HKSCAN

Interim Report
Q1 2021

HKScan's Interim Report 1 January – 31 March 2021

HKScan's tenth consecutive profit improvement

January–March 2021

- Comparable EBIT has improved for ten consecutive quarters year on year.
- HKScan's net sales totalled EUR 427.5 (428.9) million.
- Clear sales growth of the branded products continued in the retail channel. Food service sales decreased significantly due to the Covid-19 pandemic, but the fall started to level off at the end of the period.
- EBIT improved by EUR 2.8 million to EUR -1.1 (-3.9) million.
  There were no items affecting comparability during the review period and the comparison period.
- EBIT was improved by a clear increase in retail sales of the branded products and a stronger emphasis on the demand of products with more added value. Despite the pandemic, production efficiency improvements continued.
- Cash flow from operating activities improved by EUR 10.6 million to EUR 3.3 (-7.3) million.
- Interest-bearing net debt was EUR 308.0 (298.0) million and net gearing 95.6 (96.8) per cent.

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

Outlook 2021

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

Key figures, net sales

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	427.5	428.9	1 781.0
Finland	179.8	181.9	772.4
Sweden	161.8	153.4	662.1
Baltics	40.5	43.3	175.0
Denmark	45.4	50.3	171.5

Key figures, EBIT

(EUR million)	1-3/2021	1-3/2020	2020
EBIT	-1.1	-3.9	21.3
- % of net sales	-0.3	-0.9	1.2
Comparable EBIT	-1.1	-3.9	17.0
- % of net sales	-0.3	-0.9	1.0
Comparable EBIT, Finland	-0.5	-3.5	6.0
- % of net sales	-0.3	-1.9	0.8
Comparable EBIT, Sweden	2.4	1.5	19.0
- % of net sales	1.5	1.0	2.9
Comparable EBIT, Baltics	0.7	1.0	4.0
- % of net sales	1.7	2.2	2.3
Comparable EBIT, Denmark	0.0	0.6	1.1
- % of net sales	-0.1	1.2	0.6

Key figures, other

(EUR million)	1-3/2021	1-3/2020	2020
EBITDA	14.7	12.7	78.1
Profit before taxes	-5.7	-6.5	12.3
- % of net sales	-1.3	-1.5	0.7
Profit for the period	-6.2	-6.9	4.8
- % of net sales	-1.5	-1.6	0.3
EPS, EUR	-0.07	-0.08	-0.01
Comparable EPS, EUR	-0.07	-0.08	-0.05
Cash flow from operating activities	3.3	-7.3	63.7
Cash flow after investing activities	69.6*	-18.5	-21.4*
Return on capital employed (ROCE) before taxes, %	4.3	-1.4	3.9
Interest-bearing net debt	308.0	298.0	299.6
Net gearing, %	95.6	96.8	91.0

* Year 2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.
Q1/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

HKScan's CEO Tero Hemmilä

HKScan's profit improvement continued during the first quarter of 2021 and we have already improved our comparable EBIT for ten consecutive quarters year on year. From the comparison period, EBIT improved by an average of approximately one million euros per month and by almost three million euros for the review period. The comparable EBIT was the best first-quarter result in six years. Comparable EBIT, rolling 12 months, rose to nearly 20 million euros at the end of the review period.

The value of HKScan's profit improvement is increased by the fact that in the comparison period, the Covid-19 pandemic did not yet affect our business in January-February, but the situation with the pandemic was difficult during the review period. Restrictive measures continued to affect especially the food service channel, where the situation was quite difficult. With the strong commitment and contribution of all personnel, we were able to ensure our production without significant disruptions and our customer deliveries and customer satisfaction.

Of our Business Units, Finland and Sweden showed clear profit improvement. In Denmark, our strategy to increase the added value of retail products proceeded as planned. However, comparable EBIT decreased due to the sector-wide ban on exports to non-EU countries caused by avian flu in the Danish market. In the Baltics, comparable EBIT was weakened by lower-than-planned production volumes and higher operating production costs due to the difficult pandemic situation. During the review period, the low market price of European meat put pressure in prices especially in the industrial sales channel, weakening our financial performance in the Baltics.

The Group's January-March net sales were at the comparison period level and rolling 12-month net sales continued to strengthen. During the review period, Easter increased sales from the comparison period. In March last year, the onset of the pandemic caused a demand peak of equal amount. The strong sales growth of the company's own brands was pleasing. We did well in processed meat products and food components, which allowed us to build added value to our meat balance in the home markets and to reduce the need for exports to balance the use of our raw material base. Our subsidiaries with a strong position in the consumer market also support our strong position in high-quality meat, processed meat products and meal components.

During the review period, in addition to the development of operational business, we focused strongly on stabilising our financial position and implementing the significant investment in our Rauma poultry unit announced earlier. The financial measures taken enable us a situation where we can more comprehensively focus on the company's strategic renewal and operational development of the business in the coming years. With the Rauma production unit investment, the Finnish poultry business will be able to make better use of the market potential in poultry products.

At the beginning of February, HKScan sold the land and buildings of its Vantaa property. With the property transaction, the amount of the company's interest-bearing bank loans decreased significantly. A lease agreement signed in connection with the transaction allows HKScan to continue and develop its business in Vantaa for the following 20 years. The agreement also includes an option for additional years. The Vantaa production unit is located in the middle of the growing consumer concentration in Finland's capital region, providing excellent opportunities to develop new ways of food production and customer service. We can take advantage of the techno-economic life of our Vantaa unit in accordance with our targets.

HKScan also extended its market-based bond financing. We renewed a significant part of our bond maturing in 2022 with a new bond that will mature in 2025.

The investment in the renewal of the Rauma poultry unit's slaughter process decided in January 2020 was successfully completed in March 2021. It was known already in advance that this type of investment would be very demanding to implement and the pandemic presented additional challenges. I would like to give special thanks for a successful performance to everyone involved. With the investment, the Rauma unit is more prepared to increase its productivity and efficiency and to meet the growth of the poultry market with increased capacity. Our poultry brand, Kariniemen®, holding the number one position in the market and the entire poultry range provide a very strong foundation for growth.

HKScan has continued to systematically develop the activities related to corporate responsibility and defined the measures and management system related to the targets of its responsibility programme. Responsibility is the basis of the company's strategy and with the leading of the Turnaround programme, very high on the top management's agenda because responsibility work is of high importance and will be emphasised in the leadership of the company's performance and balance sheet in the future. We believe that our long-term and goal-oriented responsibility work, the basis of the company's operations, leads to the right development of the business and is reflected positively in the company's results.

The company's strategic target is to grow into a versatile food company creating strong shareholder value with its advanced responsibility work. We are a company whose responsibly produced meat and other products are valued by consumers and whose products are an important part of diverse nutrition. We are growing into a company whose goal-oriented and advanced responsibility work is recognised and valued among our stakeholders. In the responsibility work, our target is to be among the absolute top in our industry.

As a whole, the third year of the Turnaround programme started as planned and clearly better than the comparison period. I am pleased with the performance of the company and our employees in the market situation that was remarkably difficult due to the pandemic and animal diseases. The company's top management and personnel are ready to take HKScan towards a versatile food company that rewards its shareholders.

Key events in January–March 2021

HKScan sold the land and buildings of its Vantaa property to Sagax Finland Asset Management

In February 2021, HKScan Group announced that it had sold the land and buildings of its Vantaa property to a real estate investor Sagax Finland Asset Management Oy. The transaction price was EUR 76.1 million. The transaction has no significant impact on HKScan's result for the current year.

New ways of food production as well as customer deliveries close to the growing consumer concentration in Finland's capital region are important to HKScan. The lease agreed in connection of the transaction allows HKScan to continue and develop its business on a long-term basis in Vantaa for the following 20 years. The agreement also includes an option for additional years. Furthermore, Vantaa's logistic location and ability provide an interesting platform for partnerships with other food companies.

HKScan's Vantaa unit makes some 50 million kilos of meals and meat products annually. Nearly 120 million kilos of products are delivered annually to customers through the logistics centre located in the area. Close to 700 food industry professionals work in the Vantaa unit.

Investment launched to improve the entire process of Rauma poultry unit

HKScan's investment of some EUR 6 million in the new slaughter process of Rauma's poultry unit was successfully taken into use at the end of March 2021. The investment enables the unit to significantly improve its raw material yield, productivity and operational reliability and provides a good basis for the further development of the whole process.

HKScan's Rauma poultry unit produces nearly half of the poultry products in Finland. With the investment, HKScan responds to the strong demand growth for responsibly produced Kariniemen® poultry products.

Expansion of HKScan's financing base promoting the company's strategy implementation

In March 2021, HKScan issued a new unsecured bond of EUR 90 million. The four-year bond will mature on 24 March 2025. The company used the proceeds from the bond for the partial repurchase of fixed-rate, unsecured notes due on 21 September 2022.

In connection with the Vantaa property transaction, HKScan repaid in full the EUR 74.3 million bank loan maturing in 2022.

Steps taken by HKScan diversify the company's financing base and contribute the strategy implementation in the coming years.

HKScan's service level has remained good throughout the Covid-19 pandemic, personnel commitment has played a crucial role

Since the beginning of the pandemic, HKScan has approached the matter with the utmost seriousness. With the over year-long pandemic, HKScan has managed well as a company without significant operational disruptions. However, the pandemic has slowed down the company's profit improvement, which is seen particularly in the food service sales.

The personnel has played a crucial role in the company's success throughout the pandemic. All employees have done uncompromising and committed work in line with the company's Covid-19 instructions. Through extensive special arrangements, HKScan has sought to secure the health and safety of its employees and partners throughout the food chain and to ensure the uninterrupted continuity of its operations.

HKScan is a significant company in all of its home markets in the Baltic Sea region and present in the daily life of consumers seven days a week. The company's service level has remained at good levels throughout the pandemic.

Food that does good

Advanced corporate responsibility work is the basis of HKScan's strategy. The key targets of the company's responsibility work are crystallised in the responsibility programme Food that does good. At the beginning of 2021, the Business Units drew up action plans to integrate responsibility work more strongly into local operations.

The importance of responsibility is emphasised in leading the company's result and balance sheet. The key figures of the responsibility programme for 2020 and for selected January-March 2021 key figures are reported in the Interim Report before the table section.

In the review period, HKScan committed to the world's largest corporate responsibility initiative, the UN Global Compact. This commitment is a natural extension of HKScan's long-term, goal-oriented responsibility work. The Global Compact principles on human rights, labour, the environment and anti-corruption formed already previously the basis for HKScan's Code of Conduct, and the company has promoted the UN Sustainable Development Goals as part of its responsibility programme.

HKScan was selected as a Nasdaq ESG Transparency partner in recognition of transparent corporate responsibility reporting and commitment to ambitious environmental goals.

In January 2021, HKScan published its Zero Carbon climate targets: a carbon-neutral food chain by the end of 2040 and carbon neutrality of the company's own production by the end of 2025. The company made a plant-specific action plan extending through to 2025 to reduce emissions from energy used in production processes. In HKScan's own production, energy consumption is the most significant source of climate emissions.

Together with its contract farmers and other partners, HKScan is reducing the primary production climate emissions in the Agrofood Ecosystem® network based on ecosystem thinking. In Finland, the company launched climate trainings for contract farmers to provide tools to reduce the carbon footprint of their farms. Climate trainings will be organised in the company's other home markets as well. In Sweden, HKScan set up a climate council Klimatråd with contract farmers to share the latest information and knowhow on sustainable agriculture.

Safety First

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

Group net sales and EBIT

Net sales

HKScan's net sales were EUR 427.5 (428.9) million. Net sales decreased due to the decline in food service sales in all the home markets, particularly in Finland, as a result of the pandemic. Net sales decreased also due to the continued export restrictions resulting from new avian flu cases in Denmark as well as the low market price level of pork compared to the comparison period. During the review period, Easter increased sales from the comparison period. In March last year, the onset of the pandemic caused a demand peak of equal amount.

Growth in retail sales focused on the company's own branded products. Sales increased especially in branded meat products, such as sausages and cold cuts and in meal components. Net sales for retail sales clearly increased. Apart from export restrictions in Denmark caused by avian flu, HKScan's exports were in line with the target.

HKScan's net sales were at the comparison period level in Finland and in comparable figures in Sweden. The positive impact of the exchange rate change of the Swedish krona, i.e., the conversion of net sales made in local currency into euro, on net sales was EUR 8.3 million. Net sales decreased in the Baltics and Denmark.

EBIT

The Group's EBIT improved by EUR 2.8 million to EUR -1.1 (-3.9) million. There were no items affecting comparability during the review period and comparison period. The positive effect of the exchange rate change of the Swedish krona on the EBIT was EUR 0.1 million.

EBIT was improved by a change in the sales structure towards products with a higher added value and clear growth in the retail sales of branded products. Production efficiency improved in all the home market areas, although the pandemic caused some additional costs.

Balance sheet, cash flow and financing

At the end of March, HKScan's balance sheet total was EUR 970.2 (946.9) million. The Group's interest-bearing debt at the end of March was EUR 345.9 (343.7) million including IFRS 16 lease liability EUR 110.4 (44.6) million. The increase in lease liability was due to the lease liabilities generated by the rental of the property in Vantaa as agreed on in connection with the sale of the property and the extension of the logistics centre lease in Sweden.The company's net debt increased by EUR 10 million from the comparison period to EUR 308.0 (298.0) million. From the turn of the year, the seasonal growth in the net debt was to EUR 8.4 million.

HKScan's net gearing ratio was 95.6 (96.8) per cent. In connection with the Vantaa property transaction, HKScan repaid in full the EUR 74.3 million bank loan maturing in 2022. The impact of the IFRS 16 lease liability on the net gearing ratio was 34.3 percentage points.

At the end of March 2021, the company had, in its balance sheet, a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The coupon interest of the hybrid bond is fixed at 8 per cent per annum until the first redemption date. The hybrid bond is treated as equity. The hybrid bond does not have a specified maturity date but HKScan is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date in 2023, and subsequently, on each annual coupon interest payment date.

In March, HKScan issued an unsecured bond of EUR 90 million. The four-year bond matures on 24 March 2025. It carries a fixed annual interest at the rate of 5.0 per cent and has an issue price of 100.0 per cent. The proceeds from the bond were used for the partial repurchase of fixed-rate, unsecured notes due on 21 September 2022. After the repurchase, the remaining amount of notes due on 21 September 2022 total EUR 39.5 million.

The Group's liquidity remained good. Committed credit facilities at the end of March 2021 stood at EUR 100.0 (100.0) million and were entirely undrawn. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 78.0 (68.0) million.

Net financial expenses in the first quarter were EUR -5.4 (-3.0) million. The net financial expenses were higher than during the comparison period as a result of non-recurring costs related to financing arrangements and the premium of the redeemed bond.

As a result of the Group's improved profitability, cash flow from operating activities improved by EUR 10.6 million from the comparison period. Cash flow from operating activities was EUR 3.3 (-7.3) million. Cash flow after investments totalled EUR 69.6 (-18.5) million. Cash flow from investments includes the positive effect of EUR 76.1 million from the sale of the Vantaa property.

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

Pending processes with the authorities

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

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

Investments

HKScan's investments totalled EUR 9.9 (7.9) million in January–March. In addition, IFRS 16 increases to right-of-use assets totalled EUR 77.6 (1.5) million including the new lease agreement for the Vantaa production unit and the extension of the logistics centre lease in Sweden.

The emphasis of the investments taken into use during the first quarter of 2021 was on strategic investments in the poultry business in Finland and Denmark. The realised investments will improve the efficiency of production and reduce raw material loss and allow us to focus on the growth of demand for poultry products in line with the company's strategy.

Key investments

HKScan's investment of some EUR 6 million in the new slaughter process of Rauma's poultry unit was successfully taken into use at the end of March 2021. The investment enables the unit to significantly improve its raw material yield, productivity and operational reliability and provides a good basis for the further development of the whole process. The investment will also significantly reduce the consumption of utilities, such as water and district heating. HKScan's poultry unit in Rauma produces nearly half of Finland's poultry products. With the investment, HKScan responds to the strong demand growth for responsibly produced Kariniemen® poultry products.

In Denmark, the strategy-driven shift from frozen poultry products to fresh and cooked products continued. At the Vinderup unit, an investment to new technology enables the production of poultry products that meet consumers' needs and improves raw material yield and productivity.

In Sweden, the company continued investments to improve efficiency and to optimise the work distribution between the different production units. The production of barbecue products (BBQ) was transferred from the Skara unit to Kristianstad. The investment will decrease raw material loss and reduce internal logistics of pork meat, the prime raw material for barbecue products. In Linköping, a new cutting and packaging line for consumer meat products was taken into use.

In Sweden, an investment was made in a new packaging line for the iconic Scan Falukorv™ sausage. The new packaging line allowed a shift to a more environmentally-friendly paper-based packaging material that is in line with the company's packaging strategy. Changes to the production automation for grilling sausages were carried out at the beginning of the year and the efficient line is now ready for the barbecue season.

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

Operating environment

Changes in key sales channels and product categories

The impacts of the Covid-19 pandemic on HKScan's key sales channels and sales structure remained the same in January–March. The clear growth in retail food sales continued, but food service sales were still significantly weaker than normal in all HKScan's home markets. Home cooking has become even more popular as a result of the pandemic, and online food sales and deliveries directly to consumers' homes continued and were at a clearly higher level than before the pandemic.

During the review period, sales in all the product categories, where HKScan is present within the retail market, saw positive development in terms of value and volume within all home markets. The consumption of pork and beef, as well as meat products, such as sausages and cold cuts, has grown during the pandemic. The demand for poultry products, meals and meal components has also increased along with the growth in home cooking. The demand for HKScan's branded products in retail trade further strengthened during the review period. At the same time, the position of the retailers' private label brands strenghtened.

The share of domestic meat in terms of total meat consumption increased in all HKScan's home markets. The pandemic has increased consumers' awareness of the significance of domestic food, food safety and its impact on employment and has strengthened their appreciation for domestic foods. The consumption trends that have been reinforced by the pandemic include investing in the quality of food, an appreciation for convenient and versatile food solutions and the return of traditional home cooking to popularity alongside modern and international flavours.

Changes in the international meat market

As a result of the pandemic, price volatility in the international meat market continued. Weak demand in the food service channel continued to create imbalance not only within our home markets but also throughout Europe and HKScan's export markets in Asia. In Europe, market prices for pork have started to recover, but the price level was still clearly lower than in the comparison period.

The cases of avian flu detected in Denmark and several other European countries during the autumn still restrict the export of poultry products outside the EU. This has led to the increased supply of poultry products and lower price levels within the EU.

The demand for pork in China remains at a good level. China's own pork production has suffered from a second wave of African Swine Fever and has, as a result, decreased the availability of local pork within China.

Business Unit Finland

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	179.8	181.9	772.4
EBIT	-0.5	-3.5	10.7
- EBIT margin, %	-0.3	-1.9	1.4
Comparable EBIT	-0.5	-3.5	6.0
- EBIT margin, %	-0.3	-1.9	0.8

In Finland, first-quarter net sales totalled EUR 179.8 (181.9) million. The food service sales remained significantly lower than in the comparison period. Towards the end of the review period, the decline in food service sales levelled off.

Sales clearly increased in retail and especially in the company's own branded products. The strongest growth was seen in the categories of meal components, meat products and meals. Sales increased in plant-based products, but the product category accounts for a small share of net sales.

EBIT was EUR -0.5 (-3.5) million. There were no items affecting comparability during the review period and comparison period. EBIT strenghtened through commercial improvements, particularly in retail, and improved operational efficiency in line with the targets.

HKScan's investment of some EUR 6 million in the new slaughter process of Rauma's poultry unit, announced in January 2020, has been successfully implemented and put into operation. The investment enables the unit to significantly improve its raw material yield, productivity and operational reliability.

Food that does good

HKScan calculated the water footprint of Kariniemen® chicken. The company was the first in the world to use the AWARE method in the water footprint calculation of poultry. The result was 0.58 m^3 per carcass weight kilo. The AWARE method takes into account the impact of a product on regional water scarcity.
Good, natural water resources in the Baltic Sea countries provide a significant competitive advantage in food production compared to many other countries. A broad understanding of the environmental footprint of products supports the promotion of sustainable agriculture.

On the Finnish Kiiski farm rearing Kariniemen® chickens, monitoring of chicken welfare was piloted with the help of artificial intelligence and cameras. A human eye is always necessary to ensure animal welfare, but new technologies offer new perspectives. The Kiiski farm pilot project promotes the animal welfare goal in line with HKScan's responsibility programme.

Business Unit Sweden

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	161.8	153.4	662.1
EBIT	2.4	1.5	19.1
- EBIT margin, %	1.5	1.0	2.9
Comparable EBIT	2.4	1.5	19.0
- EBIT margin, %	1.5	1.0	2.9

In Sweden, net sales totalled EUR 161.8 (153.4) million. Retail sales of products sold under the Scan® brand increased clearly. The retail growth was clear despite a sudden increase in sales due to the pandemic at the end of the comparison period. Food service sales decreased due to the pandemic.

Net sales were at the comparison period level in local currency. The effect of the exchange rate change of the Swedish krona increased the review period’s net sales by EUR 8.3 million.

EBIT was EUR 2.4 (1.5) million. There were no items affecting comparability during the review period and comparison period. The positive effect of the exchange rate change on EBIT was EUR 0.1 million. EBIT strenghtened as a result of commercial improvements and more efficient production.

Food that does good

In January, the package of the iconic Scan Falukorv™ was renewed in Sweden. The carbon footprint of the new paper-based package is 70 per cent lower. As a result, HKScan’s consumption of packaging plastic will decrease by some 22 tonnes a year. The package renewal is a significant step towards HKScan’s packaging strategy goals.

Business Unit Baltics

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	40.5	43.3	175.0
EBIT excluding biological asset revaluation	-0.2	1.0	5.7
Biological asset revaluation	0.9	-0.1	-2.0
EBIT	0.7	1.0	3.7
- EBIT margin, %	1.7	2.2	2.1
Comparable EBIT excluding biological asset revaluation	-0.2	1.0	6.1
Biological asset revaluation	0.9	-0.1	-2.0
Comparable EBIT	0.7	1.0	4.0
- EBIT margin, %	1.7	2.2	2.3

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

In the Baltics, net sales for the review period totalled EUR 40.5 (43.3) million. Net sales decreased as a result of a fall in the market price of pork in industrial sales and a strong decline in food service sales due to the pandemic. Consumer product exports to Central Europe continued to grow, but the overall impact on net sales was small.

EBIT excluding the change in the fair value of biological assets totalled EUR -0.2 (1.0) million. There were no items affecting comparability during the review period and comparison period. Impact of the low market price of pork in the industrial channel and the decline in food service sales clearly weakened EBIT.
In addition, EBIT was weakened by lower-than-planned production volumes caused by a difficult pandemic situation and higher production costs. The change in the fair value of biological assets in the balance sheet was EUR 0.9 (-0.1) million.

Food that does good

In the Baltics, HKScan continued to develop animal welfare in line with its corporate responsibility programme targets. On its poultry farms, the company started to install cameras monitoring animal welfare. By the end of 2021, welfare cameras will be installed on all HKScan's poultry farms in Estonia.
.

Business Unit Denmark

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	45.4	50.3	171.5
EBIT	0.0	0.6	1.0
- EBIT margin, %	-0.1	1.2	0.6
Comparable EBIT	0.0	0.6	1.1
- EBIT margin, %	-0.1	1.2	0.6

In Denmark, net sales totalled EUR 45.4 (50.3) million. The cases of avian flu detected on a Danish poultry farm clearly weakened net sales due to restrictions on exports outside the EU. Food service sales decreased significantly from the comparison period due to the pandemic. Instead, retail sales of the company's own branded products increased clearly, and the company launched new product concepts.

In Denmark, EBIT was EUR 0.0 (0.6) million. There were no items affecting comparability during the review period and comparison period. Cases of avian flu detected on Danish poultry farms continued to restrict product exports outside the EU and caused price pressure in the EU, which clearly weakened the EBIT. EBIT improved as operational efficiency improved as planned.

Food that does good

In Denmark, HKScan launched its product concept focusing on animal welfare. Both retailers and consumers have welcomed the product range sold under the Rose™ brand and the company aims to grow the range.

Personnel

HKScan continued its systematic activity to protect the health and safety of personnel as the Covid-19 pandemic continued. White-collar employees worked mainly remotely, and the work of production personnel was safeguarded by the company's extensive contingency actions.

The implementation of the Group-wide workplace wellbeing programme Better Together was continued systematically at the national and local levels as well as by sharing best practices. In the review period, development actions were taken based on the results of the Voice personnel survey, at the Group level and in Business Units and teams. On all three levels, action plans were drawn up to address the issues identified in the results. The mental wellbeing of employees was supported through webinars and tools provided to supervisors.

HKScan is constantly working to promote the employee diversity and equality. According to a survey, the company's white-collar employees have equal opportunities to promote in their career.

	1-3/2021	1-3/2020	1-12/2020
Personnel on average*	6,666	6,464	6,741
Finland	2,583	2,545	2,684
Sweden**	1,895	1,815	1,899
The Baltics	1,577	1,491	1,528
Denmark	612	612	629
Women / men %***			40 / 60
Women / men of supervisors %***			35 / 65

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

Shares and shareholders

At the end of March 2021, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781, which were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. The K shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek. för. (665,000 shares) and are not listed. There were no changes in the number of K shares of LSO Osuuskunta and Lantmännen ek. för.

At the end of March 2021, the company held 2,000,000 (2,000,000) A shares as treasury shares, corresponding to 2.02 per cent of the company's total number of shares and 1.0 per cent of the total number of votes.

The calculational market value of HKScan's shares at the end of March 2021 stood at EUR 222.0 (188.2) million. The market value of the Series A shares was EUR 209.7 (177.9) million and the calculational market value of unlisted Series K shares was EUR 12.4 (10.3) million.

During the period of January–March, a total of 10,243,681 (12,301,805) of the company's shares were traded with a total value of EUR 22,362,101 (25,909,970). In the review period, the highest price quoted was EUR 2.48 (2.88) and the lowest EUR 1.90 (1.60). The average price was EUR 2.18 (2.11). At the end of March 2021, the closing price was EUR 2.29 (1.90).

Annual General Meeting 2021

HKScan Corporation's Annual General Meeting was held on 8 April 2021 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–31 December 2020 and discharged the members of the Board of Directors and the CEO from liability for the year 2020. The AGM resolved that a dividend of EUR 0.03 be paid for each share for the year 2020.

Board members Reijo Kiskola, Anne Leskelä, Jari Mäkilä, Per Olof Nyman, Harri Suutari and Terhi Tuomi were re-elected until the end of the Annual General Meeting 2022. In addition, Carl-Peter Thorwid and Ilkka Uusitalo were both re-elected as deputy Board members until the end of the AGM 2022. At the organising meeting held after the AGM, the Board re-elected Reijo Kiskola as Chairman and Jari Mäkilä as Vice Chairman.

The auditing firm Ernst & Young Oy was elected as auditor of the company until the end of the next Annual General Meeting. Ernst & Young has notified that it will appoint Erkka Talvinko, Authorised Public Accountant, as the lead audit partner.

The AGM authorised the Board of Directors to decide on a share issue as well as on the issue of option rights and other special rights entitling to shares, and on the acquisition and/or the acceptance as pledge of the company's own Series A shares. The authorisations are effective until 30 June 2022 and they revoke the authorisations given by the 2020 AGM to the Board of Directors.

The Annual General Meeting accepted the proposed amendments to the charter of the Shareholders' Nomination Board.

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

Share-based long-term incentive plan

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

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

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

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

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

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

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

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

Short-term business risks

Covid-19 pandemic

The Covid-19 pandemic remains a significant uncertainty factor for HKScan’s business. The company’s primary approach to the exceptional situation caused by the pandemic is to secure the health of personnel and consumers and to ensure the uninterrupted operations of the entire food chain, from farms to consumers. In all of its operations, HKScan follows strict hygiene processes and authority guidelines. In addition, the company has introduced numerous contingency actions of its own.

Disruption of production due to potential illness of personnel poses a significant risk for the company. In addition, if the pandemic is prolonged, it may impact the availability and prices of some raw materials, production inputs, packaging materials and protective equipment.

If the pandemic continues, it may also affect the price and volume development of certain products in sales channels in which demand has significantly declined due to the pandemic. This applies to the company’s home markets as well as export markets. Direct and indirect effects through the international meat market in both the home and export markets may be unpredictable as the pandemic continues. The effects may be longer-lasting and extend throughout the current year. The pandemic may also cause unexpected delays in the implementation of investments, which may affect the company's Turnaround programme.

Other business risks

Other significant short-term uncertainty factors in HKScan's business are related to the availability, price and quality of key production inputs as well as to raw material and sales prices. This also concerns the price development in terms of feed used in animal farming.

The cases of African Swine Fever detected in Germany have increased quite strong price volatility in the European meat market. Cases of Swine Fever have continued to occur in China as well. This reflects on HKScan’s home markets, too.

The avian flu detected in certain European countries, including Denmark, has weakened poultry meat export opportunities to outside the EU and increased the supply in Europe. New cases of avian flu are delaying the start of exports outside the EU. On the other hand, the avian flu has significantly reduced poultry meat production in some European countries. This results in partly unpredicted price volatility in Europe extending to HKScan’s home markets as well.

In the food industry’s long production chain, food safety is essential. The possibility of animal diseases cannot be fully excluded. The African Swine Fever detected in Germany and the avian flu detected in certain European countries are examples of this. Furthermore, the impact of possible international or regional food scandals on consumption behaviour cannot either be excluded.

The discussion surrounding climate change may play a role in impacting the consumer demand for meat products. Also, unexpected actions taken by pressure groups may impact business and consumer demand. In addition, HKScan's potential involvement in juridical proceedings may pose risks.

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

Webcast for analysts and media

In connection with its January–March 2021 Interim Report, HKScan will hold a webcast in Finnish for analysts, institutional investors and media representatives on 6 May 2021 at 10 am, Finnish time. You can follow the Finnish webcast at: https://hkscan.videosync.fi/2021-q1-tulos.
HKScan's CEO Tero Hemmilä and CFO Jyrki Paappa will present the result.

Investor calls in English will be arranged on request. To agree on the date and time, please contact Marjukka Uutela-Hujanen, tel. +358 10 570 6218 or via e-mail marjukka.hujanen@hkscan.com.

Financial reports

HKScan's Half Year Financial Report 2021 will be published on 16 July 2021.
January–September 2021 Interim Report will be published on 4 November 2021.

Turku, 6 May 2021

HKScan Corporation
Board of Directors

For further information

Tero Hemmilä, CEO, tel. +358 10 570 2012
Jyrki Paappa, CFO, tel. +358 10 570 2512
Heidi Hirvonen, SVP Communications, tel. +358 10 570 6072

Media contacts: HKScan Media Service Desk +358 (0)10 570 5700 or email: communications@hkscan.com

At HKScan, we make life tastier – today and tomorrow. Our strategic target is to grow into a versatile food company. Our responsibly produced, delicious products are part of consumers' varied food moments – both every day and on special occasions. We have some 7,000 HKScan professionals applying more than 100 years of experience to make locally produced food. For us at HKScan, responsibility means continuous improvements and concrete actions throughout the food chain. As part of our Zero Carbon programme, we are targeting a carbon-neutral food chain from farms to consumers by the end of 2040. Our home markets cover Finland, Sweden, the Baltics and Denmark. Our strong product brands include HK®, Kariniemen®, Via®, Scan®, Pärsons®, Rakvere®, Tallegg® and Rose™. Through our strategic partnerships, we are also known for Kivikylän®, Tamminen® and Boltsi® brands. HKScan is a publicly listed company, and in 2020, our net sales totalled nearly EUR 1.8 billion.

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

TARGETS	RESULTS 2020 Complemented with selected Q1/2021 figures.
Environment	
Zero Carbon: carbon-neutral own industrial production (Scope 1 & 2) by the end of 2025	**Energy use Q1/2021: 0,95 (Q1/2020: 1,01) MWh / sold product tonne** Climate emissions from own production -57%, 52,000 (2019: 122,000) tonnes CO_2e
Zero Carbon: carbon-neutral food chain from farms to consumers (Scope 1 - 3) by the end of 2040	Climate emissions from the entire food chain 2.3 megatonnes CO_2e
Reduce water usage by 25% in own production by the end of 2030	**Q1/2021: 6,57 (Q1/2020: 6,59) m^3/ sold product tonne** Water usage 6.95 (2019: 6.77) m^3/ sold product tonne
100% recyclable packaging by the end of 2025	70% of packaging recyclable
20% less packaging plastic by the end of 2025	7% less packaging plastic
20% lower carbon footprint of packaging by the end of 2025	We developed the reporting of packaging carbon footprints together with the packaging material suppliers
Safe and healthy food	
60% of our new products with increased nutritional quality	44 (2019: 38) % of our new products with increased nutritional quality
100% of raw materials in line with our sustainable procurement principles by the end of 2025	• We will update our principles of sustainable procurement in 2021 • 77 (2019: 75) % of the suppliers committed to the Supplier Guidelines, excluding contract farmers • 100% of animals purchased according to animal sourcing principles
Zero recalls	1 recall
Own community / farmers	
Ensuring the continuity of local meat production: • Implementation and further development of the Next Generation programme in Finland and Sweden	Next Generation programme conducted in Finland, 45 young farmers involved. In Sweden, the launch of a similar programme in the autumn 2020, 25 farmers involved
100% of raw materials from contract production in line with HKScan's new sustainable farming operating model by the end of 2030	We developed our new operating model and piloted farming practices supporting sustainable development
Own community / personnel	
Continuous improvement in employee wellbeing	**Personnel absences 4/2020–3/2021: 6,2% (4/2019–3/2020: 6,1%)** Personnel's willingness to promote HKScan as an employer (eNPS) 5/10
Systematic work towards zero accidents	**Lost time accident frequency (LTIR) 4/2020–3/2021: 22,4 (4/2019–3/2020: 23,3) / million working hours** Lost time accidents 21.0 (2019: 25.1) / million working hours
Animal welfare	
Continuous improvement in key animal welfare aspects in line with HKScan AWCheck animal welfare development model	We built the HKScan AWCheck model in co-operation with animal welfare experts in our home markets. The first phase of the HKScan AWCheck model will be completed and measures will get underway through co-operation with our contract farmers during 2021
Zero animal welfare breaches in our operations	1 (2019: 0) animal welfare breach

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

Consolidated intermin report 1 January – 31 March 2021

Consolidated income statement

(EUR million)		1-3/2021	1-3/2020	2020
Net sales		427.5	428.9	1 781.0
Cost of goods sold	1.	-404.2	-409.1	-1 664.2
Gross profit		23.3	19.9	116.8
Other operating items total	1.	1.5	2.5	1.8
Sales and marketing costs	1.	-10.7	-11.4	-41.3
General administration costs	1.	-15.3	-15.0	-56.0
Operating profit		-1.1	-3.9	21.3
Financial income		0.5	0.4	2.2
Financial expenses		-5.8	-3.4	-13.2
Share of profit/loss in associates and joint ventures		0.8	0.4	1.9
Profit/loss before taxes		-5.7	-6.5	12.3
Income tax		-0.5	-0.4	-7.5
Profit/loss for the period		-6.2	-6.9	4.8
Profit/loss for the period attributable to:				
Equity holders of the parent		-6.6	-7.2	1.2
Non-controlling interests		0.4	0.3	3.6
Total		-6.2	-6.9	4.8
Earnings per share calculated on profit attributable to equity holders of the parent:				
EPS, undiluted, continuing operations, EUR/share		-0.07	-0.08	-0.01
EPS, diluted, continuing operations, EUR/share		-0.07	-0.08	-0.01

Consolidated statement of comprehensive income

(EUR million)	1-3/2021	1-3/2020	2020
Profit/loss for the period	-6.2	-6.9	4.8
OTHER COMPREHENSIVE INCOME (after taxes):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations	-1.9	-5.2	2.8
Cash flow hedging	0.7	-5.3	-1.7
Items that will not be reclassified to profit or loss			
Actuarial gains or losses	-	-	-0.3
TOTAL OTHER COMPREHENSIVE INCOME	-1.3	-10.5	0.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7.5	-17.4	5.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	-7.9	-17.8	1.9
Non-controlling interests	0.4	0.3	3.6
Total	-7.5	-17.4	5.6

Consolidated balance sheet

(EUR million)	Note	31 March 2021	31 March 2020	31 Dec. 2020
ASSETS				
Intangible assets	2.	144.6	137.1	148.0
Tangible assets	3.4	454.4	422.1	458.7
Holdings		34.3	32.1	33.8
Deferred tax asset	5.	40.5	43.7	40.9
Other non-current assets		5.9	4.7	6.2
TOTAL NON-CURRENT ASSETS		679.7	639.7	687.7
Inventories	6.	124.6	127.9	119.0
Current receivables		128.1	133.7	122.4
Cash and cash equivalents		37.8	45.7	46.8
TOTAL CURRENT ASSETS		290.5	307.2	288.2
TOTAL ASSETS		970.2	946.9	975.9
EQUITY AND LIABILITIES				
EQUITY		322.1	307.9	329.1
Non-current loans, interest-bearing	4.	251.3	260.2	249.2
Non-current liabilities, non-interest-bearing		66.0	63.0	69.1
TOTAL NON-CURRENT LIABILITIES		317.3	323.3	318.3
Current loans, interest-bearing	4.	94.6	83.4	97.2
Current liabilities, non-interest-bearing		236.2	232.3	231.3
TOTAL CURRENT LIABILITIES		330.8	315.7	328.5
TOTAL EQUITY AND LIABILITIES		970.2	946.9	975.9

Statement of changes in consolidated equity

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2021	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**
Result for the financial period	-	-	-	-	-	-	-	-	-6.6	-6.6	0.4	-6.2
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-1.9	-	-	-1.9	-	-1.9
Cash flow hedging	-	-	0.7	-	-	-	-	-	-	0.7	-	0.7
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	**-**	**-**	**0.7**	**-**	**-**	**-**	**-1.9**	**-**	**-6.6**	**-7.9**	**0.4**	**-7.5**
Direct recognitions	-	-	-	-	-	-	-	-	0.4	0.4	-	0.4
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-
EQUITY ON 31 March 2021	**66.8**	**72.9**	**-0.1**	**215.4**	**25.9**	**10.3**	**-12.6**	**-4.8**	**-72.6**	**301.4**	**20.7**	**322.1**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2020	**66.8**	**72.9**	**1.0**	**215.4**	**25.9**	**10.3**	**-13.4**	**-4.8**	**-66.2**	**307.9**	**17.2**	**325.1**
Result for the financial period	-	-	-	-	-	-	-	-	-7.2	-7.2	0.3	-6.9
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-5.2	-	-	-5.2	-	-5.2
Cash flow hedging	-	-	-5.3	-	-	-	-	-	-	-5.3	-	-5.3
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-5.3**	**-**	**-**	**-**	**-5.2**	**-**	**-7.2**	**-17.8**	**0.3**	**-17.4**
Direct recognitions	-	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-
EQUITY ON 31 March 2020	**66.8**	**72.9**	**-4.3**	**215.4**	**25.9**	**10.3**	**-18.6**	**-4.8**	**-73.2**	**290.4**	**17.5**	**307.9**

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Hybrid loan, 6. Other reserves, 7. Translation differences, 8. Treasury shares, 9. Retained earnings, 10. Equity holders of the parent, 11. Non-controlling interests, 12. Total

Cash flow statement

(EUR million)	1-3/2021	1-3/2020	2020
Cash flow before change in net working capital	14.3	11.9	78.7
Change in net working capital	-4.0	-19.9	-1.3
Financial items and taxes	-7.0	0.6	-13.7
CASH FLOW FROM OPERATING ACTIVITIES	3.3	-7.3	63.7
Cash flow from investing activities	66.3	-11.2	-85.1
CASH FLOW AFTER INVESTING ACTIVITIES	69.6	-18.5	-21.4
Hybrid loan	-	-	-2.1
Change in loans	-78.0	29.1	32.7
Dividends paid	-	-	-0.7
CASH FLOW FROM FINANCING ACTIVITIES	-78.0	29.1	30.0
NET CASH FLOW	-8.4	10.6	8.6
Cash and cash equivalents at beginning of period	46.8	37.5	37.5
Translation differences	-0.5	-2.4	0.6
Cash and cash equivalents at end of period	37.8	45.7	46.8

Financial indicators

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Earnings per share (EPS), undiluted, EUR	-0.07	-0.08	-0.01
Earnings per share (EPS), diluted, EUR	-0.07	-0.08	-0.01
Equity per share, EUR	3.11	3.00	3.19
Equity ratio, %	33.2	32.5	33.7
Adjusted average number of outstanding shares, mill.	97.0	97.0	97.0
Gross capital expenditure on PPE, EUR mill.	9.9	7.9	83.5
Additions in right-of-use assets, EUR mill.	77.6	1.5	7.2
Depreciation and impairment, EUR mill.	15.8	16.6	56.7
Employees, average	6,666	6,464	6,741

Calculation of financial indicators

HKScan discloses alternative performance measures (APM) to give relevant information to stakeholders. Disclosed APMs are also used in steering the company. Items affecting comparability and related APMs are disclosed to better reflect the operational business performance and to enhance comparability between periods.

Return on capital employed (ROCE) before tax, last 12 months (%)	$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$
Equity ratio (%)	$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$
Net gearing ratio (%)	$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$
Earnings per share (EPS)*	$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$
Equity per share	$\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$
Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year
Cash flow before debt service	Cash flow after investing activities before financing activities - financial items
Employee numbers	Average of workforce figures calculated at the end of calendar months
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect the company’s finances. Examples of such expenses are: capacity adjustments (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency/reorganisation programmes, significant compensations or penalties paid out due to a legal verdict or settlement, transaction fees/expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.
Comparable EBIT	Operating profit – items affecting comparability
Comparable profit before taxes	Profit before taxes – items affecting comparability
Comparable earnings per share (EPS)*	$\frac{\text{Profit for the period attributable to equity holders of the parent – items affecting comparability}}{\text{Average number of outstanding shares during period}}$
Interest-bearing net debt	Interest-bearing debt – cash and bank

** When calculating the earnings per share, interest and issue costs of the hybrid loan, net of tax, have been reduced from profit for the period.*

Notes to the interim report

Accounting policies

HKScan Corporation's interim report for 1 January–31 March 2021 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the interim report as in the annual financial statements for 2020. Due to the rounding of the figures to the nearest million euros in the interim report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2020. The interim report is unaudited.

Analysis by segment

(EUR million)	1-3/2021	1-3/2020	2020
NET SALES			
- Finland			
Sales, goods	179.0	181.2	769.1
Sales, services	0.8	0.7	3.2
- Sweden			
Sales, goods	161.8	153.4	662.1
Sales, services	0.0	0.0	0.0
- Baltics			
Sales, goods	40.5	43.3	174.6
Sales, services	0.0	0.0	0.4
- Denmark			
Sales, goods	45.4	50.3	171.5
Sales, services	0.0	0.0	0.0
Group total	427.5	428.9	1 781.0
EBIT			
- Finland	-0.5	-3.5	10.7
- Sweden	2.4	1.5	19.1
- Baltics	0.7	1.0	3.7
- Denmark	0.0	0.6	1.0
Segments total	2.5	-0.4	34.4
Group administration costs	-3.6	-3.5	-13.2
Group total	-1.1	-3.9	21.3
INVESTMENTS			
- Finland			
Gross capital expenditure on PPE	4.4	2.2	54.8
Additions in right-of-use assets	69.1	0.5	3.0
Investments total	73.5	2.8	57.8
- Sweden			
Gross capital expenditure on PPE	3.9	2.6	17.4
Additions in right-of-use assets	7.9	0.6	1.7
Investments total	11.9	3.2	19.1

- Baltics			
Gross capital expenditure on PPE	0.5	1.1	4.9
Additions in right-of-use assets	0.3	0.1	0.9
Investments total	0.8	1.2	5.8
- Denmark			
Gross capital expenditure on PPE	1.0	2.0	6.4
Additions in right-of-use assets	0.2	0.3	1.6
Investments total	1.3	2.4	8.0
Total	87.5	9.5	90.7
AVERAGE NUMBER OF EMPLOYEES			
- Finland	2 583	2 545	2 684
- Sweden	1 895	1 815	1 899
- Baltics	1 577	1 491	1 528
- Denmark	612	612	629
Total	6 666	6 464	6 741

Notes to the income statement

1. Items affecting comparability

(EUR million)	1-3/2021	1-3/2020	2020
Comparable EBIT	**-1.1**	-3.9	**17.0**
Impairment of assets, Finland 2) 3)	-	-	3.1
Impairment of assets, Baltics 4)	-	-	-0.3
Impairment of assets, Denmark 2) 3)	-	-	4.1
Impairment of associated company balances, Sweden 1) 2) 4)	-	-	0.1
Legal dispute and settlement, Denmark 1) 4)	-	-	-0.7
Energy tax provision, Denmark 1) 4)	-	-	-3.5
Environmental provision, Finland 2)	-	-	0.9
Gain on sale of property, Finland 2)	-	-	0.6
EBIT	**-1.1**	**-3.9**	**21.3**

1) Included in the Income Statement in the item “General administration and sales and marketing costs”

2) Included in the Income Statement in the item “Cost of goods sold”

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

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

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Opening balance	148.0	136.4	136.4
Translation differences	-1.7	-4.6	3.4
Additions	0.0	0.3	5.4
Disposals	-0.7	-	0.0
Depreciation and impairment	-1.1	-1.0	-4.3
Reclassification between items	-	6.1	7.1
Closing balance	144.6	137.1	148.0

3. Changes in tangible assets

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Opening balance	458.7	439.1	439.1
Translation differences	-1.6	-4.0	2.3
Additions	87.4	9.2	85.3
Disposals	-75.4	-0.6	-8.4
Depreciation and impairment	-14.7	-15.6	-52.5
Reclassification between items	-	-6.1	-7.1
Closing balance	454.4	422.1	458.7

4. Right-of-use assets and lease liabilities

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2021	2.2	15.6	15.6	33.3	35.6
Translation differences	-	-0.1	-0.1	-0.2	-0.2
Additions	-	75.7	1.8	77.6	77.7
Disposals	-	-	0.0	-	-
Depreciation for the financial period	0.0	-1.5	-1.4	-2.8	-
Payments	-	-	-	-	-2.7
Closing balance on 31 March 2021	2.1	89.8	16.0	107.9	110.4

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2020	10.0	18.7	15.7	44.3	46.3
Translation differences	-	-0.3	-0.1	-0.5	-0.5
Additions	0.3	0.3	0.9	1.5	1.5
Depreciation for the financial period	-0.3	-1.1	-1.1	-2.6	-
Other changes	-	-0.4	0.0	-0.4	-
Payments	-	-	-	-	-2.7
Closing balance on 31 March 2020	10.0	17.1	15.4	42.4	44.6

(EUR million)	1-3/2021	1-3/2020	2020
Depreciation expense of right-of-use assets	-2.8	-2.6	-10.1
Interest expense on lease liabilities	-0.6	-0.3	-1.2
Total amounts recognised in profit or loss	-3.4	-2.9	-11.3

5. Deferred tax assets

Out of the total EUR 40.5 million, EUR 30.2 million of the deferred tax asset arise from adopted losses, postponed depreciations and non-deductible interest expenses in Group's operations in Finland. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma unit ramp up and are therefore temporary in nature.

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

Deferred tax assets are assumed to be used in less than 10 years. Consideration is based on current three years business plan of which implementation has so far proceeded well. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2022 and beyond. Covid-19 has only minor impact on the expected period of use. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and non-deductibility of interest expense can be used to speed up the utilisation of losses before they expire. Postponed tax depreciations and non-deducted interest expense can be utilised indefinitely. Unrecognized Finnish deferred tax asset at the end of March 2021 was EUR 17.9 million.

6. Inventories

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Materials and supplies	67.3	72.3	59.8
Semi-finished products	4.9	4.5	4.6
Finished products	44.8	41.9	47.5
Other inventories	0.4	0.2	0.5
Inventories, advance payments	1.4	2.0	1.5
Biological assets	5.8	7.1	5.2
Total inventories	124.6	127.9	119.0

Derivative instrument liabilities

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Nominal values of derivative instruments			
Foreign exchange derivatives	68.9	55.0	59.2
Interest rate derivatives	99.2	96.6	99.9
Electricity derivatives	14.0	13.1	13.4
Fair values of derivative instruments			
Foreign exchange derivatives	0.3	0.9	-0.3
Interest rate derivatives	-2.8	-5.3	-3.5
Electricity derivatives	-0.7	-5.6	-1.5

Consolidated other contingent liabilities

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Debts secured by pledges or mortgages			
- loans from financial institutions	-	-	84.3
On own behalf			
- Mortgages given	-	-	37.7
On behalf of others			
- guarantees and other commitments	7.9	7.4	8.0
Other contingencies			
Leasing and rental commitments	0.2	0.6	0.2

The fair value determination principles applied by the group on financial instruments measured at fair value

Derivatives

The fair values of currency derivatives are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rates at the reporting date. The fair value of commodity derivatives is determined by using publicly quoted market prices.

(EUR million)	31 March 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	0.5	-	0.5	-
of which subject to cash flow hedging	0.5	-	0.5	-
Total	0.9	-	0.9	-
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-2.8	-	-2.8	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-1.2	-	-1.2	-
of which subject to cash flow hedging	-1.2	-	-1.2	-
Total	-4.1	-	-4.1	-

(EUR million)	31 March 2020	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	1.0	-	1.0	-
- Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	1.0	-	1.0	-
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-5.3	-	-5.3	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-5.6	-	-5.6	-
of which subject to cash flow hedging	-5.6	-	-5.6	-
Total	-11.0	-	-11.0	-

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

Business transactions with related parties

(EUR million)	1-3/2021	1-3/2020	2020
Sales to associates	2.1	3.1	9.6
Purchases from associates	7.5	8.8	34.0
Trade and other receivables from associates	1.0	0.9	1.2
Trade and other payables to associates	1.8	2.8	2.6