses on the balance sheet date to change of one per cent in interest rates, all other things being equal, was approximately EUR -2.7 (-0.8) million for interest increase and approximately EUR 2.7 (-1.0) million for interest decrease before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives on the balance sheet date.

### Counterparty risk

Financial counterparty risk refers to the risk that counterparty may fail to fulfill its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Banks that finance the Group are used as counterparties whenever possible, as well as a few other specified counterparties. Cash may be invested in bank deposits, certificates of deposit, municipal papers, and the commercial paper programmes of certain specified companies listed on the main list of the Nasdaq Helsinki, and to certain state-owned companies. Because of the limited extent of the investment activities, the resulting counterparty and price risks are not significant.

### Commodity risk

The Group is exposed to commodity risks that are related to the availability and price fluctuations of commodities. In addition to meat raw materials, physical electricity consumption is one of the most significant commodity risks in the Group companies. The subsidiaries can hedge against fluctuation in market prices for electricity and other commodities by procuring fixed-price products or through derivative contracts with the Group Treasury. The companies may use external parties to assist them in commodity risk management.

The Group uses electricity derivatives in Finland, Sweden, Denmark and Estonia to level out energy costs. Electricity derivatives do not result in physical electricity delivery, but instead the difference between fixed and variable price is realised as cashflow. The price risk of electricity is analysed in five year time span so that next year's hedge ratio is between 50-100 per cent. Subsequent years are hedged with reducing hedge ratio. Electricity derivatives' nominal value is 250 GWh and 118 GWh is allocated for the next 12 months. The value changes of derivatives hedging the price of electricity supplied during the period are included in the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases. Maturity table for electricity derivatives is presented later in this note.

Sensitivity analysis has been made with expected annual consumption of 261 GWh. Change in electricity price and derivatives maturing in less than 12 months impact income statement and derivatives maturing after 12 months impact balance sheet. If the market price of electricity changed by +/-10 percentage points from the balance sheet date, the impact would be as follow, calculated before tax:

| EUR million                                  | 2022    | 2021    |
|--|---------|---------|
| Electricity - effect in income statement     | +/- 0.3 | +/- 0.4 |
| Electricity - effect in equity (price + 10%) | -14.8   | -4.8    |
| Electricity - effect in equity (price - 10%) | -15.8   | -5.8    |

## Credit risk

The Group's Treasury Policy and related guidelines specify the credit quality requirements and investment principles applied to customers and counterparties to investment transactions and derivative contracts. The Group Treasury is responsible for defining the principles for credit management within the Group and updating the Credit Policy as well as instructing the Group's subsidiaries in credit management.

Credit risk results from a customer's possible failure to fulfil its payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organisations in the various market areas. The creditworthiness, payment behaviour and credit limits of the clients are monitored systematically. As a main principle some type of securing is needed for all credit granted. The security can be credit insurance, a bank guarantee, or a security deposit. In addition, the Group is exposed to minor credit risk in remaining financing investments of primary production contract producers. The amount of impairment losses recognised through profit or loss in the financial period was EUR -0.5 (-0.6) million. The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 18.

## Liquidity and refinancing risk

The Group constantly assesses and monitors the amount of funding required for operations by means such as preparation and analysis of cash flow forecasts. The Group maintains adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future.

The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. In general, cash and cash equivalents are targeted to be kept at a minimum. The Group also has revolving credit facilities with banks, bank borrowings, current accounts with overdraft facilities and the short-term EUR 200 million Finnish commercial paper programme. Liquidity risk is managed by retaining long-term liquidity reserves and by exceeding short-term liquidity requirements. The Group's liquidity reserve includes cash and cash equivalents, money market investments and long-term unused committed credit facilities. Short-term liquidity requirements include the repayments of short- and long-term debt within the next 12 months, expected dividends as well as a specifically defined strategic liquidity requirement, which covers the operative funding needs.

The Group's liquidity together with funding profile and maturity structure remained satisfactory in 2022. Committed credit facilities on 31 December 2022 stood at EUR 145.0 (100.0) million and had been drawn to the amount of EUR 100.0 (0.0) million. In addition, the Group had other undrawn overdraft and other facilities of EUR 17.2 (17.4) million. The overdraft facility agreements are in force until further notice. At year end, the company's EUR 200 million commercial paper programme had been drawn to the amount of EUR 15.0 (75.5) million. Cash and cash equivalents were EUR 17.2 (27.2) million. In October, the company agreed on an increase of EUR 45.0 million in credit facilities, expiring on 30 June 2023. After the review period, an agreement has been reached with financiers to extend the validity of the increase to the end of February 2024.

The average rate of interest for outstanding loans (including commitment fees) paid by the Group was 4.4 (3.7) per cent at the balance sheet date.

In connection with the divestment of the Baltic business, HKScan started a written procedure in December to seek approval for a temporary waiver from the covenant in the terms and conditions of a EUR 90 million bond issued in March 2021.

The temporary waiver was approved in a written procedure before Christmas. Further details are given in the company's stock exchange releases published on 13 December 2022 and 20 December 2022.

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

In December 2022, in connection to the sale of the Baltic business, the company negotiated temporary waivers to the net gearing covenants of the revolving credit facilities, the bank loan, and certain export credit agreements and the bond.

The waivers are valid until the closing of the sale, but expire at the latest on 1 January 2024. The temporary limit on the net gearing ratio is 140 per cent for the bank loans and 145 per cent for the bond. At the end of 2022, the company's net gearing ratio was 124.4 per cent. Once the transaction of the Baltic business is closed, the net gearing covenant will decrease by 15 percentage points, and at the same time the Group's net gearing will decrease accordingly.

The covenant limit for the net debt to EBITDA ratio is 6.0. At the end of 2022, the net debt to EBITDA ratio was 5.6. From the beginning of April 2023, the limit will be 5.5, from the beginning of July 2023, 5.0 and from the beginning of October 2023, 4.0. 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, assuming that the divestment of the Baltic businesses is closed by the end of September 2023. In case of unforeseen changes in the business environment or a delay in the approval by the competition authorities, a breach of the covenants would seem to be apparent, management will enter into negotiations with the banks on a temporary modification of the covenants and their terms. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the financial statements.

## The number of the Group's commitments on the balance sheet date by type of credit

### 2022

| Credit type            | Size         | In use       | Available   |
|------------------------|--------------|--------------|-------------|
| Overdraft facility     | 17.2         | 0.0          | 17.2        |
| Committed credit limit | 145.0        | 100.0        | 45.0        |
| <b>Total</b>           | <b>162.2</b> | <b>100.0</b> | <b>62.2</b> |

### 2021

| Credit type            | Size         | In use     | Available    |
|------------------------|--------------|------------|--------------|
| Overdraft facility     | 17.4         | 0.0        | 17.4         |
| Committed credit limit | 100.0        | 0.0        | 100.0        |
| <b>Total</b>           | <b>117.4</b> | <b>0.0</b> | <b>117.4</b> |



The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity analysis only applies to financial instruments and statutory liabilities are therefore excluded. The amounts also include interest on financial liabilities and margin on loan.

## 31 Dec. 2022 Maturity of financial liabilities

| Credit type                | Balance sheet<br>31 Dec. 2022 | Cashflows<br>sum | Cashflows    |              |              |             |            |             |
|----------------------------|-------------------------------|------------------|--------------|--------------|--------------|-------------|------------|-------------|
|                            |                               |                  | 2023         | 2024         | 2025         | 2026        | 2027       | >2027       |
| Bond                       | 89.4                          | 100.7            | 4.5          | 4.5          | 91.7         | -           | -          | -           |
| Bank loans                 | 152.2                         | 155.9            | 6.9          | 143.4        | 3.8          | 1.8         | -          | -           |
| Pension loans              | 4.3                           | 4.3              | 2.2          | 2.2          | -            | -           | -          | -           |
| Commercial paper programme | 14.8                          | 15.0             | 15.0         | -            | -            | -           | -          | -           |
| Lease liabilities          | 101.7                         | 147.1            | 13.9         | 12.5         | 11.4         | 10.6        | 8.4        | 90.4        |
| Other borrowing            | 2.1                           | 2.2              | 0.4          | 0.3          | 0.4          | 0.7         | 0.4        | -           |
| Trade and other payables   | 241.6                         | 241.6            | 241.6        | -            | -            | -           | -          | -           |
| <b>Total</b>               | <b>606.1</b>                  | <b>666.8</b>     | <b>284.5</b> | <b>162.8</b> | <b>107.2</b> | <b>13.1</b> | <b>8.8</b> | <b>90.4</b> |

## 31 Dec. 2021 Maturity of financial liabilities

| Credit type                | Balance sheet<br>31 Dec. 2021 | Cashflows<br>sum | Cashflows    |             |             |              |             |             |
|----------------------------|-------------------------------|------------------|--------------|-------------|-------------|--------------|-------------|-------------|
|                            |                               |                  | 2022         | 2023        | 2024        | 2025         | 2026        | >2026       |
| Bond                       | 128.6                         | 145.4            | 45.1         | 4.5         | 4.5         | 91.3         | -           | -           |
| Bank loans                 | 16.3                          | 16.7             | 3.8          | 3.7         | 3.7         | 3.7          | 1.8         | -           |
| Pension loans              | 6.4                           | 6.5              | 2.2          | 2.2         | 2.2         | -            | -           | -           |
| Commercial paper programme | 75.2                          | 75.2             | 75.2         | -           | -           | -            | -           | -           |
| Lease liabilities          | 113.4                         | 159.8            | 15.6         | 13.6        | 12.0        | 11.0         | 10.3        | 97.3        |
| Other borrowing            | 2.0                           | 2.3              | 0.5          | 0.2         | 0.3         | 0.4          | 0.4         | 0.4         |
| Trade and other payables   | 245.8                         | 245.8            | 245.8        | -           | -           | -            | -           | -           |
| <b>Total</b>               | <b>587.7</b>                  | <b>651.6</b>     | <b>388.0</b> | <b>24.2</b> | <b>22.7</b> | <b>106.4</b> | <b>12.5</b> | <b>97.7</b> |

The following table presents the nominal value and fair values (EUR million) of derivative instruments. The derivatives mature within the next 12 months except for interest rate derivatives and commodity derivatives, the maturity of which are presented separately.

|  | 2022                   | 2022                   | 2022              | 2021              | 2022             | 2021             |
|--|------------------------|------------------------|-------------------|-------------------|------------------|------------------|
|  | Positive<br>fair value | Negative<br>fair value | Fair<br>value net | Fair<br>value net | Nominal<br>value | Nominal<br>value |
| <b>Interest rate derivatives</b>                       | <b>0.3</b>             | <b>-</b>               | <b>0.3</b>        | <b>-1.1</b>       | <b>48.5</b>      | <b>74.1</b>      |
| matured in 2022  | -                      | -                      | -                 | -0.5              | -                | 44.5             |
| matures in 2023  | 0.1                    | -                      | 0.1               | -0.6              | 28.5             | 29.6             |
| matures in 2024  | 0.1                    | -                      | 0.1               | -                 | 10.0             | -                |
| matures in 2025  | 0.1                    | -                      | 0.1               | -                 | 10.0             | -                |
| matures in 2026  | -                      | -                      | -                 | -                 | -                | -                |
| matures in >2026                                       | -                      | -                      | -                 | -                 | -                | -                |
| of which defined as cash flow hedging instruments      | -                      | -                      | -                 | -                 | -                | -                |
| <b>Foreign exchange derivatives</b>                    | <b>0.8</b>             | <b>0.0</b>             | <b>0.7</b>        | <b>0.2</b>        | <b>91.8</b>      | <b>72.7</b>      |
| of which defined as net investment hedging instruments | -                      | -                      | -                 | -                 | -                | -                |
| <b>Commodity derivatives</b>                           | <b>27.5</b>            | <b>-3.7</b>            | <b>23.8</b>       | <b>7.0</b>        | <b>-1.7</b>      | <b>13.0</b>      |
| matured in 2022  | -                      | -                      | -                 | 5.3               | -                | 5.7              |
| matures in 2023  | 17.7                   | -2.6                   | 15.0              | 1.3               | -0.6             | 5.0              |
| matures in 2024  | 6.8                    | -0.7                   | 6.1               | 0.3               | -0.9             | 1.7              |
| matures in 2025  | 3.0                    | -0.3                   | 2.6               | 0.0               | -0.2             | 0.6              |
| matures in 2026  | -                      | -                      | -                 | -                 | -                | -                |
| of which defined as cash flow hedging instruments      | 27.5                   | -3.7                   | 23.8              | 7.0               | -1.7             | 13.0             |

## Derivatives to which hedge accounting applies

Changes in the fair values of the effective portions after taxes of commodity derivatives, designated as hedges of cash flow amounting to EUR 15.2 (7.4) million, are recognised under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss. The ineffective portion of commodity risk hedge amounting to EUR 0.0 (0.0) million are recognised under other operating expenses in the income statement.

## Capital management

The purpose of capital management in the Group is to support business through an optimal capital structure by safeguarding a normal operating environment and enabling organic and structural growth. An optimal capital structure also generates lower costs of capital.

Capital structure is influenced by controlling the amount of working capital tied up in the business and through reported profit/loss, distribution of dividend and share issues. The Group may also decide on the disposal of assets to reduce liabilities.

The tools to monitor the development of the Group's capital structure are the equity ratio and net gearing ratio. Equity ratio refers to the ratio of equity to total assets. Net gearing ratio is measured as net liabilities divided by equity. Net liabilities include interest-bearing liabilities less interest-bearing short term receivables and cash and cash equivalents.

On the balance sheet date the equity ratio is 28.8 per cent. The official financial target in respect of net gearing ratio is below 100 per cent. On the balance sheet date, the net gearing ratio was 124.4 per cent.

## Net gearing ratio

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Interest-bearing liabilities            | 364.5       | 341.9       |
| Interest-bearing short-term receivables | 0.0         | 0.0         |
| Cash and bank                           | 17.2        | 27.2        |
| Interest-bearing net liabilities        | 347.2       | 314.5       |
| Equity                                  | 279.1       | 330.5       |
| Net gearing ratio                       | 124.4%      | 95.2%       |

## 26. Fair values of financial assets and liabilities

### The fair value determination principles applied by the Group on all financial instruments

When determining the fair values of the financial assets and liabilities, the following price quotations, assumptions and measurement models have been used.

#### Other shares and holdings

Other shares and holdings consists of holdings in non-listed entities and are measured at cost as it is considered appropriate estimate of fair value.

#### Derivatives

The fair values of currency forward contracts 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 rate or other market information at the reporting date. If the market value given by a counterparty is used, the Group also produces its own calculation using generally accepted valuation methods. The fair values of commodity derivatives are determined by using publicly quoted market prices. The fair values are equal to the prices which the Group would have to pay or would obtain if it were to terminate a derivative instrument.

#### Bank loans

The fair values of liabilities are based on the discounted cash flows. The rate used for measurement is the rate at which the Group could obtain corresponding credit from a third party on the reporting date. The overall rate consists of a risk free rate and a risk premium (margin on loan) for the company.

#### Bonds

The fair values of bonds are based on the quoted market prices.

#### Finance lease liabilities

The fair value is measured by discounting future cash flows by an interest rate which corresponds to the interest rate of future leases.

#### Trade and other receivables

The original carrying amounts of non-derivative based receivables are equal to their fair values, as discounting has no material effect taking into account the maturity of the receivables.

#### Trade and other payables

The original carrying amounts of trade and other payables are equal to their fair values, as discounting has no material effect taking into account the maturity of the payables.

Fair value hierarchy for financial assets and liabilities measured at fair value.  
Fair values at end of reporting period.

|  | 31 Dec. 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  | 0.3          | -          | 0.3         | -          |
| Foreign exchange derivatives                                     | 0.8          | -          | 0.8         | -          |
| Commodity derivatives  | 27.5         | -          | 27.5        | -          |
| of which subject to cash flow hedging                            | 27.5         | -          | 27.5        | -          |
| <b>Total</b>   | <b>28.6</b>  | <b>0.0</b> | <b>28.6</b> | <b>0.0</b> |
| Liabilities measured at fair value                               |              |            |             |            |
| Financial assets recognised at fair value through profit or loss |              |            |             |            |
| Trading derivatives  |              |            |             |            |
| Interest rate swaps  | -            | -          | -           | -          |
| Foreign exchange derivatives                                     | 0.0          | -          | 0.0         | -          |
| Commodity derivatives  | -3.7         | -          | -3.7        | -          |
| of which subject to cash flow hedging                            | -3.7         | -          | -3.7        | -          |
| <b>Total</b>   | <b>-3.7</b>  | <b>0.0</b> | <b>-3.7</b> | <b>0.0</b> |

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.

|  | 31 Dec. 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                                     | 0.4          | -          | 0.4         | -          |
| Commodity derivatives  | 7.0          | -          | 7.0         | -          |
| of which subject to cash flow hedging                            | 7.0          | -          | 7.0         | -          |
| <b>Total</b>   | <b>7.4</b>   | <b>0.0</b> | <b>7.4</b>  | <b>0.0</b> |
| Liabilities measured at fair value                               |              |            |             |            |
| Financial assets recognised at fair value through profit or loss |              |            |             |            |
| Trading derivatives  |              |            |             |            |
| Interest rate swaps  | -1.1         | -          | -1.1        | -          |
| Foreign exchange derivatives                                     | -0.2         | -          | -0.2        | -          |
| Commodity derivatives  | -            | -          | -           | -          |
| of which subject to cash flow hedging                            | -            | -          | -           | -          |
| <b>Total</b>   | <b>-1.3</b>  | <b>0.0</b> | <b>-1.3</b> | <b>0.0</b> |

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.

## 27. Conditional assets and liabilities and purchase commitments

| <b>Commitments and contingent liabilities</b>    | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| Loans secured by mortgages                       | 39.5        | -           |
| <b>On own behalf</b>                             |             |             |
| Assets pledged                                   | 61.5        | -           |
| <b>On behalf of others</b>                       |             |             |
| Guarantees                                       | 1.1         | 4.6         |
| Other commitments                                | 1.5         | 1.7         |
| <b>Leasing commitments</b>                       |             |             |
| Leasing commitments maturing in less than a year | 0.2         | 0.2         |
| Leasing commitments maturing in 1-5 years        | 0.0         | 0.0         |
| Leasing commitments maturing in over 5 years     | 0.0         | 0.0         |
| <b>Total</b>                                     | <b>2.8</b>  | <b>6.5</b>  |

In 2020 a current provision amounting to EUR 3.3 million has been recorded due to decision by the Danish tax authorities, according to which the company should repay past refunds of energy taxes. 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 appeal the decision issued to it.

## 28. Related party transactions

Parties are considered related parties if one of the parties is able to exercise control, or a significant influence, over the other in decisions affecting its finances and business. The Group's related parties include the associates and joint ventures. Related parties also include the Supervisory Board and Board of Directors of the Group parent's parent entity (LSO Osuuskunta), the members of the Group's Board of Directors, the Group's CEO, the deputy CEO and their immediate family members, as well as the members of the Group Management Team. The Group strives to treat all parties equally in its business.

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative of 900 Finnish meat producers. The cooperative fosters its members' meat production and marketing by exercising its power of ownership in HKScan. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

Lot lease amounting to 34 (34) thousand has been paid by the Group to LSO. Starting from year 2022 the Group has paid EUR 30 (0) from primary production related services. In addition, the Group charged from LSO EUR 40 (40) thousand from office services and starting from 2022 EUR 27 (0) thousand from services related to LSO membership. There is EUR 5 million revolving credit facility to both directions between the parties. Related to this the Group had receivable amounting to EUR 1.6 (4.2) million at year end. The Group received interest income for the balance EUR 69 (21) thousand during the year. Interest rate for the credit facility is in line with HKScan's financing cost. The sale of animals to the Group by members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 21.3 (18.0) million. Said persons purchased animals from the Group with EUR 5.1 (4.3) million.

Information on employee benefits of the Management are presented in Note 4. More information on fees of the Board of Directors and the Management is available in the remuneration statement for 2022, which can be found on [www.hkscan.com](http://www.hkscan.com).

Related party individuals are not otherwise in a material business relationship with the company.

| Shares in subsidiaries                     | Owner % | Share of votes % |
|--|---------|------------------|
| <b>Owned by the Group's parent company</b> |         |                  |
| HKScan Finland Oy, Finland                 | 100.00  | 100.00           |
| HKScan Sweden AB, Sweden                   | 100.00  | 100.00           |
| HKScan Denmark A/S, Denmark                | 100.00  | 100.00           |
| AS HKScan Estonia, Estonia                 | 100.00  | 100.00           |
| UAB HKScan Lietuva, Lithuania              | 100.00  | 100.00           |
| AS HKScan Latvia, Latvia                   | 99.87   | 99.87            |
| <b>Owned by HKScan Finland Oy</b>          |         |                  |
| Kivikylän Kotipalvaamo Oy, Finland         | 49.00*  | 49.00*           |
| Lihatukku Harri Tamminen Oy, Finland       | 49.00*  | 49.00*           |
| Paimion Teurastamo Oy, Finland             | 100.00  | 100.00           |
| Boltsi Oy, Finland                         | 48.00*  | 48.98*           |
| Jokisen Eväät Oy, Finland                  | 97.00   | 97.00            |
| Kasviskonttori Oy, Finland                 | 80.00   | 80.00            |
| <b>Owned by AS HKScan Estonia</b>          |         |                  |
| Rakvere Farmid AS, Estonia                 | 100.00  | 100.00           |
| <b>Owned by HKScan Sweden AB</b>           |         |                  |
| HKScan Real Estate AB, Sweden              | 100.00  | 100.00           |
| HKScan International AB, Sweden**          | 100.00  | 100.00           |
| HKScan Poland Sp.zo.o, Poland              | 100.00  | 100.00           |
| <b>Owned by HKScan Real Estate AB</b>      |         |                  |
| HKScan Real Estate Halmstad AB, Sweden     | 100.00  | 100.00           |
| <b>Owned by HKScan Denmark A/S</b>         |         |                  |
| Kreatina A/S, Denmark**                    | 100.00  | 100.00           |

\* Control is based on shareholders' agreement / board selection.

\*\* Dormant

| Shares and holdings in associated companies and joint ventures | Owner % | Share of votes % |
|--|---------|------------------|
| <b>Owned by the Group's parent company</b>                     |         |                  |
| Nordic Lotus Food Co. Ltd, China*                              | 17.50   | 17.50            |
| <b>Owned by HKScan Finland Oy</b>                              |         |                  |
| Länsi-Kalkkuna Oy, Finland*                                    | 50.00   | 50.00            |
| Pakastamo Oy, Finland  | 50.00   | 50.00            |
| Honkajoki Oy, Finland*   | 50.00   | 50.00            |
| Finnpig Oy, Finland  | 50.00   | 50.00            |
| Oy LHP Bio-Carbon LTD, Finland                                 | 24.24   | 24.24            |
| DanHatch Finland Oy, Finland                                   | 10.00   | 10.00            |
| Mäkitalon Maistuvat Oy, Finland                                | 24.90   | 24.90            |
| <b>Owned by HKScan Sweden AB</b>                               |         |                  |
| AB Tillväxt för svensk animalieproduktion, Sweden              | 12.50   | 12.50            |
| Svenska Köttforetagen AB, Sweden                               | 23.52   | 23.52            |
| Scandinavian Aquasystems AB, Sweden                            | 11.15   | 11.15            |
| <b>Owned by HKScan Denmark A/S</b>                             |         |                  |
| Tican-Rose GmbH, Germany                                       | 50.00   | 50.00            |
| Farmfood A/S, Denmark  | 33.30   | 33.30            |

\* Joint venture

The Group conducts business through the associates and joint ventures. The activities include slaughtering, cutting, meat processing, and the use of leasing, waste disposal, research and advisory services. All commercial contracts are negotiated on market terms.



The following transactions were carried out with related parties

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Sales to associates                       | 14.9        | 9.8         |
| Sales of animals to related parties       | 5.1         | 4.3         |
| Purchases from associates                 | 45.4        | 37.0        |
| Purchases of animals from related parties | 21.3        | 18.0        |

| <b>Open balances on 31 December</b>         | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Trade and other receivables from associates | 2.0         | 1.7         |
| Trade and other payables to associates      | 3.5         | 3.4         |

## 29. Events after the reporting date

No items to mention.

## Parent company income statement for 1 January - 31 December

(EUR)

|  | Note | 2022                  | 2021                 |
|--|------|-----------------------|----------------------|
| Other operating income                             | 1.   | 26,836,120.97         | 29,424,742.14        |
| Employee costs                                     | 2.   | -9,530,303.16         | -11,139,125.77       |
| Depreciation and impairment                        | 3.   | -279,286.00           | -325,039.00          |
| Other operating expenses                           | 4.   | -19,394,550.93        | -19,104,130.50       |
| <b>EBIT</b>  |      | <b>-2,368,019.12</b>  | <b>-1,143,553.13</b> |
| Financial income and expenses                      | 5.   | -11,521,517.42        | -4,346,565.79        |
| <b>Profit/loss before appropriations and taxes</b> |      | <b>-13,889,536.54</b> | <b>-5,490,118.92</b> |
| Appropriations                                     | 6.   | -14,180.00            | 18,722.00            |
| Income taxes                                       | 7.   | 43,442.25             | -361,181.26          |
| <b>Profit/loss for the period</b>                  |      | <b>-13,860,274.29</b> | <b>-5,832,578.18</b> |

## Parent company balance sheet 31 December

(EUR)

|                               | Note | 2022                  | 2021                  |
|-------------------------------|------|-----------------------|-----------------------|
| <b>Assets</b>                 |      |                       |                       |
| Intangible assets             | 8.   | 209,466.00            | 466,692.00            |
| Tangible assets               | 8.   | 1,322,370.12          | 1,233,757.74          |
| Financial assets              | 8.   | 437,079,764.25        | 448,271,241.04        |
| <b>Non-current assets</b>     |      | <b>438,611,600.37</b> | <b>449,971,690.78</b> |
| Non-current receivables       | 9.   | 281,036,336.42        | 248,390,369.90        |
| Deferred tax asset            | 9.   | 10,188,026.30         | 10,114,272.44         |
| Current receivables           | 10.  | 11,707,812.61         | 12,962,247.56         |
| Cash and cash equivalents     |      | 12,436,273.05         | 20,834,197.21         |
| <b>Current assets</b>         |      | <b>315,368,448.38</b> | <b>292,301,087.11</b> |
| <b>Assets</b>                 |      | <b>753,980,048.75</b> | <b>742,272,777.89</b> |
| <b>Equity and liabilities</b> |      |                       |                       |
| Share capital                 | 11.  | 66,820,528.10         | 66,820,528.10         |
| Share premium reserve         | 11.  | 73,420,363.20         | 73,420,363.20         |
| Treasury shares               | 11.  | -4,083,425.45         | -4,762,908.54         |
| RIUE                          | 11.  | 216,034,039.79        | 215,386,544.79        |
| Other reserves                | 11.  | 4,931,656.91          | 4,931,656.91          |
| Retained earnings             | 11.  | 66,618,991.89         | 77,024,252.60         |
| Profit/loss for the period    | 11.  | -13,860,274.29        | -5,832,578.18         |
| <b>Equity</b>                 |      | <b>409,881,880.15</b> | <b>426,987,858.88</b> |

|  |     |                       |                       |
|--|-----|-----------------------|-----------------------|
| Accumulated appropriations                   | 12. | 52,471.00             | 38,291.00             |
| Provisions                                   | 13. | 2,350,525.00          | 2,298,129.00          |
| Non-current interest-bearing liabilities     | 14. | 266,604,969.59        | 132,864,674.05        |
| Non-current non-interest-bearing liabilities | 14. | 1,426,245.00          | 2,530,694.76          |
| Current interest-bearing liabilities         | 15. | 62,496,759.99         | 166,800,554.71        |
| Current non-interest-bearing liabilities     | 15. | 11,167,198.02         | 10,752,575.49         |
| <b>Liabilities</b>                           |     | <b>341,695,172.60</b> | <b>312,948,499.01</b> |
| <b>Equity and liabilities</b>                |     | <b>753,980,048.75</b> | <b>742,272,777.89</b> |

## Parent company cash flow statement

(EUR 1 000)

|  | 2022           | 2021           |
|--|----------------|----------------|
| EBIT   | -2,368         | -1,144         |
| Depreciation and impairment                  | 279            | 325            |
| Change in provisions                         | 52             | -194           |
| Change in net working capital                | -483           | -445           |
| Interest income and expenses                 | 4,597          | -240           |
| Dividends received                           | 4,743          | 9,875          |
| Taxes  | -30            | -22            |
| <b>Cash flow from operating activities</b>   | <b>6,790</b>   | <b>8,156</b>   |
| Purchases of shares and holdings             | -171           | -104           |
| Purchase of other fixed assets               | -1,117         | -1,743         |
| Disposals of other fixed assets              | 1,006          | 1,338          |
| Repayments of loans receivable               | -42,303        | 61,375         |
| <b>Cash flow from investing activities</b>   | <b>-42,585</b> | <b>60,866</b>  |
| <b>Cash flow before financing activities</b> | <b>-35,795</b> | <b>69,022</b>  |
| Proceed from external borrowings             | 139,500        | 92,800         |
| Repayment of external borrowings             | -108,219       | -181,141       |
| Dividends paid                               | -3,884         | -2,929         |
| <b>Cash flow from financing activities</b>   | <b>27,397</b>  | <b>-91,270</b> |
| <b>Change in cash and cash equivalents</b>   | <b>-8,398</b>  | <b>-22,248</b> |
| Cash and cash equivalents on 1 Jan.          | 20,834         | 43,082         |
| <b>Cash and cash equivalents on 31 Dec.</b>  | <b>12,436</b>  | <b>20,834</b>  |

# Notes to the parent company's financial statements

## Basic information about the entity

HKScan Corporation is a Finnish public limited company established under the law of Finland. The Company is domiciled in Turku.

HKScan Corporation comprises Group management and Group administration.

HKScan Corporation's A Share has been quoted on the Nasdaq Helsinki since 1997.

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.

Copies of HKScan Corporation's financial statements are available at the company's registered office at Lemminkäisenkatu 48, 20520 Turku.

## Accounting policies

### Basis of preparation

The parent company's financial statements have been prepared in compliance with valid Finnish Accounting Standards (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2021.

The amounts in the parent company's income statement and balance sheet are in euros and the amounts in the cash flow statement and notes are in thousands of euros.

### Non-current assets

Intangible and tangible assets have been measured at cost less accumulated depreciation and any impairment. Depreciation of assets is made on a straight-line basis over the expected useful life. Intangible assets are depreciated over 5-10 years and tangible assets over 2-10 years. Holdings in subsidiaries and associated companies as well as other shares and holdings are measured at cost less any impairment.

### Transactions in foreign currency

Foreign currency denominated transactions are recognised at the exchange rates valid on the transaction date. Trade receivables, trade payables and loan receivables denoted in foreign currencies, and foreign currency bank accounts have been translated into the functional currency at the closing rate quoted by the European Central Bank on the balance sheet date. Gains and losses arising from business transactions in foreign currencies, and from the translation of monetary items, have been recognised in financial income and expenses in the income statement.

### Derivative contracts

HKScan Oyj makes all external derivative contracts for the Group. Derivatives that are made for subsidiaries are handled with intercompany derivative contracts. Because of this HKScan Oyj has all the external derivatives of the Group and these are partly for the parent company and partly for subsidiaries.

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted on the balance sheet date. Hedge accounting is not applied and changes in the value of foreign exchange contracts hedging commercial flows are recognised through profit or loss in other operating income or expenses, and changes in the value of foreign exchange contracts hedging financial items are recognised in the income statement in foreign exchange gains and losses from financing operations.

Commodity derivatives all relate to subsidiaries and intercompany derivatives have been made. There is no income statement effect as the cash flows from the derivatives are eliminated by the intercompany derivative contracts with subsidiaries. Hedge accounting is not applied. Fair values of these derivatives are netted in the balance sheet and they are reported in the notes.

Hedge accounting is not applied on interest rate swaps for the part that they hedge parent company's interest risk. The fair values of the derivatives are recorded in the balance sheet and changes in the fair values are recorded in the income statement in financial items. Realised gains or losses on interest rate swaps hedging variable-interest loans are presented under financial items in the income statement. Hedge accounting is also not applied on external interest rate swaps that relate to subsidiaries and intercompany derivatives. Income statement effect is eliminated by the intercompany derivative contract with subsidiaries. Fair values of these derivatives are netted in the balance sheet and they are reported in the notes.

The fair values of currency forward contracts 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 rate or other market information at the reporting date. If the market value given by a counterparty is used, the company also produces its own calculation using generally accepted valuation methods. The fair values of commodity derivatives are determined by using publicly quoted market prices. The fair values are equal to the prices which the company would have to pay, or would obtain, if it were to terminate a derivative instrument.

### **Pension plans**

HKScan Corporation employees' statutory pension provision has been organised through insurance in a pension insurance company. Statutory pension expenses have been charged in the year to which the contributions relate.

### **Management retirement benefit obligations and severance payments**

The remuneration of the CEO consists of a fixed monthly salary, benefits, supplementary pension benefits and possible incentive awards under the company's incentive scheme. Under the terms of the CEO's executive agreement, the CEO's employment may be terminated by the company and the CEO at six months' notice. In the event that the company terminates the CEO's executive agreement, the CEO will receive an amount that equals 12 months' salary, in addition to the salary for the period of notice.

Detailed information about management compensation is available in group financial statement note 4.

### **Income taxes**

Consolidated accounting principles are applied to income taxes and deferred tax assets and liabilities when allowed under Finnish accounting principles. The deferred tax liability on depreciation difference is disclosed as a Note.

### **Leases**

All leasing payments have been treated as rent. Leasing payments based on unpaid leasing agreements are shown in contingent liabilities in the financial statements.

### **Accumulated appropriations**

Accumulated appropriations consist of change in depreciation difference. The difference in depreciation according to plan and accounting depreciation, is shown as an appropriation in the income statement, and the accumulated difference in depreciation according to plan and accounting depreciation, is shown in the balance sheet as accumulated appropriations.

# Notes to the parent company's income statement

(EUR 1000)

## 1. Other operating income, total

|                                      | 2022          | 2021          |
|--------------------------------------|---------------|---------------|
| Other operating income               | 26,836        | 29,425        |
| <b>Other operating income, total</b> | <b>26,836</b> | <b>29,425</b> |

## 2. Staff costs

|   | 2022          | 2021           |
|---|---------------|----------------|
| Salaries and fees                             | -6,841        | -9,150         |
| Pension expenses                              | -1,352        | -1,516         |
| Other social expenses                         | -1,337        | -473           |
| <b>Staff costs</b>                            | <b>-9,530</b> | <b>-11,139</b> |
| Managing directors and their deputies         | 1,841         | 863            |
| Members of the Board of Directors             | 470           | 455            |
| <b>Management salaries, fees and benefits</b> | <b>2,311</b>  | <b>1,318</b>   |
| Employees, average                            | 62            | 90             |

## 3. Depreciation and impairment

|   | 2022        | 2021        |
|---|-------------|-------------|
| Depreciation according to plan on non-current assets and goodwill | -279        | -325        |
| <b>Total depreciation and impairment</b>                          | <b>-279</b> | <b>-325</b> |

## 4. Other operating expenses

|   | 2022           | 2021           |
|---|----------------|----------------|
| Rents/leases  | -1,555         | -1,207         |
| Losses on disposal of fixed assets, tangible assets total | -              | -69            |
| <b>Losses on disposal of non-current assets</b>           | <b>0</b>       | <b>-69</b>     |
| Audit fees, ordinary audit                                | -151           | -104           |
| Audit fees, other expert services                         | -23            | -76            |
| <b>Audit fees</b>   | <b>-174</b>    | <b>-180</b>    |
| Non-statutory staff costs                                 | -1,096         | -1,070         |
| Energy  | -158           | -114           |
| Maintenance   | -44            | -67            |
| Advertising, marketing and entertainment costs            | -711           | -481           |
| Service, information management and office costs          | -13,031        | -14,071        |
| Other expenses  | -2,626         | -1,845         |
| <b>Total other operating expenses</b>                     | <b>-19,395</b> | <b>-19,104</b> |

## 5. Financial income and expenses

|  | 2022           | 2021           |
|--|----------------|----------------|
| <b>Financial income</b>                            |                |                |
| Dividends from Group companies                     | 23,715         | 9,875          |
| <b>Income from units</b>                           | <b>23,715</b>  | <b>9,875</b>   |
| Interest income from Group companies               | 15,417         | 14,127         |
| Interest income from others                        | 119            | 103            |
| <b>Interest income</b>                             | <b>15,536</b>  | <b>14,230</b>  |
| Other financial income from others                 | 7,495          | 2,881          |
| <b>Other financial income</b>                      | <b>7,495</b>   | <b>2,881</b>   |
| <b>Total financial income</b>                      | <b>46,746</b>  | <b>26,986</b>  |
| <b>Financial expenses</b>                          |                |                |
| Interest expenses payable to Group companies       | -236           | -134           |
| Interest expenses payable to others                | -12,513        | -10,357        |
| <b>Total other interest and financial expenses</b> | <b>-12,749</b> | <b>-10,491</b> |
| <b>Unrealised losses on fair value assessment</b>  | <b>1,002</b>   | <b>1,570</b>   |
| Impairment in holdings in Group companies          | -35,957        | -              |
| Other financial expense from Group companies       | -              | -15,000        |
| Impairment in holdings in associates               | -405           | -              |
| Other financial expense from others                | -10,159        | -7,412         |
| <b>Other financial expense</b>                     | <b>-46,521</b> | <b>-22,412</b> |
| <b>Total financial expenses</b>                    | <b>-58,268</b> | <b>-31,333</b> |
| <b>Financial income and expenses, total</b>        | <b>-11,522</b> | <b>-4,347</b>  |

Impairment in holdings in Group companies results from the agreed sales of Baltics business. Holdings in Group companies are measured at debt-free purchase price of EUR 83.2 million. More information on the subject is in Group's note 20 Assets and liabilities of disposal group classified as held for sale and discontinued operations.

Other financial expense from Group companies amounting to EUR 15 million in year 2021 is debt forgiveness to Danish subsidiary to strengthen subsidiary's balance sheet.

## 6. Appropriations

|   | 2022       | 2021      |
|---|------------|-----------|
| Increase (-) or decrease (+) in depreciation difference | -14        | 19        |
| <b>Total appropriations</b>                             | <b>-14</b> | <b>19</b> |

## 7. Direct taxes

|   | 2022      | 2021        |
|---|-----------|-------------|
| Change in deferred tax liabilities and assets | 73        | -340        |
| Other direct taxes                            | -30       | -21         |
| <b>Income tax on ordinary operations</b>      | <b>43</b> | <b>-361</b> |



# Notes to the parent company's balance sheet

(EUR 1000)

## 8. Non-current assets

| <b>Intangible assets 2022</b>              | <b>Intellectual property rights</b> | <b>Other long-term expenditure</b> | <b>Total</b>  |
|--|-------------------------------------|------------------------------------|---------------|
| Acquisition cost on 1 Jan.                 | 4,003                               | 661                                | 4,664         |
| Increase                                   | 3                                   | -                                  | 3             |
| <b>Acquisition cost on 31 Dec.</b>         | <b>4,006</b>                        | <b>661</b>                         | <b>4,667</b>  |
| Accumulated depreciation on 1 Jan.         | -3,536                              | -661                               | -4,197        |
| Depreciation for the financial period      | -260                                | -                                  | -260          |
| <b>Accumulated depreciation on 31 Dec.</b> | <b>-3,796</b>                       | <b>-661</b>                        | <b>-4,457</b> |
| <b>Carrying amount on 31 Dec.</b>          | <b>210</b>                          | <b>0</b>                           | <b>210</b>    |

| <b>Intangible assets 2021</b>              | <b>Intellectual property rights</b> | <b>Other long-term expenditure</b> | <b>Total</b>  |
|--|-------------------------------------|------------------------------------|---------------|
| Acquisition cost on 1 Jan.                 | 3,890                               | 661                                | 4,551         |
| Increase                                   | 113                                 | -                                  | 113           |
| <b>Acquisition cost on 31 Dec.</b>         | <b>4,003</b>                        | <b>661</b>                         | <b>4,664</b>  |
| Accumulated depreciation on 1 Jan.         | -3,239                              | -661                               | -3,900        |
| Depreciation for the financial period      | -297                                | -                                  | -297          |
| <b>Accumulated depreciation on 31 Dec.</b> | <b>-3,536</b>                       | <b>-661</b>                        | <b>-4,197</b> |
| <b>Carrying amount on 31 Dec.</b>          | <b>467</b>                          | <b>0</b>                           | <b>467</b>    |

| <b>Tangible assets 2022</b>                | <b>Machinery and equipment</b> | <b>Other tangible assets</b> | <b>Pre-payments</b> | <b>Total</b>  |
|--|--------------------------------|------------------------------|---------------------|---------------|
| Acquisition cost on 1 Jan.                 | 1,162                          | 427                          | 1,161               | 2,750         |
| Increase                                   | -                              | -                            | 108                 | 108           |
| Decrease                                   | -2                             | -                            | -                   | -2            |
| <b>Acquisition cost on 31 Dec.</b>         | <b>1,160</b>                   | <b>427</b>                   | <b>1,269</b>        | <b>2,856</b>  |
| Accumulated depreciation on 1 Jan.         | -1,139                         | -377                         | 0                   | -1,516        |
| Accumulated depreciation on disposals      | 2                              | -                            | -                   | 2             |
| Depreciation for the financial period      | -13                            | -7                           | -                   | -20           |
| <b>Accumulated depreciation on 31 Dec.</b> | <b>-1,150</b>                  | <b>-384</b>                  | <b>0</b>            | <b>-1,534</b> |
| <b>Carrying amount on 31 Dec.</b>          | <b>10</b>                      | <b>43</b>                    | <b>1,269</b>        | <b>1,322</b>  |

| <b>Tangible assets 2021</b>                | <b>Machinery and equipment</b> | <b>Other tangible assets</b> | <b>Pre-payments</b> | <b>Total</b>  |
|--|--------------------------------|------------------------------|---------------------|---------------|
| Acquisition cost on 1 Jan.                 | 1,173                          | 413                          | 884                 | 2,470         |
| Increase                                   | -                              | 14                           | 277                 | 291           |
| Decrease                                   | -11                            | -                            | -                   | -11           |
| <b>Acquisition cost on 31 Dec.</b>         | <b>1,162</b>                   | <b>427</b>                   | <b>1,161</b>        | <b>2,750</b>  |
| Accumulated depreciation on 1 Jan.         | -1,128                         | -371                         | 0                   | -1,499        |
| Accumulated depreciation on disposals      | 11                             | -                            | -                   | 11            |
| Depreciation for the financial period      | -22                            | -6                           | -                   | -28           |
| <b>Accumulated depreciation on 31 Dec.</b> | <b>-1,139</b>                  | <b>-377</b>                  | <b>0</b>            | <b>-1,516</b> |
| <b>Carrying amount on 31 Dec.</b>          | <b>23</b>                      | <b>50</b>                    | <b>1,161</b>        | <b>1,234</b>  |

| Financial assets 2022             | Holdings in Group companies | Holdings in associates | Receivables from associates | Other shares and holdings | Total          |
|-----------------------------------|-----------------------------|------------------------|-----------------------------|---------------------------|----------------|
| Acquisition cost on 1 Jan.        | 447,644                     | 475                    | 0                           | 152                       | 448,271        |
| Increase                          | 25,000                      | -                      | -                           | 171                       | 25,171         |
| Impairment                        | -35,957                     | -405                   | -                           | -                         | -36,362        |
| <b>Carrying amount on 31 Dec.</b> | <b>436,687</b>              | <b>70</b>              | <b>0</b>                    | <b>323</b>                | <b>437,080</b> |

| Financial assets 2021             | Holdings in Group companies | Holdings in associates | Receivables from associates | Other shares and holdings | Total          |
|-----------------------------------|-----------------------------|------------------------|-----------------------------|---------------------------|----------------|
| Acquisition cost on 1 Jan.        | 447,644                     | 950                    | 0                           | 64                        | 448,658        |
| Increase                          | -                           | -                      | -                           | 88                        | 88             |
| Decrease                          | -                           | -475                   | -                           | -                         | -475           |
| <b>Carrying amount on 31 Dec.</b> | <b>447,644</b>              | <b>475</b>             | <b>0</b>                    | <b>152</b>                | <b>448,271</b> |

Impairment in holdings in Group companies results from the agreed sales of Baltics business. Holdings in Group companies are measured at debt-free purchase price of EUR 83.2 million. More information on the subject is in Group's note 20 Assets and liabilities of disposal group classified as held for sale and discontinued operations. HKScan Estonia's equity was increased by EUR 25 million with loan conversion.

HKScan Oyj owns a joint venture company Nordic Lotus Co Ltd in China. Ownership is 17.5 per cent. An impairment has been recorded to the holding to match expected future cash flow.

| Intangible assets   | 2022           | 2021           |
|---|----------------|----------------|
| Intellectual property rights  | 209            | 467            |
| <b>Intangible assets</b>  | <b>209</b>     | <b>467</b>     |
| <b>Tangible assets</b>  |                |                |
| Machinery and equipment   | 10             | 23             |
| Other tangible assets   | 44             | 50             |
| Payments on account and tangible assets in the course of construction | 1,269          | 1,161          |
| <b>Tangible assets</b>  | <b>1,323</b>   | <b>1,234</b>   |
| <b>Financial assets</b>   |                |                |
| Holdings in Group companies   | 436,687        | 447,644        |
| Holdings in associates  | 70             | 475            |
| Other shares and holdings   | 322            | 152            |
| Financial assets  | 437,080        | 448,271        |
| <b>Total non-current assets</b>                                       | <b>438,612</b> | <b>449,972</b> |

## 9. Non-current receivables

|                                    | 2022           | 2021           |
|------------------------------------|----------------|----------------|
| Non-current loan receivables       | 381            | 421            |
| Non-current Group loan receivables | 280,464        | 247,970        |
| Prepayments and accrued income     | 191            | -              |
| <b>Total</b>                       | <b>281,036</b> | <b>248,391</b> |
| Deferred tax assets                | 10,188         | 10,114         |

On 31 December 2022, the company had EUR 14.0 (14.0) million of losses, of which no deferred tax receivable has been recognized. The losses in taxation expire with the following schedule: EUR 11.5 million in 2023, EUR 5.0 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 9.9 million in 2028, EUR 10.0 million in 2029 and EUR 1.6 million in 2031. Utilisation of deferred tax asset from losses is based on the same assumptions that are used in group note 16.

## 10. Current receivables

|  | 2022          | 2021          |
|--|---------------|---------------|
| Trade receivables  | 1             | 1             |
| Short-term receivables (from others)                         | 3             | -             |
| Short-term prepayments from accrued income (from others)     | 2,732         | 2,987         |
| <b>Total</b>   | <b>2,736</b>  | <b>2,988</b>  |
| <b>Receivables from group companies</b>                      |               |               |
| Trade receivables  | 1,327         | 144           |
| Loan receivables   | 7,583         | 9,595         |
| Other receivables  | 62            | 235           |
| <b>Total</b>   | <b>8,972</b>  | <b>9,974</b>  |
| <b>Total current receivables</b>                             | <b>11,708</b> | <b>12,962</b> |
| <b>Main items included in prepayments and accrued income</b> |               |               |
| Accrued financial items                                      | 868           | 423           |
| Accrued interest receivables                                 | 1,203         | 1,391         |
| Accrued staff costs  | 18            | 16            |
| Other prepayments and accrued income                         | 643           | 1,157         |
| <b>Total</b>   | <b>2,732</b>  | <b>2,987</b>  |

## 11. Equity

| <b>Equity in 2022</b>                   | <b>Share capital</b> | <b>Share premium reserve</b> | <b>Treasury shares</b> | <b>Fair value reserve</b> | <b>RIUE</b>    | <b>Other reserves</b> | <b>Retained earnings</b> | <b>Total</b>   |
|---|----------------------|------------------------------|------------------------|---------------------------|----------------|-----------------------|--------------------------|----------------|
| Equity on 1 Jan.                        | 66,820               | 73,420                       | -4,762                 | 0                         | 215,387        | 4,931                 | 71,192                   | 426,988        |
| Increase                                | -                    | -                            | -                      | -                         | 647            | -                     | -                        | 647            |
| Dividend distribution                   | -                    | -                            | -                      | -                         | -              | -                     | -3,893                   | -3,893         |
| Direct recognition in retained earnings | -                    | -                            | 679                    | -                         | -              | -                     | -679                     | 0              |
| Profit for the period                   | -                    | -                            | -                      | -                         | -              | -                     | -13,860                  | -13,860        |
| <b>Equity on 31 Dec.</b>                | <b>66,820</b>        | <b>73,420</b>                | <b>-4,083</b>          | <b>0</b>                  | <b>216,034</b> | <b>4,931</b>          | <b>52,760</b>            | <b>409,882</b> |

| <b>Equity in 2021</b>    | <b>Share capital</b> | <b>Share premium reserve</b> | <b>Treasury shares</b> | <b>Fair value reserve</b> | <b>RIUE</b>    | <b>Other reserves</b> | <b>Retained earnings</b> | <b>Total</b>   |
|--------------------------|----------------------|------------------------------|------------------------|---------------------------|----------------|-----------------------|--------------------------|----------------|
| Equity on 1 Jan.         | 66,820               | 73,420                       | -4,762                 | 0                         | 215,121        | 4,899                 | 79,934                   | 435,432        |
| Increase                 | -                    | -                            | -                      | -                         | 266            | 32                    | -                        | 298            |
| Dividend distribution    | -                    | -                            | -                      | -                         | -              | -                     | -2,909                   | -2,909         |
| Profit for the period    | -                    | -                            | -                      | -                         | -              | -                     | -5,833                   | -5,833         |
| <b>Equity on 31 Dec.</b> | <b>66,820</b>        | <b>73,420</b>                | <b>-4,762</b>          | <b>0</b>                  | <b>215,387</b> | <b>4,931</b>          | <b>71,192</b>            | <b>426,988</b> |

| <b>Distributable equity</b>              | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
| Contingency reserve                      | 653            | 653            |
| Treasury shares                          | -4,083         | -4,763         |
| Reserve for invested unrestricted equity | 216,034        | 215,387        |
| Retained earnings                        | 66,619         | 77,024         |
| Profit/loss for the period               | -13,860        | -5,833         |
| <b>Distributable equity</b>              | <b>265,363</b> | <b>282,468</b> |

## 12. Accumulated appropriations

|                             | 2022      | 2021      |
|-----------------------------|-----------|-----------|
| Depreciation difference     | 52        | 38        |
| <b>Total appropriations</b> | <b>52</b> | <b>38</b> |

The unrecognised deferred tax liability on depreciation difference is EUR 49 000.

## 13. Statutory provisions

|                                    | 2022         | 2021         |
|------------------------------------|--------------|--------------|
| Provisions for pensions            | 2,351        | 2,298        |
| <b>Statutory provisions, total</b> | <b>2,351</b> | <b>2,298</b> |

## 14. Non-current liabilities

|   | 2022           | 2021           |
|---|----------------|----------------|
| Hybrid loan   | 25,920         | 25,920         |
| Bond  | 90,000         | 90,000         |
| Loans from financial institutions                   | 150,685        | 16,944         |
| Other liabilities                                   | 1,426          | 2,531          |
| <b>Total</b>  | <b>268,031</b> | <b>135,395</b> |
| <b>Total non-current liabilities</b>                | <b>268,031</b> | <b>135,395</b> |
| Interest-bearing                                    |                |                |
| Amounts owed to others                              | 266,605        | 132,865        |
| <b>Non-current interest-bearing liabilities</b>     | <b>266,605</b> | <b>132,865</b> |
| Non-interest-bearing                                |                |                |
| Amounts owed to others                              | 1,426          | 2,531          |
| <b>Non-current non-interest-bearing liabilities</b> | <b>1,426</b>   | <b>2,531</b>   |
| <b>Total non-current liabilities</b>                | <b>268,031</b> | <b>135,396</b> |

In 2021 the company issued EUR 90.0 million bond maturing in March 2025 with 5.0 percent coupon interest. In addition, company has issued a hybrid bond in 2018 amounting to EUR 40 million with 8 per cent coupon interest. After the conversions carried out in the context of the share issue in June 2019, the outstanding amount is EUR 25.9 million. Hybrid bond does not have specified maturity, but the company has right to redeem it on the fifth anniversary of the issue date and subsequently on each annual coupon interest payment date.

## 15. Current liabilities

|   | 2022          | 2021           |
|---|---------------|----------------|
| Bond  | -             | 39,516         |
| Loans from financial institutions               | 20,564        | 80,927         |
| Trade payables                                  | 312           | 2,284          |
| Accruals and deferred income                    | 8,435         | 5,511          |
| Other liabilities                               | 2,297         | 2,638          |
| <b>Total</b>                                    | <b>31,608</b> | <b>130,876</b> |
| <b>Amounts owed to group companies</b>          |               |                |
| Trade payables                                  | 16            | 72             |
| Accruals and deferred income                    | 107           | 248            |
| Other liabilities                               | 41,933        | 46,358         |
| <b>Total</b>                                    | <b>42,056</b> | <b>46,678</b>  |
| <b>Total current liabilities</b>                | <b>73,664</b> | <b>177,554</b> |
| <b>Interest-bearing</b>                         |               |                |
| Current amounts owed to Group companies         | 41,933        | 46,358         |
| Amounts owed to others                          | 20,564        | 120,443        |
| <b>Current interest-bearing liabilities</b>     | <b>62,497</b> | <b>166,801</b> |
| <b>Non-interest-bearing</b>                     |               |                |
| Current amounts owed to Group companies         | 123           | 320            |
| Amounts owed to others                          | 11,044        | 10,433         |
| <b>Current non-interest-bearing liabilities</b> | <b>11,167</b> | <b>10,753</b>  |
| <b>Total current liabilities</b>                | <b>73,664</b> | <b>177,554</b> |

|  | 2022         | 2021         |
|--|--------------|--------------|
| <b>Main items (non-current and current) included in accruals and deferred income</b> |              |              |
| Accrued staff costs  | 2,662        | 1,902        |
| Accrued interest expenses  | 3,328        | 2,497        |
| Accrued changes in value of derivatives  | 95           | 908          |
| Other accruals and deferred income   | 2,350        | 204          |
| <b>Total</b>   | <b>8,435</b> | <b>5,511</b> |
| <b>Liabilities due in five years or more</b>   |              |              |
| <b>Liabilities due in more than five years</b>                                       | <b>0</b>     | <b>0</b>     |

## 16. Commitments and contingent liabilities

| <b>Commitments and contingent liabilities</b>                       | <b>2022</b>   | <b>2021</b>  |
|---|---------------|--------------|
| <b>Debts secured by mortgages and shares</b>                        |               |              |
| Loans from financial institutions                                   | 39,500        | -            |
| <b>Total</b>  | <b>39,500</b> | <b>0</b>     |
| <b>Real estate mortgages</b>  |               |              |
| Real estate mortgages   | 61,500        | -            |
| <b>Total</b>  | <b>61,500</b> | <b>0</b>     |
| <b>Security for debts of subsidiaries and other group companies</b> |               |              |
| Guarantees  | 3,235         | 2,958        |
| <b>Total</b>  | <b>3,235</b>  | <b>2,958</b> |
| <b>Security for debts of others</b>                                 |               |              |
| Guarantees  | 1,022         | 1,102        |
| <b>Total</b>  | <b>1,022</b>  | <b>1,102</b> |
| <b>Leasing and rental commitments</b>                               |               |              |
| Maturing in less than a year  | 1,722         | 1,224        |
| Maturing in 1-5 years   | 4,160         | 4,268        |
| <b>Total</b>  | <b>5,882</b>  | <b>5,492</b> |
| <b>Total other contingencies</b>                                    | <b>5,882</b>  | <b>5,492</b> |

## 17. Derivative instruments

|  | 2022                   | 2022                   | 2022                 | 2021                 | 2022             | 2021             |
|--|------------------------|------------------------|----------------------|----------------------|------------------|------------------|
|  | Positive<br>fair value | Negative<br>fair value | Fair<br>value<br>net | Fair<br>value<br>net | Nominal<br>value | Nominal<br>value |
| <b>Interest rate derivatives</b>                             | 294                    | -1                     | 293                  | -678                 | 33,487           | 39,634           |
| matured in 2022  | -                      | -                      | -                    | -411                 | -                | 25,000           |
| matures in 2023  | 86                     | -1                     | 84                   | -267                 | 13,487           | 14,634           |
| matures in 2024  | 96                     | -                      | 96                   | -                    | 10,000           | -                |
| matures in 2025  | 112                    | -                      | 112                  | -                    | 10,000           | -                |
| matures in 2026  | -                      | -                      | -                    | -                    | -                | -                |
| matures in >2026   | -                      | -                      | -                    | -                    | -                | -                |
| of which defined as cash flow<br>hedging instruments         | -                      | -                      | -                    | -                    | -                | -                |
| <b>Foreign exchange derivatives</b>                          | 803                    | -147                   | 657                  | 40                   | 83,013           | 56,788           |
| of which defined as net<br>investment hedging<br>instruments | -                      | -                      | -                    | -                    | -                | -                |
| <b>Commodity derivatives</b>                                 | 23,782                 | -23,782                | -                    | -                    | -                | -                |
| matured in 2022  | -                      | -                      | -                    | -                    | -                | -                |
| matures in 2023  | 15,042                 | -15,042                | -                    | -                    | -                | -                |
| matures in 2024  | 6,098                  | -6,098                 | -                    | -                    | -                | -                |
| matures in 2025  | 2,643                  | -2,643                 | -                    | -                    | -                | -                |
| matures in 2026  | -                      | -                      | -                    | -                    | -                | -                |
| of which defined as cash flow<br>hedging instruments         | -                      | -                      | -                    | -                    | -                | -                |

Nominal values of external derivatives that are eliminated due to intercompany derivatives are netted to zero in the table above.

The nominal values are EUR 8,780 (15,932) thousand foreign exchange derivatives, EUR -1,716 (13,023) thousand commodity derivatives, EUR 15,000 (34,512) thousand interest rate derivatives.



## Fair value hierarchy

|                                  | 2022           | Level 1  | Level 2        | Level 3  |
|----------------------------------|----------------|----------|----------------|----------|
| Derivatives, positive fair value |                |          |                |          |
| Interest rate swaps              | 294            | -        | 294            | -        |
| Foreign exchange derivatives     | 803            | -        | 803            | -        |
| Commodity derivatives            | 23,782         | -        | 23,782         | -        |
| <b>Total</b>                     | <b>24,879</b>  | <b>-</b> | <b>24,879</b>  | <b>-</b> |
| Derivatives, negative fair value |                |          |                |          |
| Interest rate swaps              | -1             | -        | -1             | -        |
| Foreign exchange derivatives     | -147           | -        | 147            | -        |
| Commodity derivatives            | -23,782        | -        | -23,782        | -        |
| <b>Total</b>                     | <b>-23,930</b> | <b>-</b> | <b>-23,930</b> | <b>-</b> |
|                                  | 2021           | Level 1  | Level 2        | Level 3  |
| Derivatives, positive fair value |                |          |                |          |
| Interest rate swaps              | 424            | -        | 424            | -        |
| Foreign exchange derivatives     | 429            | -        | 429            | -        |
| Commodity derivatives            | 6,985          | -        | 6,985          | -        |
| <b>Total</b>                     | <b>7,837</b>   | <b>-</b> | <b>7,837</b>   | <b>-</b> |
| Derivatives, negative fair value |                |          |                |          |
| Interest rate swaps              | -1,101         | -        | -1,101         | -        |
| Foreign exchange derivatives     | -389           | -        | -389           | -        |
| Commodity derivatives            | -6,985         | -        | -6,985         | -        |
| <b>Total</b>                     | <b>-8,475</b>  | <b>-</b> | <b>-8,475</b>  | <b>-</b> |

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 company 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.

## Signatures to the financial statement and report of the Board of Directors

Vantaa, 8 February 2023

**Reijo Kiskola**  
Chairman of the Board

**Jari Mäkilä**  
Deputy chairman of the Board

**Harri Suutari**  
Member of the Board

**Per Olof Nyman**  
Member of the Board

**Terhi Tuomi**  
Member of the Board

**Anne Leskelä**  
Member of the Board

**Juha Ruohola**  
Interim CEO

## Auditor's note

A report on the audit carried out has been submitted today.  
Vantaa, 8 February 2023.

**Ernst & Young Oy**  
Authorized Public Accountants

Maria Onniselkä  
APA

# Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of HKScan Corporation

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HKScan Corporation (business identity code 0111425-3) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We want to draw attention to the Group accounting principles "Assumption of ability to continue as a going concern" in the Group financial statements in which management describes the uncertainties that may result in the breach of covenants. These conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

In addition to matter described in the section *Material uncertainty related to going concern* we have identified the following matters below as Key Audit Matters to be addressed in our report.

## Key Audit Matter

### Revenue recognition

*We refer to the group's accounting policies and the note 1.*

HKScan sells food products, feed, animals and minor amount of services. Revenue consists of product and service sales, which is adjusted with discounts and translation differences resulting from sales in foreign currencies. The Group fulfils its performance obligation and recognises revenue when the control over product or service has been transferred to the buyer.

Revenue recognition was key audit matter due to risk related to correct timing of revenue and discounts.

This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

## How our audit addressed the Key Audit Matter

Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others:

- We assessed the compliance of the group's accounting policies over revenue recognition with applicable accounting standards.
- We assessed the group's controls over timing of revenue recognition and over the calculation of discounts and credits.
- We tested using analytical procedures and transaction level testing the underlying calculations of discounts and credits, the correct timing of their recognition and compliance with the contract terms.
- We tested the timing of revenue with analytical procedures and testing on a transaction level either side of the balance sheet date as well as credit notes prepared after the balance sheet date.
- We considered the appropriateness of the group's disclosures in respect of revenues.

### Valuation of goodwill, intangible and tangible assets (excluding assets of disposal group classified as held for sale)

*We refer to the group's accounting policies and the notes 5, 10, 11, 12 and 13.*

At the balance sheet date, the value of tested goodwill, intangible and tangible assets amounted to 493 M€ representing 51% of the total assets and 176% of the total equity. Valuation of goodwill, intangible and tangible assets was a key audit matter because the impairment testing imposes estimates and judgment.

The group management uses assumptions in respect of determining discount rate as well as future market and economic conditions such as economic growth, expected inflation rates, expected market share and revenue and profitability developments.

This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

Our audit procedures to address the risk of material misstatement in respect of valuation of goodwill, intangible and tangible assets included among others:

- We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the group. Audit focused among others to those relating to the forecasted profitability, volume of replacement investments and discount rates used.
- We focused on analysing by cash generating unit how the profitability has been derived from the historical performance and the budget prepared by the management.
- We assessed the historical accuracy of the management's estimates.
- We tested the mathematical accuracy of the calculation.
- We considered the appropriateness of the group's disclosures in respect of impairment testing.

## Key Audit Matter

### Accounting and presentation for assets of disposal group classified as held for sale and discontinued operations

We refer to the group's accounting policies and the note 20.

In December 2022, the company signed an agreement to dispose of its Baltics operations to AS Maag Grupp. Baltics operations have been classified as assets held for sale and presented as discontinued operations according to IFRS standards in the financial statements for the period ending 31.12.2022. Management has measured assets of disposal group classified as held for sale according to IFRS 5 in fair value less costs to sell. Discontinued operations impact the Group's income statement by -61,1 M€ of which -46,2 M€ results from impairment recognized on goodwill and intangible assets.

Accounting and presentation for assets of disposal group classified as held for sale and discontinued operations was a key audit matter because the determination of fair value includes management's judgement and estimates and the accounting and presentation has significant impact on Group's balance sheet and income statement. The group management uses assumptions in respect of determining discount rate as well as future market and economic conditions when assessing the probability of the contingent consideration.

This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

## How our audit addressed the Key Audit Matter

Our audit procedures to address the risk of material misstatement in respect of accounting and presentation for assets of disposal group classified as held for sale and discontinued operations included among others:

- We assessed whether the requirements of IFRS 5 were met with regards to the classification and presentation of the businesses as assets held for sale and discontinued operations.
- We analyzed the sale agreement to ensure that accounting is in line with key contract terms.
- We evaluated the estimates used by management with respect of the fair value less costs to sell including estimates of the probability of contingent consideration.
- We assessed of the presentation and appropriateness of group's disclosures in respect of the assets of disposal group classified as held for sale and discontinued operations.

## Key Audit Matter

### Valuation of deferred tax asset

We refer to the group's accounting policies and the notes 8 and 16.

Deferred tax asset arising from tax losses carried forward, deferred tax depreciation and deferred interest expenses subject to interest deduction limit can be recognized when IAS 12 Income Taxes - standard's recognition criteria are met.

Valuation of deferred tax asset was a key audit matter because the management's assessment regarding the utilization of the tax losses carried forward, deferred tax depreciation and deferred interest deductions involves management's assumptions and judgement.

This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

## How our audit addressed the Key Audit Matter

Our audit procedures to address the risk of material misstatement in respect of valuation of deferred tax asset included among others:

- We assessed the compliance of the group's accounting policies over the recording deferred tax assets with applicable accounting standards.
- We evaluated the estimates made by management with respect to utilization of the tax losses carried forward, deferred tax depreciation and deferred interest deduction.
- We considered the appropriateness of the group's disclosures about the deferred tax assets.

## Key Audit Matter

### Valuation of inventory

We refer to the group's accounting policies and the note 17.

At the balance sheet date, the value of inventory amounted to 116 M€. The valuation of the inventory was a key audit matter as the amount of inventory in the financial statements is material and imposes management judgement.

The valuation of finished and semi-finished goods is based on cost accounting imposing estimates.

We performed, among others, the following audit procedures:

- We assessed the group's accounting principles related to the valuation of inventories.
- We tested using analytical procedures and testing the underlying analyses and calculations prepared by the management relating to the costing of finished and semi-finished goods and determining the net realizable value. We familiarized ourselves regarding the relevant controls and processes.
- We also considered the appropriateness of the group's disclosures in respect of balance sheet values and the accounting principles concerning the valuation of inventories.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12 April 2018, and our appointment represents a total period of uninterrupted engagement of five years.

### Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions based on assignment of the Annual General Meeting

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable equity shown in the balance sheet for the parent company is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Directors of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 8 February 2023

Ernst & Young Oy  
Authorized Public Accountant Firm

Maria Onniselkä  
Authorized Public Accountant

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