HKSCAN

Half Year Financial Report 2022

HKScan's Half Year Financial Report 1 January - 30 June 2022

HKScan's comparable EBIT strengthened in the second quarter

April-June 2022

- HKScan's net sales increased by 13 per cent to EUR 505.7 (449.3) million. Net sales increased in all sales channels and categories and in all HKScan's home markets. Costs increased as a result of strong inflation and the company was able to increasingly pass on the costs to sales prices during the review period. Food service sales increased clearly.
- The Group's EBIT totalled EUR -14.3 (3.7) million. Goodwill in the Baltic business unit was written down by EUR -15.6 million following an impairment test. In the comparison period, Finland's EBIT included a positive item of EUR 3.0 million affecting comparability.
- The Group's comparable EBIT was EUR 1.5 (0.7) million. In the review period, HKScan gradually improved the balance between high cost inflation and sales prices. Comparable EBIT improved as a result of better sales mix and production efficiency.
- Cash flow from operating activities was EUR 22.4 (24.9) million.

January-June 2022

- HKScan's net sales increased by nearly 8 per cent amounting to EUR 942.9 (876.8) million.
- The Group's EBIT totalled EUR -23.2 (2.6) million. The goodwill write-down of the Baltic business was EUR -15.6 million.
- The Group's comparable EBIT was EUR -7.0 (-0.5) million. Negative performance in the Baltics caused the biggest deviation in the Group's EBIT.
- Strong cost inflation has pushed up the prices of energy, grain and other production inputs to record high levels in all of HKScan's home markets. To secure the availability of domestic meat raw material central for the business, the company has increased producer prices.
- Due to a structural delay in pricing, HKScan's sales price increases and operational efficiency improvements did not yet compensate for the strong cost increases in production inputs, but the situation began to balance out gradually towards the end of the review period.
- Cash flow from operating activities was EUR -12.0 (28.1) million. Cash flow was weakened by a lower EBIT than in the comparison period and a strong increase in working capital particularly in the first quarter.
- Interest-bearing net debt was EUR 346.3 (298.5) million and net gearing 109.6 (92.8) per cent.

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

Outlook for 2022

HKScan's guidance for 2022 remains unchanged.

HKScan estimates that the Group's comparable EBIT in 2022 will improve compared to 2021. Early 2022 comparable EBIT is expected to be weaker than the comparison period due to inflation, which strongly affects the company's profit development, and significant imbalances in the international meat and grain market. The full-year profit development will be significantly affected by the development of the international meat and grain market.

Key figures, net sales

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	505.7	449.3	942.9	876.8	1 815.3
Finland	213.4	193.8	396.0	373.7	772.3
Sweden	185.4	171.1	349.4	332.9	700.4
Denmark	57.4	42.2	106.8	87.6	172.7
Baltics	49.4	42.2	90.6	82.7	170.0

Key figures, EBIT

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
EBIT	-14.3*	3.7	-23.2*	2.6	17.9
- % of net sales	-2.8	0.8	-2.5	0.3	1.0
Comparable EBIT	1.5	0.7	-7.0	-0.5	14.5
- % of net sales	0.3	0.1	-0.7	-0.1	0.8
Comparable EBIT, Finland	1.4	0.7	0.2	0.2	8.5
- % of net sales	0.7	0.4	0.1	0.1	1.1
Comparable EBIT, Sweden	4.9	4.9	5.1	7.2	22.9
- % of net sales	2.6	2.9	1.4	2.2	3.3
Comparable EBIT, Denmark	0.3	-1.1	0.8	-1.1	0.0
- % of net sales	0.5	-2.6	0.7	-1.3	0.0
Comparable EBIT, Baltics	-2.2	-0.5	-7.1	0.2	-5.1
- % of net sales	-4.4	-1.1	-7.8	0.2	-3.0

Key figures, other

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
EBITDA	15.9	16.3	21.7	31.0	78.1
Profit before taxes	-14.8	1.8	-25.5	-3.9	6.6
- % of net sales	-2.9	0.4	-2.7	-0.4	0.4
Profit for the period	-16.1	0.5	-26.9	-5.7	-1.2
- % of net sales	-3.2	0.1	-2.9	-0.6	-0.1
EPS, EUR	-0.18	-0.01	-0.30	-0.08	-0.06
Comparable EPS, EUR	-0.01	-0.04	-0.13	-0.11	-0.10
Cash flow from operating activities	22.4	24.9	-12.0	28.1	54.6
Cash flow after investing activities	15.2	14.3	-23.3	83.9**	81.2**
Return on capital employed (ROCE) before taxes, %			0.0	5.1	3.6
Interest-bearing net debt			346.3	298.5	314.5
Net gearing, %			109.6	92.8	95.2

* Includes a goodwill write-down of EUR -15.6 million for the Baltic Business Unit.
** Includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

HKScan's CEO Tero Hemmilä

HKScan strengthened its comparable EBIT in the second quarter in a very difficult operating environment marked by strong cost inflation. In April-June, the company's comparable EBIT improved by 0.8 million euros to 1.5 million euros positive. The EBIT improvement started in the second half of the quarter. Finland, Sweden and Denmark reported positive comparable EBIT, while the Baltics continued to be negative. The goodwill write-down of the Baltic business unit led to a clear loss in the Group's EBIT.

In April-June, HKScan's net sales increased by 13 per cent, mainly due to sales price increases, but also to better sales mix. Food service sales grew strongly following the removal of pandemic restrictions. Successful sales price increases covered partly the sharp rise in production costs. The EBIT improvement was driven by commercial added value in line with the strategy, better sales mix, production efficiency and overall cost management.

Exceptionally high increases in sales prices have been necessary as the prices of meat raw material and other production inputs have risen sharply. We have had constructive discussions with customers about the situation and the measures required. Prices paid to farmers have increased clearly from the comparison period, but the sales price increases made are not yet sufficient to ensure the continuity of domestic meat production and the availability of meat raw material at current cost levels.

In the second quarter, Denmark continued to show strong performance and clearly improved its EBIT. The good performance is the result of the determined strategy implementation and strong demand for poultry meat in the current market situation. Denmark has also been able to clearly decrease its dependence on exports to non-EU countries. This has been a significant strategic change in the Danish business. Finland clearly improved its comparable EBIT, with a particularly good performance towards the end of the quarter. Sweden also showed strong profit development towards the end of the quarter. The early spring was challenging in Sweden, and as a result the EBIT was at the comparison period level. In the Baltics, comparable EBIT weakened and was negative. The challenges in the Baltics were related to very strong overall cost inflation and our business model in an exceptional market situation. Our determined measures have paid off and in June the comparable EBIT for the Baltics was already at the comparison period level.

The continued unstable geopolitical situation is increasing business challenges and changing the market in a way that strengthens the role of domestic raw materials and familiar products in consumer demand. Consumer food prices have already risen clearly and the rise will continue, affecting both retail offering and consumer demand. Consumer demand will become increasingly polarised over the rest of the year. At the same time, the market is evolving. For their international supply chains, major food players are seeking increased cooperation with local players to ensure reliability and security of supply. In this context, HKScan has a very good position in its home markets and the situation creates new opportunities for the company.

A major short-term risk in our home markets is related to the availability of meat raw material in the coming years as the value chain for primary production is long also in terms of time. It is expected that the volatility of commodity prices on world markets will continue to be higher also in the coming years. Food chain players, especially industry and trade, will be required to react to cost changes, as their speed and magnitude could threaten the operation of the whole food chain and domestic food production through their negative impact. This transformation has been well understood and the scale of the financial changes required has already been exceptional.

There is still a long way to go to reach a producer price level at which farm profitability is sustainable with current cost developments. For the rest of the year, price developments for grain and other inputs will have a significant impact on the situation. For this reason, active discussion with customers about the situation and the measures required will continue to play an important role also over the rest of the year. This will create continuity in the production of domestic meat raw material and food, as well as in the availability of raw material. I am confident that all food chain players understand the seriousness of the situation and are ready to take decisions that will not break the basis for domestic food production but strengthen it in all our home markets. This is also in the interests of consumers who value domesticity in the unstable geopolitical situation.

In the second half of the year, strong cost inflation will continue to create uncertainty in the operating environment. This also applies to production inputs to the food industry. As a company, we are prepared for the risks related to energy availability and we have drawn up plans that are well underway. Cyber risk preparedness has been high on our agenda for quite some time. With the war in Ukraine and the unstable geopolitical situation, HKScan's business focus has been shifted to short-term measures to minimise the negative impact on performance and to ensure profit development in a rapidly changing operating environment. This includes determined efforts to pass costs up the chain to sales prices, while emphasising systematic cost management.

In 2022, the focus of the business management is on sales pricing and cost management. Ensuring positive profit development requires an immediate response to changes in order to manage their potential negative impact. Our business is based on HKScan's strategy to become a versatile food company with the focus on well-managed renewal. An example of this is Kasviskonttori Oy, which started operations in Finland in April. The company will focus on the growing trend of vegetable consumption by introducing new vegetable products to the market this year.

The Finnish poultry business conducted statutory change negotiations, which will improve the cost efficiency of the poultry business by some 3 million euros per year. The Finnish poultry business has significantly higher profit potential through the commercial and production measures that will be implemented over the next years. HKScan is one of the largest players in the poultry market in the Baltic Sea region, and the market growth creates possibilities for good profit development in the company's home markets.

In the current situation, it is difficult to accurately predict changes in the operating environment. Nevertheless, we are confident in our ability to strengthen our profit development over the rest of the year. The second quarter of 2022 already demonstrated our ability as a company to meet the exceptionally tough challenge of the operating environment. Food always matters, especially in unstable times. Our strategic target is to grow into a versatile food company that creates strong shareholder value.

Key events in April-June 2022

New bank facility to repay a bond maturing in September 2022

In September 2017, HKScan issued a EUR 135.0 million 2.625 per cent fixed-rate, unsecured and senior bond maturing on 21 September 2022 (FI4000278536) with a current outstanding amount of EUR 39,516,000. In June 2022, HKScan agreed on a new EUR 39.5 million unsecured bank facility to repay a bond maturing in September 2022.

Statutory negotiations

In May, HKScan started statutory negotiations in the Finnish poultry business at the Rauma and Eura units in accordance with the Act on Co-operation. The aim of the negotiations was to improve the profitability, competitiveness and cost efficiency of the poultry business by improving production efficiency, reorganising operations and renewing operating methods. The negotiations ended after the review period.

HKScan expanding into the growing market of value-added vegetable products

In April, HKScan and Vihannes-Laitila founded a joint venture to renew the supply of fresh vegetable products and meet growing consumer demand. During this year, Kasviskonttori Oy will launch ready-to-use and ready-to-cook fresh vegetable products with higher added value. The partnership provides an excellent platform to create added value for vegetable products, develop the selection and drive growth.

For HKScan, partnership with Finland's leading vegetable trading company Vihannes-Laitila is a natural part of the company's strategy to expand into new raw materials and product categories. Fresh vegetable products made from trusted raw materials will complement HKScan's product portfolio consisting of a wide variety of meat products, snacks and meals.

Food that does good

HKScan's responsibility work focuses on the needs of the business and the expectations and requirements of key stakeholders. In June, HKScan's Group Executive Team approved an updated corporate responsibility programme and responsibility management model, which will ensure the progress of strategic responsibility targets and take into account the expectations of local stakeholders in the company's home markets.

The targets of the Group's responsibility programme contribute to the wellbeing of nature and people. The targets are related to climate, packaging, biodiversity and the safety and wellbeing of employees. A new element of the programme is the commitment to increasing biodiversity in the company's long food chain. HKScan promotes biodiversity on farms and in its own production units as well as through responsible procurement practices.

HKScan's responsibility programme targets

NATURE	PEOPLE
Zero Carbon • Carbon-neutral food chain by the end of 2040 • Carbon-neutral own production by the end of 2025	Safety First • Systematic work towards zero accidents
Sustainable packaging • 100% recyclable packaging by the end of 2030 • 80% of packaging renewable or recycled materials by the end of 2030	Better Together • Continuous improvement in employee wellbeing
We are committed to increasing biodiversity in our food chain	

Other key responsibility themes for the company include animal welfare, healthy and safe food and a competitive farming community. These themes are promoted within the Business Units as they are subject to local regulation and stakeholder expectations vary from market to market.

Zero Carbon

HKScan's goal is a carbon-neutral food chain by the end of 2040. The company has introduced a tool to monitor the climate impact of farms. Finnish poultry farms were the first to use the new tool. The tool provides HKScan with data on the climate impact of its contract farmers and farms can focus their climate action on the issues with the greatest impact. The tool enables the monitoring of climate action effectiveness and the reduction of emissions.

In May, HKScan was included in the Financial Times' European Climate Leaders list for the second year in a row. The Financial Times list includes some 400 European companies that have reduced climate emissions of their own production the most in relation to net sales between 2015 and 2020. HKScan has reduced climate emissions from its production by some 60 per cent from 2019 to 2021, for example by switching to carbon-neutral electricity.

Safety First

HKScan makes goal-oriented work towards zero accidents at work through its Safety First programme, with a particular focus on promoting a proactive safety culture. In April-June, HKScan's accident frequency and absences due to accidents decreased by some 30 per cent from the comparison period. Employees made significantly more safety observations than before, leading to safer practices, processes and working environment. In April, the Vinderup unit in Denmark achieved a year without any lost time accidents. In May, the Halmstad unit in Sweden achieved two years without any lost time accidents. After the review period, in July, the Skovsgaard unit in Denmark achieved a year without any lost time accidents.

Strategy

HKScan's strategic target is to grow into a versatile food company. The company will continue to strengthen its financial base by focusing on improving the profitability of the core businesses before a more comprehensive execution of the strategy. Implementing the strategy requires both new expertise and financial flexibility. It is therefore essential for the company to broaden the competences and continue to systematically develop its activities. Furthermore, HKScan is looking for new growth and actively pursuing new business opportunities within its financial resources to promote its strategy.

To achieve a significant food company transformation, HKScan will need a stronger balance sheet as it builds new food businesses and ways to face market changes alongside its current business strongly based on poultry, pork and beef products. To increase financial flexibility, the position of each business within the Group is continuously assessed.

The key drivers of value creation in HKScan's business are growth in the core business by increasing the added value of products and strengthening the value creation capabilities of the company's own brands. The aim is also to grow in meals, snacks and new food businesses and by utilising new raw material bases. Strengthening in growing and in new sales channels is central. 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.

Read more about HKScan's strategy in the Annual and Responsibility Report 2021 on the company's website www.hkscan.com.

Group net sales and EBIT

April-June

Net sales

HKScan's net sales increased by 13 per cent to EUR 505.7 (449.3) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 6.1 million. During the review period, the impact of strong cost inflation could be gradually passed on to sales prices, which resulted in a clear net sales increase.

Food service sales continued to show clear growth. Sales of meal components grew particularly well. Retail sales increased clearly as sales prices rose. Sales volumes of HKScan's products grew clearly in Denmark and the Baltics. In Finland and Sweden, sales volumes remained at the comparison period level.

EBIT

HKScan's EBIT was EUR -14.3 (3.7) million. Comparable EBIT was EUR 1.5 (0.7) million. The negative effect of the exchange rate change of the Swedish krona on EBIT was EUR 0.2 million.

Items affecting comparability of EUR -15.8 million were recorded in the review period. Goodwill in the Baltic business unit was written down by EUR -15.6 million following an impairment test. EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability. Items affecting comparability are described in more detail in the Tables section of this report.

Better sales mix and improved production efficiency strenghthened comparable EBIT. During the review period, HKScan was able to gradually increase the product sales prices. With the price increases, the company was able to compensate for the considerable increase in the prices of energy and other production inputs.

In the Baltics, comparable EBIT weakened from the comparison period and was negative. Comparable EBIT for Denmark and Finland improved, while Sweden remained at the comparison period level.

January-June

Net sales

HKScan’s net sales increased by nearly 8 per cent amounting to EUR 942.9 (876.8) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 12.0 million. Sales volumes slightly increased, volumes of food service sales increased clearly. The gradual increases in sales prices implemented during the review period contributed to the net sales increase.

EBIT

HKScan’s EBIT was EUR -23.2 (2.6) million. Comparable EBIT was EUR -7.0 (-0.5) million. The negative impact of the exchange rate change of the Swedish krona on EBIT was EUR 0.2 million.

Items affecting comparability of EUR -16.2 million were recorded in the review period. The goodwill write-down of the Baltic business was EUR -15.6 million. The comparison period EBIT included a positive item of EUR 3.0 million affecting comparability. Items affecting comparability are described in more detail in the Tables section of this report.

The main reasons for the EBIT decline were the significant increase in the prices of energy and other production inputs as well as the fact that producer prices were increased faster than expected during the review period to secure the availability of meat raw material. HKScan’s costs increased significantly and exceptionally rapidly, and the sales price increases made 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 June, HKScan's balance sheet total was EUR 994.3 (967.8) million. The Group's interest-bearing debt at the end of June was EUR 362.0 (331.4) million including IFRS 16 lease liability EUR 109.5 (108.7) million. The company’s net debt increased by EUR 47.9 million to EUR 346.3 (298.5) million from the comparison period. From the turn of the year, the seasonal growth in the net debt was EUR 31.9 million. HKScan’s net gearing ratio was 109.6 (92.8) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 34.7 percentage points.

At the end of June 2022, 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 September 2017, HKScan issued a EUR 135.0 million 2.625 per cent fixed-rate, unsecured and senior bond maturing on 21 September 2022 (FI4000278536) with a current outstanding amount of EUR 39,516,000. In June 2022, HKScan agreed on a new EUR 39.5 million unsecured bank facility to repay a bond maturing in September 2022.

The Group's liquidity remained good. Committed credit facilities at the end of June 2022 stood at EUR 100.0 (100.0) million and had been drawn to the amount of EUR 50.0 (0.0) million. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 52.0 (67.0) million. Net financial expenses were EUR -3.0 (-3.0) million in April-June and EUR -6.1 (-8.3) million in January-June.

Cash flow from operating activities in April-June was EUR 22.4 (24.9) million as cash flow before the change in working capital increased to EUR 17.6 million and working capital was released. However, the working capital release was lower than in the comparison period as the value of inventories continued to increase due to higher cost levels. Cash flow from operating activities in January-June was EUR -12.0 (28.1) million due to the strong increase in working capital in the first quarter. Cash flow after investments in April-June increased to EUR 15.2 (14.3) million and totalled EUR -23.3 (83.9) million in January-June. Cash flow after investments for the January-June comparison period was exceptional as it included the sale of the Vantaa property for EUR 76.1 million.

Disputes and pending legal proceedings

In March 2022, HKScan received a request for arbitration from the Arbitration Committee of the Central Chamber of Commerce and in June 2022, the counterparty's statement of claim. This is an arbitration proceeding initiated by HKScan's contractual partner in relation to an alleged breach of contract, for which the company has not yet received final claims. The Arbitral Tribunal is expected to issue its decision during the first quarter of 2023. HKScan denies its contractual partner's claims of breach of contract as completely unfounded.

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 totalled EUR 8.1 (11.4) million in April-June. Investments for January-June were EUR 14.4 (21.3) million. In addition, IFRS 16 increases to right-of-use assets were made to the amount of EUR 1.2 (0.8) in April-June and EUR 2.7 (78.4) million in January-June. The January-June comparison period includes the lease agreement for the Vantaa production unit and the extended lease agreement for the logistics centre in Sweden.

HKScan continued to invest in energy solutions for its production units in order to secure energy supply also in case of possible exceptional situations. Investments will increase the flexibility of energy solutions and allow for a switch away from Russian energy during the autumn. The share of Russian energy in HKScan's energy mix was already previously relatively small, and by the end of June the company has already moved away from a significant part of its Russian energy use through investments and supplier selection.

In Finland, the strategic investment in a multifunctional snack products line progressed as planned. HKScan's Vantaa unit put into operation equipment that significantly increased the level of automation in the packaging of sausages.

Operating environment

Changes in consumer behaviour

In April-June, the food service market recovered to pre-pandemic levels in all of the HKScan's home markets. In the retail market, growth levelled off or sales volumes even fell slightly from last year's high comparison figures.

Inflation, which has a strong impact on HKScan's home markets, has weakened consumer confidence and purchasing power. This was reflected in consumer behaviour. In the retail sector in particular, there was a shift from more expensive value-added products to mid-priced or more affordable product categories. At the same time, value-added products making everyday life easier, such as meals, ready-to-eat salads, meal components and snacks, continued to show even double-digit growth rates. There were significant differences between markets and consumption was polarised even within markets. The importance of promotions and campaigns was highlighted during the review period. HKScan carried out price increases in all its home markets in response to high cost inflation.

Finland

During the review period, the Finnish food service market returned to its pre-pandemic level of 2019, both in terms of volume and value. HKScan's position strengthened in the growing food service market. The recovery of the food service market was reflected in the retail sector, where sales volumes in the product categories represented by HKScan declined. However, the development of retail sales value remained positive due to price increases following strong cost inflation. The position of HKScan and its subsidiaries' brands in the Finnish retail market remains strong.

In the retail sector, consumption of pork in particular declined, but demand for poultry products continued to grow. Demand for ready-to-eat meals and salads, meal components and snacks increased sharply. As food prices rose, demand for lower-priced meat products, such as sausages, turned positive. The importance of promotions and campaigns was also highlighted. HKScan's strengthened position in ready-to-eat food and the diversification of its product range reduce the impact of changes in consumption.

Sweden

In Sweden, the focus of consumption returning to workplace and restaurant catering boosted food service sales and growth is expected to continue. The change reduced the volume of retail sales. Retail online sales declined from the comparison period as a large proportion of consumers returned to in-store grocery shopping.

In Sweden, retail sales of beef and pork were almost unchanged despite a remarkably high comparison period. In terms of value, the beef and pork market grew slightly, with HKScan's sales outperforming the overall market in terms of both value and volume. Demand for sausages and bacon continued to fall after high growth rates seen during the pandemic. HKScan has a strong position in charcuterie and especially in meatballs.

Denmark

The market for poultry products is strong both in Denmark and its export markets in Sweden and the EU, where HKScan has successfully strengthened its position. The Danish food service market recovered to pre-pandemic levels. HKScan's share of the good development in food service sales was in line with the market growth. The Danish retail market continued to grow strongly in the product categories represented by the company.

In Denmark, demand for poultry products grew strongest in fresh and frozen basic products. The overall market for cooked ready-to-eat poultry products and chicken minced meat also continued to grow. In Sweden, where HKScan sells Danish poultry products, the company's own sales growth was stronger than the market growth.

Baltics

In the Baltics, retail sales remained at the comparison period level. The sales focus shifted to lower-priced products, but price increases balanced the change. Food online sales continued to grow. The food service channel recovered to pre-pandemic levels at the end of the review period.

In the Baltics, the development of food demand across product categories strongly reflected market price developments and the availability of meat raw material. The decline in beef consumption that started at the beginning of the year continued. This was influenced by sharply higher prices and beef shortage. Pork consumption remained unchanged. Poultry meat consumption continued its strong growth. Demand for charcuterie remained unchanged while demand for premium products continued to decline as consumption shifted to more affordable products. Demand for ready meals also continued to decline as consumers prepared a larger proportion of their own meals. The importance of campaigns and promotional sales has increased in the Baltics.

Changes in the international meat market

In Europe, demand for poultry meat continued to grow and is expected to do so despite higher consumer prices. Beef consumption in the EU is expected to fall slightly this year, further increasing demand for poultry products.

In the EU, beef production is expected to fall by almost 1 per cent this year. Beef prices are expected to remain high throughout the year. If feed prices remain high or even rise, beef production volumes could continue to fall.

In the EU, pork production is on the decline and is expected to decrease by as much as around 3 per cent this year. The reasons for the decrease in production include decreasing exports, rising costs and challenges in production profitability. EU pork prices have been on the rise since the beginning of the year, but profitability of production remains weak due to high input prices.

In China, pork prices have not yet risen at the pace of the world market price changes and are still around half of their 2020-2021 peak. As China's own pork production increases, its dependence on foreign feed, soy, maize and grain will increase. As a result, price pressure on pork in China will increase for the rest of the year. EU exports to China are expected to decrease further this year.

Export

Exports of consumer products continued on a good growth track during the first half of 2022. The opening of the food service market increases demand for meat in HKScan's export markets.

In a challenging global logistics chain, HKScan has been able to secure its shipments to export customers in local and long-distance markets, but export freight costs are high.

Business Unit Finland

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	213.4	193.8	396.0	373.7	772.3
EBIT	1.4	3.8	0.0	3.2	12.1
- EBIT margin, %	0.7	1.9	0.0	0.9	1.6
Comparable EBIT	1.4	0.7	0.2	0.2	8.5
- EBIT margin, %	0.7	0.4	0.1	0.1	1.1

April-June

In Finland, net sales totalled EUR 213.4 (193.8) million. Exceptionally high cost inflation could be partly passed on to sales prices, which was the main source of the net sales increase. Food service sales continued to grow, with the strongest growth in strategically important meals and meal components. In retail, sales volume declined clearly.

EBIT was EUR 1.4 (3.8) million. Comparable EBIT improved to EUR 1.4 (0.7) million. EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability. The exceptionally high inflation could be partly passed on to sales prices during the review period. The improved performance was driven by better sales mix and production efficiency.

In May, HKScan started statutory change negotiations in the Finnish poultry business at the Rauma and Eura units in accordance with the Act on Co-operation. The aim of the negotiations was to improve the profitability, competitiveness and cost efficiency of the poultry business by improving production efficiency, reorganising operations and renewing operating methods. The negotiations ended after the review period.

January-June

In Finland, net sales totalled EUR 396.0 (373.7) million. Sales volumes were at the comparison period level, with a clear increase in food service sales and a decrease in retail. In meals and meal components, sales clearly increased. Net sales partly increased through price increases.

EBIT was EUR 0.0 (3.2) million. Comparable EBIT was EUR 0.2 (0.2) million. The review period’s EBIT included a negative item of EUR 0.2 million affecting comparability. EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability.

In the first quarter of the year, sales pricing could not yet respond to the strong cost inflation, but the situation has been partly corrected in the second quarter.

In January, HKScan’s Rauma unit received an export approval for Finnish poultry products from the South Korean authorities.

Business Unit Sweden

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	185.4	171.1	349.4	332.9	700.4
EBIT	4.9	4.9	5.1	7.2	22.6
- EBIT margin, %	2.6	2.9	1.4	2.2	3.2
Comparable EBIT	4.9	4.9	5.1	7.2	22.9
- EBIT margin, %	2.6	2.9	1.4	2.2	3.3

April-June

In Sweden, net sales totalled EUR 185.4 (171.1) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 6.1 million. Sweden's net sales clearly increased at comparable exchange rates. Exceptionally high cost inflation could be passed on to sales prices, which partly increased net sales. In addition, the recovery of food service sales increased net sales.

HKScan maintained its position in the market and sales volumes remained unchanged. In addition to food service sales growth, retail sales of products sold under the Scan brand continued to grow. Domestic meat continued to be highly valued.

EBIT was EUR 4.9 (4.9) million. There were no items affecting comparability during the review period and comparison period. The effect of the exchange rate change on EBIT was EUR -0.2 million.
In the review period, the effects of strong cost inflation could be balanced by an increase in selling prices. Production efficiency improvements progressed as planned.

January-June

Net sales totalled EUR 349.4 (332.9) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 12.0 million. Sweden's net sales clearly increased at comparable exchange rates. Sales price increases made in the review period had a positive impact on net sales.
Food service sales continued to show clear growth.

EBIT was EUR 5.1 (7.2) million. There were no items affecting comparability during the review period and comparison period. The effect of the exchange rate change on EBIT was EUR -0.2 million. In the first quarter of the year, sales pricing could not yet respond to the strong cost inflation, but the situation has been partly corrected in the second quarter.

In March 2022, HKScan's strong and valued Scan brand was expanded to include plant-based products. The plant-based alternatives to the popular Scan classics meet the growing consumer demand for local plant-based food.

HKScan's collaboration with Scandinavian Aquasystems on Gårdsfisk fish products deepened. The sale of Gårdsfisk products transferred to HKScan in March. In addition, cooperation has begun in ready meals with the Maten é klar concept.

Business Unit Denmark

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	57.4	42.2	106.8	87.6	172.7
EBIT	0.3	-1.1	0.8	-1.1	0.0
- EBIT margin, %	0.5	-2.6	0.7	-1.3	0.0
Comparable EBIT	0.3	-1.1	0.8	-1.1	0.0
- EBIT margin, %	0.5	-2.6	0.7	-1.3	0.0

April-June

In Denmark, net sales totalled EUR 57.4 (42.2) million. Demand for poultry products in Denmark remained strong and sales volumes increased clearly. Food service sales showed a clear increase. In addition, retail sales for the company's own branded products increased. Sales prices were raised during the review period to cover cost inflation. Sales for Danish poultry products continued to grow strongly in Sweden.

Denmark's EBIT improved by EUR 1.4 million to EUR 0.3 (-1.1) million. There were no items affecting comparability during the review period and comparison period. The improved EBIT was driven by the continued strong progress of the strategy and improved operational efficiency. Sales of chicken minced meat and ready-to-eat poultry products continued to grow strongly, clearly improving the EBIT. HKScan continues to develop the growing category of ready-to-eat poultry products.

The changed international situation has underlined the importance of regional supply chains. In addition, demand for poultry products is growing globally. As a reliable European producer of poultry products, HKScan sees new opportunities in the current operating environment. In the BRC audit, Skovsgaard's production unit improved to level AA. The Vinderup production unit maintained level A. These food safety certifications play an important role in expanding the customer base.

January-June

Net sales totalled EUR 106.8 (87,6) million. Demand increased in all channels, with food service sales in particular showing a clear increase. Sales for Danish poultry products increased clearly in Sweden.

EBIT improved by EUR 1.9 million to EUR 0.8 (-1.1) million. There were no items affecting comparability during the review period and comparison period. The stronger EBIT is the result of strategic focus on adding value with better sales mix and sales channel choices, as well as determined efforts to improve production efficiency.

Business Unit Baltics

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	49.4	42.2	90.6	82.7	170.0
EBIT excluding biological asset revaluation	-17.8	-0.6	-24.3	-0.8	-5.0
Biological asset revaluation	0.0	0.1	1.6	1.0	-0.4
EBIT	-17.8	-0.5	-22.7	0.2	-5.4
- EBIT margin, %	-36.0	-1.1	-25.0	0.2	-3.2
Comparable EBIT excluding biological asset revaluation	-2.2	-0.6	-8.7	-0.8	-4.8
Biological asset revaluation	0.0	0.1	1.6	1.0	-0.4
Comparable EBIT	-2.2	-0.5	-7.1	0.2	-5.1
- EBIT margin, %	-4.4	-1.1	-7.8	0.2	-3.0

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

April-June

In the Baltics, net sales for the review period totalled EUR 49.4 (42.2) million, driven in particular by higher sales volumes in almost all product categories. Exceptionally high cost inflation could be partly passed on to sales prices. Despite the strong rise in selling prices and the weakening of consumer purchasing power, the market position remained strong. This was supported by a strong commercial performance, with the renewal of the product portfolio playing a key role.

EBIT excluding the change in the fair value of biological assets totalled EUR -17.8 (-0.6) million. Comparable EBIT was EUR -2.2 (-0.5) million. Goodwill in the Baltic business unit was written down by EUR -15.6 million following an impairment test. The change in the fair value of biological assets in the balance sheet was EUR 0.0 (0.1) million. Cost inflation in the Baltics remained remarkably high. At the end of the review period, sales price increases levelled off the recent negative profit development.

It has taken longer than planned to bring the new Baltic logistics centre up to target levels, which has also resulted in additional costs. The logistics centre is now reaching the target level of operations.

Investments were continued in the Baltics to ensure energy supply in case of possible exceptional situations. The Baltic production units have already largely switched off the use of Russian energy. The investments and supplier choices will allow for a switch away from Russian energy during the autumn.

The Tallegg brand's packaging for spring and summer products and marketing communications were renewed. The brand promise of antibiotic-free Estonian chicken was more clearly highlighted. Sales for marinated Tallegg products clearly increased during the summer period.

January-June

Net sales totalled EUR 90.6 (82.7) million. Net sales were boosted by both volume growth and higher sales prices. Food service sales showed a clear increase.

EBIT excluding the change in the fair value of biological assets totalled EUR -24.3 (-0.8) million. Comparable EBIT was EUR -7.1 (0.2) million. The goodwill write-down of the Baltic business was EUR -15.6 million. The change in the fair value of biological assets in the balance sheet was EUR 1.6 (0.1) million. In the first quarter of the year, sales pricing could not yet respond to the strong cost inflation, but the situation has been partly corrected in the second quarter.

The Latvian distribution centre in Riga was transferred to a new logistics centre near Tallinn Estonia in March 2022.

Personnel and management

The HKScan Group's streamlined operating model was introduced at the beginning of April. In line with the model, the Group functions will focus more closely on HKScan's key strategic development projects and management as well as on activities that ensure the good corporate governance of a listed company. The Business Units will focus on the management of operational business with an emphasis on profit responsibility and strategy execution.

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. The transfer of his responsibilities was carried out through internal arrangements within the company.

	1-6/2022	1-6/2021	2021
Personnel on average*	6,850	6,915	6,892
Finland	2,783	2,740	2,755
Sweden**	1,972	1,950	1,945
Denmark	659	644	655
The Baltics	1,436	1,582	1,538
Women / men %			40 / 60
Women / men of supervisors %			36 / 64

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

In the Baltics, the planned transfer of operations from the Riga distribution centre to the new logistics centre in Estonia, serving the entire Baltic market, has reduced the number of employees. Due to the labour market situation in Estonia, the use of rental work has increased.

Shares and shareholders

At the end of June 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 which were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. The K shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek. för. (665,000 shares) and are not listed. There were no changes in the number of K shares of LSO Osuuskunta and Lantmännen ek. för.

The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the 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 June, 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 June stood at EUR 114.3 (229.1) million. The market value of the Series A shares was EUR 107.9 (216.4) million and the calculational market value of unlisted Series K shares was EUR 6.3 (12.7) million.

During the period of January–June, a total of 10,577,188 (17,479,057) of the company's shares were traded with a total value of EUR 15,669,762 (39,321,372). In the review period, the highest price quoted was EUR 1.71 (2.52) and the lowest EUR 1.16 (1.90). The average price was EUR 1.48 (2.25). At the end of June, the closing price was EUR 1.17 (2.36).

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 and discharged the members of the Board of Directors and the CEO from liability for the year 2021. 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.

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 the 2021 Financial Statements Bulletin and Remuneration Report.

Short-term business risks

<u>Financial operating environment</u>

The war in Ukraine is causing great uncertainty in the European energy market and major disturbances, particularly in the supply chains of grains and vegetable oils. In the second quarter, inflation in the euro area accelerated due to the impact of the war in Ukraine, in particular as a result of rapidly rising energy and food prices. Inflation pressures have also spread to prices of other commodities and services. The European Central Bank has announced that it will end debt relief. Policy rates are also on the rise. Increased uncertainty and rising prices and interest rates are undermining confidence in economy and are likely to weaken economic growth.

<u>Price increase and availability of production inputs and raw materials</u>

High inflation in the euro area is expected to continue due to the unstable geopolitical situation. In particular, energy prices in Europe have been rising sharply. This will continue to create cost pressures on packaging materials and other inputs.

The significant increase in feed grain prices due to the weak European grain harvest in 2021 has led, with delay, to a rise in meat raw material prices. The grain market remains unstable due to the geopolitical situation. Conditions and harvest expectations for the 2022 growing season are also causing uncertainty in Europe, although harvest prospects in the HKScan's home markets are normal so far. A worsening of the situation would be a considerable risk for HKScan's profitability if the company is unable to increase product sales prices to its customers to cover the cost increases, while improving its production efficiency. The increases made in producer prices have eased the liquidity and profitability crisis on farms, but at current price levels the situation is not yet over. If the crisis is prolonged, this could lead to a reduction in the availability of local meat raw material and an increase in the risk of credit losses related to the feed trading services.

The international meat raw material market is increasingly global. As a result, changes in the trade relations between major meat importing and exporting countries can lead to significant local price fluctuations. The effects of these partly unforeseen price fluctuations also extend to HKScan's home markets. In the unstable geopolitical situation, the role of global supply chains is weakening and the importance and opportunities of regional supply chains and local food production are increasing.

The war in Ukraine may affect not only prices but also the availability of production inputs and capital goods used in HKScan's value chain. The 2022 grain harvest will have a significant impact on the availability and price of both feed and meat raw material. HKScan has made plans which enable switching away from Russian energy. The implementation of these plans is well underway.

Changes in consumer behaviour

The sharp rise in food prices following the rise in costs is expected to clearly change consumer purchasing behaviour. Depending on the purchasing power of HKScan's home markets, consumer demand for food may focus on lower-priced products and product groups. This may also be seen at HKScan in the form of weaker sales of more expensive products and stronger sales of basic foods. HKScan has a strong position also in basic foods through its familiar consumer brands. In the unstable geopolitical situation, demand for basic foods is expected to remain strong, even if consumer uncertainty increases.

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

Other business risks

Food safety is essential in the food industry's long production chain. However, the possibility of animal diseases cannot be fully excluded. African Swine fever and avian flu cases detected in European countries have already weakened export opportunities outside the EU.

The risk caused by the pandemic is currently lower than before, but the situation is being closely monitored.

The unstable geopolitical situation has increased the risk of cyber-attacks. If realised, cyber-attacks could have a significant negative impact on the company's operations.

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.

Weaker global logistics chains may pose risks to the company's ability to execute its investments in the planned schedule. Delivery times for machinery and equipment have lengthened and prices have risen. Similar scheduling and costs pressures are also identified in the construction of production facilities. In its planning, HKScan carefully considers the potential impact of cost and scheduling risks may have on the execution of its investments.

Events after the reporting period

Media release on 7 July 2022: HKScan to improve the profitability of its poultry business in Finland

The statutory negotiations started in HKScan's Finnish poultry business at the Rauma and Eura production units in May have been concluded. As a result of the negotiations, 55 jobs will be reduced at HKScan's Rauma unit and substantial changes in the terms of employment will affect 105 jobs. The changes will be implemented after the summer holiday period in August-September 2022. With the measures, HKScan aims to achieve annual savings of more than EUR 3 million. The savings are expected to be realised during 2023.

The negotiations aimed at improving the profitability, competitiveness and cost-efficiency of HKScan's Finnish poultry business by improving production efficiency, reorganising operations and renewing operating methods at the Rauma and Eura units. The statutory negotiations concerned blue-collar employees as well as the white-collar employees in the maintenance organisation at the Rauma and Eura units. 600 employees were in the scope of the negotiations.

Turku, 20 July 2022

HKScan Corporation
Board of Directors

Webcast

In connection with its Half Year Financial Report 2022, HKScan will hold a webcast in Finnish for analysts, institutional investors and media on 20 July 2022 at 10 am EET. You can follow the Finnish webcast at https://hkscan.videosync.fi/2022-q2. HKScan's CEO Tero Hemmilä and CFO Jyrki Paappa will present the Half Year Financial Report.

To arrange an investor call in English, please contact Heidi Hirvonen, SVP Communications, tel. +358 10 570 6072 or by email heidi.hirvonen@hkscan.com.

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Financial reports

Interim Report for January-September 2022 will be published on Thursday 3 November 2022.

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, Denmark and the Baltics. Our strong product brands include HK®, Kariniemen®, Via®, Scan®, Pärsons®, Rose®, Rakvere® and Tallegg®. Through our strategic partnerships, we are also known for Kivikylän®, Tamminen® and Boltsi brands. HKScan is a publicly listed company, and in 2021, our net sales totalled over EUR 1.8 billion.

The brands mentioned in the Financial Statements Bulletin - HK®, Kariniemen®, Via®, Scan®, Pärsons®, Rakvere®, Tallegg®, Rose® and Vietävä® - are registered trademarks of HKScan Group.

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

Targets of HKScan's responsibility programme updated in June 2022.

TARGETS	RESULTS 2021 Complemented with selected Q2/2022 figures
NATURE	
Zero Carbon • Carbon-neutral food chain by the end of 2040 *KPI: climate emissions CO_2e*	2021: Climate impacts of the entire food chain (scope 1–3) 2.4 (2.4) $MtCO_2e$, carbon intensity 3.8 (3.9) tCO_2e / sold product tonne
Zero Carbon • Carbon-neutral own production by the end of 2025 *KPI: climate emissions CO_2e*	**Energy consumption Q2/2022: 0.83 (0.80)* MWh /sold product tonne**** **Carbon intensity Q2/2022: 0.06 (0.07*) tCO_2e /sold product tonne**** 2021: Climate impacts of own production (scope 1 and 2) 55,000 (55,000) tCO_2e, carbon intensity 0.09 (0.09) tCO_2e /sold product tonne**
Sustainable packaging • 100% recyclable packaging by the end of 2030 *KPI: share of recyclable packaging* • 80% of packaging renewable or recycled materials by the end of 2030 *KPI: share of renewable or recycled materials*	Results 2021: • 70% of packaging recyclable • 46% renewable or recycled materials
We are committed to increasing biodiversity in our food chain	Target added to the programme in 2022
PEOPLE	
Safety First • Systematic work towards zero accidents *KPI: lost-time accident rate (LTIR)*	**Lost-time accident rate (LTIR)** **7/2021–6/2022: 17.8 (7/2020–6/2021: 23.6) / million working hours** 2021: 21.2 (21.1) /million working hours Absence days due to accidents 1-6/2022: 1225 (1788)
Better Together • Continuous improvement in employee wellbeing *KPIs: Sickness absences, inappropriate behaviour, eNPS: > 10*	**Personnel absences 7/2021–6/2022: 6.9% (7/2020–6/2021: 6.4)** Personnel's willingness to promote HKScan as an employer (eNPS) -3 (5, comparison figure excl. the Baltics))

** Subsidiaries Kivikylän Kotipalvaamo and Tamminen have been added to reporting of environmental figures retroactively from 2019.*
*** The environmental figures related to tonnes of products sold do not include HKScan's own farms in Estonia.*

Consolidated Half Year Financial report 1 January – 30 June 2022

Consolidated income statement

(EUR million)		4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales		505.7	449.3	942.9	876.8	1 815.3
Cost of goods sold	1.	-494.5	-419.2	-915.5	-823.4	-1 701.4
Gross profit		11.2	30.1	27.4	53.5	113.8
Other operating items total	1.	1.3	1.9	2.7	3.4	7.7
Sales and marketing costs	1.	-13.6	-13.1	-25.1	-23.8	-47.7
General administration costs	1.	-13.2	-15.2	-28.2	-30.4	-56.0
Operating profit		-14.3	3.7	-23.2	2.6	17.9
Financial income		0.7	1.1	1.4	1.6	2.7
Financial expenses		-4.0	-4.0	-7.6	-9.9	-17.4
Share of profit/loss in associates and joint ventures		2.5	1.0	3.8	1.8	3.4
Profit/loss before taxes		-14.8	1.8	-25.5	-3.9	6.6
Income tax		-1.3	-1.2	-1.5	-1.8	-7.8
Profit/loss for the period		-16.1	0.5	-26.9	-5.7	-1.2
Profit/loss for the period attributable to:						
Equity holders of the parent		-16.8	-0.4	-27.9	-7.0	-4.5
Non-controlling interests		0.7	0.9	1.0	1.3	3.2
Total		-16.1	0.5	-26.9	-5.7	-1.2
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.18	-0.01	-0.30	-0.08	-0.06
EPS, diluted, continuing operations, EUR/share		-0.18	-0.01	-0.30	-0.08	-0.06

Consolidated statement of comprehensive income

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Profit/loss for the period	-16.1	0.5	-26.9	-5.7	-1.2
OTHER COMPREHENSIVE INCOME (after taxes):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	-3.2	1.3	-4.1	-0.6	-2.0
Cash flow hedging	15.7	2.2	22.1	2.9	7.4
Items that will not be reclassified to profit or loss					
Actuarial gains or losses		-		-	2.9
TOTAL OTHER COMPREHENSIVE INCOME	12.5	3.5	18.0	2.3	8.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-3.6	4.1	-8.9	-3.4	7.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-4.3	3.2	-9.9	-4.7	3.9
Non-controlling interests	0.7	0.9	1.0	1.3	3.2
Total	-3.6	4.1	-8.9	-3.4	7.1

Consolidated balance sheet

(EUR million)	Note	30 June 2022	30 June 2021	31 Dec. 2021
ASSETS				
Intangible assets	2.	123.3	145.2	144.2
Tangible assets	3.4	444.7	455.5	459.7
Holdings		39.6	34.9	38.5
Deferred tax asset	5.	31.8	39.5	36.3
Other non-current assets		17.3	6.1	7.3
TOTAL NON-CURRENT ASSETS		656.8	681.2	686.0
Inventories	6.	152.7	125.1	131.1
Current receivables		169.3	128.7	141.3
Cash and cash equivalents		15.5	32.8	27.2
TOTAL CURRENT ASSETS		337.5	286.6	299.6
TOTAL ASSETS		994.3	967.8	985.6
EQUITY AND LIABILITIES				
EQUITY		316.0	321.7	330.3
Non-current loans, interest-bearing	4.	205.8	248.5	210.1
Non-current liabilities, non-interest-bearing		58.4	64.6	63.5
TOTAL NON-CURRENT LIABILITIES		264.2	313.1	273.6
Current loans, interest-bearing	4.	156.2	82.9	131.8
Current liabilities, non-interest-bearing		257.9	250.2	249.8
TOTAL CURRENT LIABILITIES		414.1	333.1	381.7
TOTAL EQUITY AND LIABILITIES		994.3	967.8	985.6

Statement of changes in consolidated equity

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2022	**66.8**	**72.9**	**6.6**	**215.4**	**25.9**	**10.4**	**-12.6**	**-4.8**	**-72.4**	**308.3**	**22.1**	**330.3**
Result for the financial period	-	-	-	-	-	-	-	-	-27.9	-27.9	1.0	-26.9
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-4.1	-	-	-4.1	-	-4.1
Cash flow hedging	-	-	22.1	-	-	-	-	-	-	22.1	-	22.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	22.1	-	-	-	-4.1	-	-	18.0	-	18.0
Total compreh. income for the period	**-**	**-**	**22.1**	**-**	**-**	**-**	**-4.1**	**-**	**-27.9**	**-9.9**	**1.0**	**-8.9**
Direct recognitions	-	-	-	-	-	-	-	-	-0.2	-0.2	-	-0.2
Transfer of own shares	-	-	-	-	-	-	-	0.7	-0.7	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-3.9	-3.9	-1.4	-5.3
Founding of subsidiary	-	-	-	-	-	-	-	-	-	-	0.2	0.2
EQUITY ON 30 June 2022	**66.8**	**72.9**	**28.8**	**215.4**	**25.9**	**10.4**	**-16.7**	**-4.1**	**-105.1**	**294.2**	**21.8**	**316.0**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2021	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**
Result for the financial period	-	-	-	-	-	-	-	-	-7.0	-7.0	1.3	-5.7
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-0.6	-	-	-0.6	-	-0.6
Cash flow hedging	-	-	2.9	-	-	-	-	-	-	2.9	-	2.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	2.9	-	-	-	-0.6	-	-	2.3	-	2.3
Total comprehensive income for the period	**-**	**-**	**2.9**	**-**	**-**	**-**	**-0.6**	**-**	**-7.0**	**-4.7**	**1.3**	**-3.4**
Direct recognitions	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Dividend distribution	-	-	-	-	-	-	-	-	-2.9	-2.9	-1.4	-4.3
EQUITY ON 30 June 2021	**66.8**	**72.9**	**2.1**	**215.4**	**25.9**	**10.3**	**-11.2**	**-4.8**	**-76.0**	**301.5**	**20.1**	**321.7**

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

Cash flow statement

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Cash flow before change in net working capital	17.6	14.9	24.5	29.2	75.1
Change in net working capital	5.1	12.8	-31.9	8.7	-2.9
Financial items and taxes	-0.2	-2.8	-4.7	-9.8	-17.6
CASH FLOW FROM OPERATING ACTIVITIES	22.4	24.9	-12.0	28.1	54.6
Cash flow from investing activities	-7.2	-10.6	-11.3	55.8	26.5
CASH FLOW AFTER INVESTING ACTIVITIES	15.2	14.3	-23.3	83.9	81.2
Hybrid loan		-		-	-2.1
Change in loans	-3.6	-15.6	17.9	-93.6	-93.9
Dividends paid	-5.3	-4.3	-5.3	-4.3	-4.4
CASH FLOW FROM FINANCING ACTIVITIES	-8.9	-20.0	12.6	-98.0	-100.3
NET CASH FLOW	6.3	-5.6	-10.8	-14.1	-19.2
Cash and cash equivalents at beginning of period	9.8	37.8	27.2	46.8	46.8
Translation differences	-0.6	0.6	-0.9	0.0	-0.4
Cash and cash equivalents at end of period	15.5	32.8	15.5	32.8	27.2

Financial indicators

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Earnings per share (EPS), undiluted, EUR	-0.30	-0.08	-0.06
Earnings per share (EPS), diluted, EUR	-0.30	-0.08	-0.06
Equity per share, EUR	3.02	3.11	3.17
Equity ratio, %	31.8	33.2	33.5
Adjusted average number of outstanding shares, mill.	97.0	97.0	97.0
Gross capital expenditure on PPE, EUR mill.	14.4	21.3	48.2
Additions in right-of-use assets, EUR mill.	2.7	78.4	89.2
Depreciation and impairment, EUR mill.	44.9	28.4	60.2
Employees, average, FTE	6,850	6,915	6,892

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 half year financial report

Accounting policies

HKScan Corporation's Half Year Financial report for 1 January–30 June 2022 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the half year financial report as in the annual financial statements for 2021, 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 milllion. Due to the rounding of the figures to the nearest million euros in the half year financial report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2021. The half year financial report is unaudited.

Analysis by segment

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
NET SALES					
- Finland					
Sales, goods	212.4	193.2	394.2	372.2	769.0
Sales, services	1.0	0.7	1.8	1.5	3.3
- Sweden					
Sales, goods	185.4	171.1	349.3	332.8	700.3
Sales, services	0.0	0.0	0.0	0.0	0.1
- Denmark					
Sales, goods	57.4	42.2	106.8	87.6	172.7
Sales, services	0.0	0.0	0.0	0.0	0.0
- Baltics					
Sales, goods	49.4	42.1	90.6	82.6	169.6
Sales, services	0.0	0.1	0.0	0.1	0.4
Group total	505.7	449.3	942.9	876.8	1 815.3
EBIT					
- Finland	1.4	3.8	0.0	3.2	12.1
- Sweden	4.9	4.9	5.1	7.2	22.6
- Denmark	0.3	-1.1	0.8	-1.1	0.0
- Baltics	-17.8	-0.5	-22.7	0.2	-5.4
Segments total	-11.2	7.1	-16.9	9.6	29.3
Group administration costs	-3.1	-3.4	-6.3	-7.0	-11.4
Group total	-14.3	3.7	-23.2	2.6	17.9
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	3.0	4.2	4.3	8.6	16.3
Additions in right-of-use assets	0.4	0.3	0.7	69.4	70.9
Investments total	3.5	4.5	5.0	78.0	87.1

- Sweden					
Gross capital expenditure on PPE	2.9	4.4	5.3	8.3	19.6
Additions in right-of-use assets	0.3	0.3	0.9	8.3	9.1
Investments total	3.2	4.7	6.2	16.6	28.6
- Denmark					
Gross capital expenditure on PPE	0.4	1.2	0.9	2.3	4.3
Additions in right-of-use assets	0.3	0.1	0.8	0.3	0.8
Investments total	0.7	1.3	1.7	2.6	5.1
- Baltics					
Gross capital expenditure on PPE	1.8	1.6	3.8	2.1	8.1
Additions in right-of-use assets	0.1	0.1	0.2	0.4	8.5
Investments total	1.9	1.7	4.0	2.5	16.7
Total	9.3	12.2	17.1	99.7	137.5
AVERAGE NUMBER OF EMPLOYEES, FTE					
- Finland			2 783	2 740	2 755
- Sweden			1 972	1 950	1 945
- Denmark			659	644	655
- Baltics			1 436	1 582	1 538
Total			6 850	6 915	6 892

Notes to the income statement

1. Items affecting comparability

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Comparable EBIT	**1.5**	**0.7**	**-7.0**	**-0.5**	**14.5**
Termination of employment, Baltics 1)	-	-	-	-	-0.2
Termination of employment, Group management 1)	-0.2	-	-0.4	-	0.2
Loss of prepayment, Finland 4)	-	-	-0.2	-	-
Impairment of assets, Baltics 2) 3)	-15.6	-	-15.6	-	-
Impairment of assets, Sweden 2) 3)	-	-	-	-	-0.2
Reversal of impairment of assets, Finland 2) 3)	-	3.0	-	3.0	3.1
Gain on sale of tangible assets, Finland 4)	-	-	-	-	0.5
EBIT	**-14.3**	**3.7**	**-23.2**	**2.6**	**17.9**

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

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

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

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

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Opening balance	144.2	148.0	148.0
Translation differences	-3.8	-0.7	-1.8
Additions	0.7	0.3	1.6
Disposals	-	-0.7	-0.7
Depreciation and impairment	-17.8	-2.3	-4.6
Reclassification between items	0.0	0.5	1.6
Closing balance	123.3	145.2	144.2

Impairment testing

Due to rise in risk free interest there has been an indication of impairment, and therefore the company has prepared impairment test calculations as per June 2022. 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, Denmark and the Baltics as the main cash generating units. Goodwill is monitored by the Management at CGU level. In impairment testing all the CGU's assets are tested against the recoverable amounts in the future. The recoverable amounts of the CGUs' are based on value-in-use calculations. The cash flow estimates employed are based on management's financial plans. The cash flow for terminal period is extrapolated using a growth factor (3.0 per cent in Baltics and others 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 risk related to the Danish and Baltic operations has been reduced to same level with Finland and Sweden. In Denmark the dependency from export has been reduced and profit development has been good. In Baltics the risk in primary production have realised into the cash flow for the near future. Covid-19 uncertainty risk factor has been removed from the calculation. The interest rates used before taxes are 9.5 (8.3) per cent in Sweden, 8.4 (6.9) per cent in Finland, 8.4 (9.0) per cent in Denmark and 9.4 (7.9) per cent in the Baltic countries.

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 22 million in Finland, EUR 6 million in Denmark and EUR 17 million in the Baltics. If EBITDA in testing would be 10 % smaller, impairment loss amounting to EUR 23 million in Finland, EUR 11 million in Denmark and EUR 24 million in the Baltics would have to be booked. Following discount rate increases in percentage points would not cause any impairment, provided that other factors remained unchanged: Sweden 2.9, Finland 0.5, Denmark 0.0, the Baltics 0.0. Recoverable amounts in testing exceeded the assets values by EUR 26 million in Finland, EUR 0 million in Denmark and EUR 0 million in the Baltics.

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

(EUR million)	2020	2021	2022	2023	terminal	terminal year
Ruotsi	28.7	33.0	34.4	34.4	34.4	2023->
Suomi	35.4	37.4	39.0	39.0	42.0	2023->
Tanska	5.0	3.7	4.2	5.5	9.6	2025->
Baltia	12.8	3.3	3.1	5.6	18.5	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. 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.

Based on impairment testing an impairment amounting to EUR 15.6 million has been booked to goodwill in Baltics. No impairment has been booked based on impairment testing in 2021.

3. Changes in tangible assets

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Opening balance	459.7	458.7	458.7
Translation differences	-4.0	-0.4	-1.7
Additions	16.4	99.4	135.9
Disposals	-0.3	-75.6	-75.9
Depreciation and impairment	-27.1	-26.1	-55.6
Reclassification between items	0.0	-0.5	-1.6
Closing balance	444.7	455.5	459.7

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 Jan. 2022	2.2	92.1	15.3	109.5	113.4
Translation differences	-	-0.5	-0.1	-0.6	-0.6
Additions	-	0.9	1.7	2.7	2.7
Depreciation for the financial period	0.0	-4.2	-2.6	-6.9	-
Payments	-	-	-	-	-5.9
Closing balance on 30 June 2022	2.1	88.3	14.3	104.7	109.5

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2021	2.2	15.6	15.6	33.3	35.6
Translation differences	-	0.0	0.0	0.0	0.0
Additions	-	75.7	2.7	78.4	78.5
Depreciation for the financial period	0.0	-3.3	-2.7	-6.1	-
Payments	-	-	-	-	-5.4
Closing balance on 30 June 2021	2.1	88.0	15.5	105.7	108.7

(EUR million)	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Depreciation expense of right-of-use assets	-3.5	-3.2	-6.9	-6.1	-13.0
Interest expense on lease liabilities	-1.2	-1.2	-2.4	-1.8	-4.2
Total amounts recognised in profit or loss	-4.6	-4.4	-9.3	-7.8	-17.2

5. Deferred tax assets

Out of the total EUR 31.8 million, EUR 28.2 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 were 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 the 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. Utilisation of postponed tax depreciations and non-deducted interest expense do not have a time limit. Unrecognized Finnish deferred tax asset at the end of June 2022 was EUR 22.3 million.

6. Inventories

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Materials and supplies	96.7	68.1	72.2
Semi-finished products	5.2	5.1	5.4
Finished products	41.6	44.1	46.0
Other inventories	0.4	0.5	0.4
Inventories, advance payments	1.3	1.1	1.0
Biological assets	7.5	6.2	6.0
Total inventories	152.7	125.1	131.1

Derivative instrument liabilities

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Nominal values of derivative instruments			
Foreign exchange derivatives	81.9	70.6	72.7
Interest rate derivatives	29.0	74.6	74.1
Electricity derivatives	-3.5	12.6	13.0
Fair values of derivative instruments			
Foreign exchange derivatives	0.5	0.0	0.2
Interest rate derivatives	-0.1	-2.2	-1.1
Electricity derivatives	32.7	1.8	7.0

Consolidated other contingent liabilities

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
On behalf of others			
- guarantees and other commitments	6.2	7.9	6.4
Other contingencies			
Leasing and rental commitments	0.2	0.2	0.2

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

Derivatives

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

(EUR million)	30 June 2022	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.1	-	0.1	-
- Foreign exchange derivatives	0.5	-	0.5	-
- Commodity derivatives	37.9	-	37.9	-
of which subject to cash flow hedging	37.9	-	37.9	-
Total	**38.5**	**-**	**38.5**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-0.1	-	-0.1	-
- Foreign exchange derivatives	0.0	-	0.0	-
- Commodity derivatives	-5.2	-	-5.2	-
of which subject to cash flow hedging	5.2	-	5.2	-
Total	**5.3**	**-**	**5.3**	**-**

(EUR million)	30 June 2021	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.1	-	0.1	-
- Commodity derivatives	2.1	-	2.1	-
of which subject to cash flow hedging	2.1	-	2.1	-
Total	2.2	**-**	2.2	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-2.2	-	-2.2	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-0.3	-	-0.3	-
of which subject to cash flow hedging	-0.3	-	-0.3	-
Total	-2.6	**-**	-2.6	**-**

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

Business transactions with related parties

(EUR million)	1-6/2022	1-6/2021	2021
Sales to associates	6.4	4.1	9.8
Purchases from associates	21.3	16.9	37.0
Trade and other receivables from associates	1.6	1.0	1.7
Trade and other payables to associates	3.1	2.4	3.4