HKSCAN

Interim Report Q1 2024

HKScan's Interim Report 1 January–31 March 2024

Net sales and EBIT from HKScan's continuing operations improved

January–March 2024

- On 2 May 2024, HKScan signed an agreement to sell the shares of its Danish subsidiary HKScan Denmark A/S to the Dutch Plukon Food Group B.V. The transaction is expected to close during 2024 and is subject to approval by the Danish competition authorities. The transaction changes HKScan's structure and financial key figures. The Danish business will be presented as a discontinued operation, and HKScan's financial reporting will focus on continuing operations. The valuation of the Danish assets and liabilities at the estimated purchase price including transaction costs resulted in an impairment of EUR 11 million.
- HKScan's net sales from continuing operations increased by 4.9 per cent to EUR 228.7 (218.0) million. Sales increased due to good consumer demand and successful commercial activities. Political strikes in March had a negative impact on exports.
- The Group's EBIT from continuing operations totalled EUR 1.2 (-0.4) million.
- The Group's comparable EBIT from continuing operations was EUR 1.4 (-2.3) million.
  Cost levels remained high between January and March. Domestic consumer demand in Finland continued at the good level of the previous period and was stronger than in the weak comparison period. HKScan strengthened its position in the Finnish market through successful commercial measures, which reduced the need to export less profitable meat relative to the comparison period. Better sales mix, increased production efficiency and cost savings improved profitability in January–March 2024.
- The comparable EBIT of the Business Unit Finland was EUR 3.4 (0.5) million.
- Cash flow from operating activities was EUR 1.8 (-5.7) million. Cash flow improved significantly from the comparison period as a result of better working capital development and a stronger EBITDA.
- Interest-bearing net debt was EUR 208.0 (372.7) million and net gearing 93.8 (139.6) per cent.
- Net interest-bearing debt excluding IFRS16 lease liabilities was EUR 114.8 (258.2) million.
- The sale of the Swedish business was completed on 27 March 2024.
- Due to the sale, the Annual General Meeting approved the change of the company name from HKScan Oyj to HKFoods Oyj. The parallel company names of the new name are HKFoods Plc (in English) and HKFoods Abp (in Swedish).

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

Outlook for 2024

In 2024, HKScan estimates that the Group's comparable EBIT from continuing operations will improve compared to 2023.

Key figures, net sales, continuing operations

(EUR million)	1-3/2024	1-3/2023	2023
Net sales	228.7	218.0	933.0
Finland	228.7	218.0	933.0

Key figures, EBIT, continuing operations

(EUR million)	1-3/2024	1-3/2023	2023
EBIT	1.2	-0.4	14.3
- % of net sales	0.5	-0.2	1.5
Comparable EBIT	1.4	-2.3	11.6
- % of net sales	0.6	-1.0	1.2
Comparable EBIT, Finland	3.4	0.5	20.5
- % of net sales	1.5	0.2	2.2

Key figures, other

(EUR million)	1-3/2024	1-3/2023	2023
EBITDA, continuing operations	8.9	7.4	45.1
Profit before taxes, continuing operations	-3.7	-5.8	-10.7
- % of net sales	-1.6	-2.7	-1.2
Profit for the period, continuing operations	-3.8	-6.5	-17.3
- % of net sales	-1.7	-3.0	-1.9
EPS, EUR, continuing operations	-0.05	-0.08	-0.24
Comparable EPS, EUR, continuing operations	-0.05	-0.09	-0.27
Cash flow from operating activities, incl. discontinued operations	1.8	-5.7	50.6
Cash flow after investing activities, incl. discontinued operations	73.9	-12.8	73.3
Return on capital employed (ROCE) before taxes, %, incl. discontinued operations	-0.2	-5.2	3.0
Interest-bearing net debt	208.0	372.7	287.9
Net gearing, %	93.8	139.6	121.0

HKScan's CEO Juha Ruohola

HKScan's major restructuring continued in the first quarter of the year. On the positive side, the company's net sales and EBIT improved. HKScan's net sales from continuing operations for the first quarter of 2024 increased by 4.9 per cent to EUR 228.7 (218.0) million. The Group's EBIT from continuing operations totalled EUR 1.2 (-0.4) million and comparable EBIT was EUR 1.4 (-2.3) million.

Sales increased as a result of good consumer demand and successful commercial measures, which strengthened HKScan's position in the Finnish market and reduced the need to export less profitable meat relative to the comparison period. Cost levels remained high between January and March. Improved sales mix, increased production efficiency and cost savings improved profitability in the review period. Inflation pressures continued to ease early in the year, but market interest rates remained high, which has increased costs not only for the whole value chain but also for consumers.

The investments in Forssa and Rauma, which we reported earlier, progressed as planned. We also announced that we will centralise our poultry packaging activities from Eura to Rauma and Forssa and that we will make an investment of approximately EUR 8 million in the manufacture of ready-to-eat products at our Eura unit. These investments and other development plans are expected to generate total annual cost savings of around EUR 6 million. We expect these savings to be realised once the investments are completed from Q3/2024 until the end of Q2/2025.

Positive profit development is great. We have achieved this in cooperation with our own staff as well as our contract farmers and other partners. Our profitability is not satisfactory. In order to achieve our targeted profit development and improve profitability, we will continue to tightly manage costs, improve production efficiency, optimise our product portfolio in the face of changing consumer demand and carry out our commercial efforts.

Over the past year and a half, we have been assessing the position of our businesses within the Group in order to increase financial flexibility. We have improved HKScan's profitability and strengthened our balance sheet through the sale of the Baltic business, which was completed in August 2023. The sale of the Swedish business was closed at the end of March 2024. At the beginning of May, we announced that we signed an agreement to sell our Danish subsidiary HKScan Denmark A/S to the Dutch Plukon Food Group. The transaction is expected to close during 2024 and is subject to approval by the Danish competition authorities. Following the decision to sell the Danish businesses, we have now completed our assessment of the position of the company's various businesses.

The divestments have changed and will change HKScan's structure and financial key figures. Therefore, in this Interim Report the company's financial reporting focuses on continuing operations, i.e., our business in Finland. The Polish unit's figures are reported as part of the Business Unit Finland.

The business divestments have strengthened HKScan's balance sheet, and the proceeds have been used to repay the company's loans. Cash flow improved significantly from the comparison period as a result of better working capital development and a stronger EBITDA. The company's net debt decreased by EUR 164.7 million from the comparison period and by EUR 79.9 million from the year-end to EUR 208.0 (372.7) million. HKScan's net gearing ratio was 93.8 (139.6) per cent.

During January–March 2024, HKScan has commenced negotiations to refinance the debt maturing in January–March 2025, and the negotiations on the details of the refinancing instruments will continue in spring 2024. The company's management estimates that the refinancing negotiations will result in a positive outcome that will ensure HKScan's ability to continue as a going concern.

The divestments allow us to better focus on our remaining businesses and implement our long-term strategy of growing into a versatile food company. We will continue to operate as a fundamentally strongly Finnish yet internationally operating listed company. Our market position is significant, and our brands are strong. We now focus on improving the competitiveness of our core business and the profitability of our operations. We will also continue to implement our long-term strategy towards a more versatile food industry.

As a result of the sale of the Swedish business, HKScan's Annual General Meeting decided on a new name, which will be HKFoods Plc (HKFoods Oyj). The name will be introduced in stages once it is registered in the Trade Register, which is estimated to take place in May 2024.

At the heart of our responsibility programme are employee wellbeing and safety, which we promote through the Group-wide Better Together programme and our Safety First programme. These programmes are part of the implementation of HKScan's strategy and corporate responsibility programme in line with the company's values - Inspire, Care, Lead and Deliver. Our key target is to be a safe workplace for our employees and partners working in our units.

In the first quarter, we continued to prepare for the EU Sustainability Reporting Directive (CSRD) and updated the climate emissions calculation, climate target and timeline of our responsibility programme to better align with international climate work guidelines, calculations guidance and reporting standards. HKScan Group's revised climate target is to reach net zero for all greenhouse gas emissions by 2050.

With our revised emissions calculation and climate target, we contribute to the goals of the Paris Agreement and meet the new requirements for the land use sector. HKScan's climate work is guided by a comprehensive set of measures. It consists of dozens of measurable climate emission reduction actions defined by our Business Units. We are moving towards net zero climate emissions together with our contract farmers and other partners.

As a result of the significant structural and operational measures taken, our future looks brighter. We will continue our determined work towards a versatile food company.

Key events in Q1 2024

Sale of the Swedish business completed

On 27 March 2024, HKScan sold the shares in its Swedish subsidiary HKScan Sweden AB to Lantmännen ek för. The transaction was preceded by the approval of the Swedish authorities in February 2024 regarding foreign direct investment (FDI) control and the approval of the arrangement by HKScan's Extraordinary General Meeting. On 7 March 2024, the EU Commission announced its approval of the arrangement, and the transaction was completed on 27 March 2024.

The purchase price for the shares in HKScan Sweden AB amounted to approximately EUR 60 million in cash as well as 6,869,750 A shares and 665,000 K shares in HKScan held by Lantmännen. In addition, Lantmännen repaid an intragroup loan between HKScan and HKScan Sweden AB to the amount of approximately EUR 50 million. HKScan also reduced its off-balance sheet factoring financing by approximately EUR 55 million and IFRS 16 leasing liabilities by approximately EUR 13 million. A prepayment of EUR 25 million of the purchase price was made upon the signing of the agreement, with the remainder being paid after the completion of the transaction.
With the transaction, HKScan's ownership of its Swedish businesses ended.

Details of the transaction have been disclosed in the following releases: 29.12.2023, 28.2.2024, 7.3.2024 and 27.3.2024.

Development investment in the Eura unit of ready-to-eat products improves profitability and competitiveness

In January 2024, HKScan announced plans to improve the efficiency of its production operations by centralising the poultry packing activities in the Eura unit to the company's production units in Rauma and Forssa. The change negotiations, concluded in February, involved 19 persons in Eura, for whom HKScan was able to offer jobs within the company. Through the efficiency measures, HKScan aims to achieve annual savings of around EUR 1 million as from the third quarter of 2024.

After the statutory negotiations, HKScan decided to invest approximately EUR 8 million in a production line for ready-to-eat products at its Eura unit. With this strategic investment, HKScan will improve its profitability by increasing the added value of its products and operational efficiency and respond to the growing consumer demand for quick and easy cooking. The new products will be launched during the first quarter of 2025. HKScan's Eura unit currently produces HK® and Via® pizzas, for example. In addition, the Eura unit has operations of Mäkitalon Maistuvat and Kivikylän Kotipalvaamo.

Details on the matter have been provided in a release: 11.1.2024, 5.3.2024 and 14.3.2024

Finnish pork products approved for export to South Africa

In January 2024, HKScan announced the launch of pork exports from Finland to South Africa. The exports are expected to start in the first half of 2024.

Strikes affecting international transport hampered HKScan's exports

A significant proportion of exports were undelivered due to strikes affecting international transport, leading to an increase in stocks.

The company name will change

The Annual General Meeting approved the change of the company name from HKScan Corporation (HKScan Oyj) to HKFoods Plc (HKFoods Oyj).

Details on the matter were provided in the following releases: 15.3.2024 and 18.4.2024

HKScan revised its climate emissions calculation and target

HKScan has updated the climate emissions calculation, climate target and timeline of its responsibility programme to better align with international climate work guidelines, calculations guidance and reporting standards. HKScan Group's revised climate target is to reach net zero for all greenhouse gas emissions by 2050.

Details on the matter were provided in a release: 25.1.2024

Strategy

HKScan's long-term strategic target is to grow into a versatile food company. In the current operating environment, the company is focusing on strengthening its financial base and improving the competitiveness of its core business and the profitability of its operations. HKScan's core business includes pork, beef, poultry meat and meat products, such as bacon, sausages and charcuterie, as well as ready foods, e.g. meals and meal components, such as meatballs and snacks.

Advancing its long-term strategy will require HKScan to achieve a stronger balance sheet. To increase financial flexibility, the company has been assessing the position of its businesses within the Group. To strengthen the balance sheet, the company has sold its Baltic and Swedish businesses and signed an agreement to sell its Danish business. Following the decision to sell the Danish business, the assessment has now been completed. As a result of the divestments, the company's balance sheet has strengthened significantly and net debt has decreased. Increasing productivity in all the business processes is important.

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

HKScan wants to grow in its core business by increasing the added value of products and by strengthening the value creation capacity of the company's own brands. The aim is to grow in product categories that make consumers' everyday lives easier, such as meals, meal components and snacks. HKScan also aims to grow in poultry products and new product categories. The company wants to strengthen its consumer relationship through its trusted brands and to renew commercially. The food service sector will remain an area of growth.

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

Group net sales and EBIT

Net sales

HKScan's net sales from continuing operations decreased by 4.9 per cent to EUR 228.7 (218.0) million. Good volume growth increased the value of retail sales. The strongest growth came from HKScan's own branded meat, poultry and ready meal products. Domestic consumer demand in Finland continued at the good level of the previous period and was stronger than in the weak comparison period. In addition, HKScan's successful commercial activities strengthened the company's market position, which increased sales. Sales in the food service channel increased slightly versus the comparison period. Meat exports decreased as planned due to good domestic sales. Exports also declined due to the domestic political strikes in March.

EBIT

HKScan's EBIT from continuing operations totalled EUR 1.2 (-0.4) million. The comparable EBIT from continuing operations was EUR 1.4 (-2.3) million.

Items affecting comparability of EUR -0.2 (1.9) million were recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

Cost levels remained high in January–March 2024. Compared to the same period last year, inflation was driven up by high costs of external services and general wage increases. HKScan made contingency arrangements to prepare for disruptions caused by the political strikes and to secure customer deliveries, which contributed to the company's higher costs.

As a result of commercial activities and stronger consumer demand than in the comparison period, sales to the Finnish retail channel increased clearly. Sales growth was particularly strong in products with higher added value, which improved the company's profitability. Due to stronger domestic demand than in the comparison period, exports of less profitable meat were lower than in the same period last year. This contributed to improved profitability. HKScan's better sales mix, production efficiency measures and cost savings improved the EBIT in the period under review.

Balance sheet, cash flow and financing

At the end of March, HKScan's balance sheet total was EUR 598.0 (988.3) million. The Group's interest-bearing debt at the end of March was EUR 231.1 (406.1) million including an IFRS 16 lease liability of EUR 93.2 (106.5) million. The company's net debt decreased from the comparison period by EUR 164.7 million and from the year end by EUR 79.9 million to EUR 208.0 (372.7) million. HKScan's net gearing ratio was 93.8 (139.6) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 42.0 percentage points.

At the end of March 2024, the company had on its balance sheet a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The hybrid bond does not have a specified maturity date and it is treated as equity.

The Group's liquidity position was satisfactory. A EUR 200 million commercial paper programme had been drawn to the amount of EUR 6.5 (20.0) million. Committed credit facilities at the end of March 2024 stood at EUR 55.0 (145.0) million and had been drawn to the amount of EUR 0.0 (125.0) million. In January–March, net financial expenses from continuing operations were EUR -5.0 (-6.7) million.

Cash flow from operating activities was EUR 1.8 (-5.7) million and cash flow after investments was EUR 73.9 (-12.8) million.

HKScan's covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and the liquidity covenant. EBITDA includes the share of profits from associates and joint ventures. The net gearing ratio limit is 125 per cent for bank loans and 130 per cent for bonds. At the end of March 2024, the company's net gearing ratio was 93.8 per cent.

The covenant limit for net debt to EBITDA ratio is 4.5. At the end of March 2024, the net debt to EBITDA ratio was 2.5.

The minimum limit for the liquidity covenant is EUR 15.0 million. At the end of March 2024, the liquidity was EUR 29.5 million.

HKScan's management has assessed the cash flow forecasts of the business over the next 12 months, which indicate that the covenants will not be breached.

Disputes and pending legal proceedings

The Danish tax authorities conducted an energy tax audit of the Group's subsidiary HKScan Denmark A/S covering the years 2011–2020. In late 2020, the Danish tax authorities issued a decision according to which the company has been obliged to repay DKK 24.7 million (approximately EUR 3.3 million) of previously received energy tax refunds. Furthermore, it cannot be excluded that, in addition to the current case, the company will be subject to separate penalties resulting from the tax audit. HKScan Denmark A/S has appealed against the decision. HKScan recorded the expense in the last quarter of 2020 and paid the amount to the authorities in the first quarter of 2021.

Investments

HKScan's investments in continuing operations in January–March amounted to EUR 6.2 (4.2) million. IFRS 16 increases to right-of-use assets were EUR 5.3 (5.9) million in January–March.

In March 2024, HKScan decided to make an investment of approximately EUR 8 million in a production line for ready-to-eat products in its Eura unit. With this strategic investment, HKScan will improve its profitability by increasing the added value of its products and operational efficiency and respond to the growing consumer demand for quick and easy cooking. The products made on the new line will be launched during the first quarter of 2025.

The approximately EUR 4.6 million development investment in the Rauma poultry cutting unit, decided in April 2023, proceeded according to plan. With the investment and related development measures, HKScan aims to achieve total annual savings of around EUR 3 million, which are expected to be realised after the completion of the investment in the second half of 2024 at the latest.

During the review period, the investment in the Forssa unit to improve the competitiveness and cost-efficiency of production in the raw material meat sorting refrigeration unit progressed to the implementation phase.

The Polish production unit continued to invest in improving the capacity and efficiency of bacon production and increasing the added value. In addition, the property development project continued.

In addition, HKScan implemented several smaller efficiency investments during the review period.

Exports

In November 2023, Finnish poultry meat was approved for export to China. HKScan expects exports to start during the first half of 2024.

In January 2024, HKScan announced the launch of pork exports from Finland to South Africa. Exports are expected to start during the next reporting period. HKScan currently exports pork to China, South Korea, Japan and the United States, among others. The company is preparing to export grilled meats such as pork ribs to South Africa.

In March and April, political strikes in Finland affecting international transport completely stopped HKScan's sea container transport. The strikes forced the company to stockpile a significant amount of meat and meat products, which led to an increase in inventory levels. The stock situation is expected to return to normal during June.

HKScan aims to further develop the exports of meat products and to use all meat components as efficiently and sustainably as possible. Currently, meat products account for about one fifth of exports.

Changes in the international meat market

The strong demand for poultry meat is expected to continue. Beef consumption is expected to decline, contributing to the already good demand for poultry products. Despite the recent increase in pork prices in the Americas, low pork prices in the US and Brazil continue to challenge EU export prices. EU pork prices are expected to remain at current levels.

Business Unit Finland

(EUR million)	1-3/2024	1-3/2023	2023
Net sales	228.7	218.0	933.0
EBIT	3.1	0.5	20.7
- EBIT margin, %	1.4	0.2	2.2
Comparable EBIT	3.4	0.5	20.5
- EBIT margin, %	1.5	0.2	2.2

January–March

Net sales for Business Unit Finland totalled EUR 228.7 (218.0) million. Good volume growth increased the value of retail sales. The strongest growth came from HKScan's own branded meat, poultry and ready meal products. Domestic consumer demand continued at the good level of the previous period and was stronger than in the weak comparison period. In addition, HKScan’s successful commercial activities strengthened the company’s market position, which increased sales. Sales in the food service channel increased slightly versus the comparison period. Meat exports decreased as planned due to good domestic sales. Exports also declined due to the domestic political strikes in March.

EBIT was EUR 3.1 (0.5) million. Comparable EBIT was EUR 3.4 (0.5) million. EBIT included an item of EUR -0.2 (0.0) million affecting comparability. Cost levels remained high in January–March 2024. Compared to the same period last year, inflation was driven up by high costs of external services and general wage increases. HKScan made contingency arrangements to prepare for disruptions caused by the political strikes and to secure customer deliveries, which contributed to the company's higher costs.

As a result of commercial activities and stronger consumer demand than in the comparison period, sales to the Finnish retail channel increased clearly. Sales growth was particularly strong in products with higher added value, which improved the company's profitability. Due to stronger domestic demand than in the comparison period, exports of less profitable meat were lower than in the same period last year. This contributed to improved profitability. HKScan’s better sales mix, production efficiency measures and cost savings improved the EBIT in the period under review.

Personnel

Continuing operations personnel	1-3/2024	1-3/2023	2023
Personnel on average*	2,834	2,754	2,946
Finland**	2,834	2,754	2,946
Women / men %	40 / 60	41 / 59	40 / 60
Women / men of superiors %	31 / 69	29 / 71	31 / 69

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

Responsibility

Responsibility work is a cornerstone of HKScan’s strategy and a requirement for profitable business. Developing a responsible food chain is a long-term effort to which HKScan’s management and employees are committed.

In 2024, HKScan’s responsibility work will focus on compiling data in line with the EU's Sustainability Reporting Directive (CSRD) and deepening the measures of the new climate target. HKScan’s responsibility programme focuses on two themes: nature and people.

Nature

In early 2024, HKScan announced that it had updated the climate emissions calculation, climate target and timeline of its responsibility programme to better align with international climate work guidelines, calculations guidance and reporting standards.

HKScan Group’s revised climate target is to reach net zero for all greenhouse gas (GHG) emissions by 2050.

HKScan was among the first Nordic food companies to set near-term targets for both industrial energy usage (Industrial) and the land use sector (Forest, Land and Agriculture, FLAG).

According to the near-term climate targets approved by SBTi, HKScan commits to reducing its absolute Scope 1 and 2 GHG emissions from industrial operations and energy by 42 per cent by 2030 from the base year 2022. HKScan also commits to reducing emissions in specific Scope 3 categories by 42 per cent within the same timeframe. The target also includes land-based emissions from bioenergy feedstocks.

In addition, HKScan will reduce land-based absolute Scope 3 FLAG GHG emissions by 30.3 per cent by 2030 from the base year 2022. HKscan also commits to no deforestation across its primary deforestation-linked commodities.

Under the new calculation method, HKScan Group's emissions from continuing operations were in 2023:
- scope 1 and 2: 0.014 $MtCO_2e$
- scope 3: 2.092 $MtCO_2e$
- of total emissions, industrial and energy emissions 0.341 $MtCO_2e$ and land-based emissions (FLAG, including LUC and non-LUC) 1.765 $MtCO_2e$

The Group's emissions increased by 47 per cent compared to the previous calculation method, due to a significant expansion of the new GHG calculation guidelines for land-based emissions. GHG emissions for 2023 have been calculated based on the GHG Protocol and the Land Sector and Removals Guidance. The calculation uses market-based emission factors and covers all the company's value chain operations in Finland, Denmark and Poland in accordance with the GHG Protocol guidelines.

The Group’s GHG calculation programme was updated in line with the new calculation guidance. Climate measures of the Business Units were deepened, and the design of a net-zero measure roadmap was initiated. We prepared the UN Global Compact Network Finland's Science Based Targets programme, which introduced the Science Based Targets Network's framework and tools for setting nature targets.

A more detailed plan of research projects for 2024 to support the climate programme targets was developed in the Business Unit Finland. During the 2024 growing season, our contract farmers will carry out pilot projects on their fields to study, for example, the success of satellite data-based precision fertilisation and the improvement of field water management through controlled drainage. We also extended the carbon footprint calculation for primary production to cover the product-specific carbon footprint of Kariniemen’s ready-to-cook chicken products.

An investment project at the Danish business unit's Vinderup wastewater treatment plant has significantly reduced the unit's greenhouse gas emissions. In the wastewater treatment unit, the plant equipment was extensively renewed, and the use of chemicals was made more efficient. The reduced chemical consumption both saves costs and decreases greenhouse gas emissions by up to 38 tCO_2e per year. With regard to packaging, it was decided to replace the remaining black packaging boxes with recyclable green boxes. The packaging is made from at least 80% recycled PET plastic and will be replaced in stages during 2024.

People

HKScan’s key target is to be a safe workplace for its employees and for its partners working in its units. The company promotes wellbeing and safety at work through its Safety First and Better Together programmes.

Work safety

HKScan is making goal-oriented efforts towards zero accidents at work and improving work safety culture in line with the Safety First principle. Safety observations, near misses and accidents are systematically addressed and used as a basis for developing safer working practices, processes and work environments. Safety culture is also promoted through careful risk assessments and process management.

In January–March, the Group’s total rate of injury frequency (LTIR) was 14.8 (14.4 for the same period in 2023).

Employee wellbeing

HKScan will continue to promote employee wellbeing through the Group-wide Better Together programme. Inclusion has been chosen as the theme for 2024, and it will be developed throughout the year with the Inclusion Starts With Me project.

Shares and shareholders

At the end of March 2024, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781 and were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. The K shares are held by LSO Osuuskunta (4,735,000 shares) and HKScan Oyj (665,000 shares) and are not listed.

On 27 March 2024, HKScan sold the shares in its Swedish subsidiary HKScan Sweden AB to the Swedish company Lantmännen ek för. As part of the purchase price, Lantmännen ek för transferred to HKScan 7,534,750 own shares, of which 6,869,750 were A shares and 665,000 K shares.

At the end of March, the company held 8,376,408 (1,506,658) A shares and 665,000 (0) K shares as treasury shares, corresponding to 9.14% of the company's total number of shares and 10.75% of the total number of votes.

The calculational market value of HKScan's shares at the end of March stood at EUR 61.5 (76.0) million. The market value of the Series A shares was EUR 58.3 (71.8) million, and the calculational market value of the unlisted Series K shares was EUR 3.2 (4.2) million.

In January–March, a total of 2,769,268 (7,357,147) of the company's shares were traded with a total value of EUR 2,072,767 (5,965,171). The highest price quoted was EUR 0.83 (0.97) and the lowest EUR 0.68 (0.69). The average price was EUR 0.75 (0.81). At the end of March, the closing price was EUR 0.68 (0.78).

Extraordinary General Meeting 2024

On 29 January 2024, HKScan convened an Extraordinary General Meeting (EGM), which was held on 28 February 2024 in Turku.

The EGM confirmed and approved the sale of HKScan’s Swedish business.

The Board of Directors was authorised to decide on the acquisition of the company's own series A shares and series K shares. The authorisation is effective for eighteen (18) months from the decision of the EGM. The authorisation does not revoke earlier authorisations granted by the General Meeting to acquire and/or to accept as pledge the company’s own shares.

In addition, the Board of Directors was authorised to decide on the issue of shares. The authorisation will be effective until no later than 30 June 2025. The authorisation revokes earlier authorisations granted to the Board of Directors to decide on the issue of shares or special rights entitling to shares.

The resolutions of the EGM were published in full in a stock exchange release on 28 February 2024, and the minutes of the meeting are available on the company's website www.hkscan.com.

Annual General Meeting 2024

HKScan Corporation’s Annual General Meeting (AGM), held on 18 April 2024 in Turku, adopted the parent company’s and consolidated financial statements, discharged the members and the deputy members of the Board of Directors and the CEO from liability for 2023 and adopted the remuneration report and remuneration policy for governing bodies. The AGM resolved that no dividend will be paid for 2023.

The Board members Reijo Kiskola, Järi Mäkilä, Anne Koutonen and Terhi Tuomi were re-elected as members of the Board. Ilkka Uusitalo, former deputy Board member, as well as Niclas Diesen, Lauri Sipponen and Sami Yski were elected as new members of the Board until the end of the Annual General Meeting 2025. At the organisational meeting 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 the Company’s auditor until the end of the next AGM and Maria Onniselkä, Authorized Public Accountant, as the lead audit partner. In addition, the auditing firm Ernst & Young Oy was elected as the sustainability auditing assurer until the end of the next AGM, with Maria Onniselkä, M.Sc. (Econ.), Authorized Sustainability Auditor (ASA), as the lead sustainability assurer.

The AGM approved the change of the company's name from HKScan Oyj to HKFoods Oyj and resolved to amend Article 1 of the Articles of Association as follows:
“1 § The name of the company is HKFoods Oyj, in Swedish HKFoods Abp and in English HKFoods Plc. The domicile of the company is Turku."

The AGM authorised the Board of Directors to decide on the acquisition of the Company’s own Series A shares and/or on the acceptance as pledge of the Company’s own Series A shares. The authorisation is effective until 30 June 2025. The authorisation revokes the authorisation granted by the AGM on 20 April 2023 to the Board of Directors to acquire and/or to accept as pledge the Company’s own Series A shares. However, the authorisation does not revoke the authorisation granted by the Extraordinary General Meeting of 28 February 2024 to the Board of Directors to decide on the acquisition of own Series A and Series K shares.

The decisions of the AGM were published in full in a stock exchange release on 18 April 2024, and the minutes of the meeting are available on the company's website www.hkscan.com.

Changes in the Group Executive Team

On 4 March 2024, HKScan announced that Jyrki Paappa, Group CFO and member of the Group Executive Team, will join another company. Mika Tilli was appointed as the new CFO and member of the Group Executive Team as of 1 July 2024.

Details on the matter have been provided in a release: 26.3.2024

Following the completion of the sale of HKScan's Swedish business, Lars Appelqvist, EVP of HKScan's Business Unit Sweden and member of the Group Executive Team, has left HKScan on 27 March 2024.

Details on the matter have been provided in a release: 27.3.2024

Share-based long-term incentive plans

On 7 April 2021, HKScan announced changes to the payment schedules of both the Performance Share Plan (PSP) and Restricted Share Plan (RSP) to ensure relative alignment with the company's long-term performance and shareholder returns. According to the new payment schedule, part of the rewards earned will be paid during 2021–2023, and the remaining portion of the Group Executive Team rewards is deferred and will be paid during 2024–2025. The deferred rewards will be paid on the basis of the achievement of minimum targets set by the Board of Directors for total shareholder return (TSR) and profitability. The Board of Directors has set a ceiling on the cost of the deferred reward.

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

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

More information on the share-based incentive plans is available on the company website at https://www.hkscan.com/en/investors-information/corporate-governance/remuneration/.

Short-term business risks

Economic operating environment and financial risks

In the first quarter of 2024, inflation in the euro area slowed down to 2.4 per cent, close to the European Central Bank's target of 2 per cent. The ECB is forecast to start cutting interest rates in June. Geopolitical risks related to the situation in Ukraine and the escalation of the conflict in the Middle East are the main factors that could push up inflation and delay the start of rate cuts.

Uncertainty for 2024 remains related to the evolution of consumer demand in the environment of high lending rates. The number of bankruptcies, layoffs and redundancies has also continued to rise. In addition, labour market unrest and talk of possible new fiscal rebalancing measures add to the uncertainty. If consumer demand weakens significantly and HKScan's sales volumes fall considerably, this will have a negative impact on the company's profitability.

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

During January–March 2024, HKScan has commenced negotiations to refinance the debt maturing in January–March 2025, and the negotiations on the details of the refinancing instruments will continue in spring 2024. The company's management estimates that the refinancing negotiations will result in a positive outcome that will ensure HKScan's ability to continue as a going concern.

Price increase and availability of production inputs and raw materials

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

In the global meat raw material market, changes in the trade relations between major meat importing and exporting countries can lead to significant local price fluctuations. The effects of these price fluctuations are partly unpredictable, and they also concern HKScan's home markets. In an 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.

Changes in consumer behaviour

A sharp rise in food prices may have an impact on consumer purchasing behaviour. Depending on the consumers' purchasing power, consumer demand may be concentrated on lower priced products or product groups.

This may be reflected in a weakening of HKScan's sales volume in higher-priced products and a strengthening in basic foods. In the unstable geopolitical situation, the demand for basic foods is expected to remain strong.

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

Other business risks

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

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

The risk of cyber-attacks is high due to the volatile geopolitical situation, and more and more companies have been targeted by cyber-attacks. Cyber-attacks can significantly disrupt the company's operations.

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

Events after the reporting period

HKScan to sell its Danish business

On 2 May 2024, HKScan signed an agreement to sell the shares of its Danish subsidiary HKScan Denmark A/S to the Dutch Plukon Food Group B.V. The debt-free purchase price is EUR 44.6 million. The transaction is expected to close during 2024 and is subject to approval by the Danish competition authorities. Following the decision to sell the Danish business, the assessment of the position of the company's various businesses has now been completed.
Details on the matter have been provided in the 7 March 2024 and 2 May 2024 releases.

Turku, 8 May 2024

HKScan Corporation
Board of Directors

Webcast

In connection with its January–March 2024 Interim Report, HKScan will hold a webcast in Finnish for analysts, institutional investors and media on 8 May 2024 at 10 a.m. EEST. You can follow the Finnish webcast at https://hkscan.videosync.fi/q1-2024/, and the recording will be available at www.hkscan.com later on the same day. HKScan's CEO Juha Ruohola and CFO Jyrki Paappa will present the January–March 2024 result.

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

Financial reports

HKScan will publish the following financial reports in 2024:

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

For further information

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HKScan Media Service Desk tel. +358 10 570 5700 or email communications@hkscan.com

With 110 years of experience, we at HKScan make life tastier – today and tomorrow. Our strategic target is to grow into a versatile food company. Our home markets are Finland and Denmark, where around 3,600 of our professionals make responsible and locally produced food for consumers' varied food moments. Our well-known brands include HK®, Kariniemen®, Via® and Rose®. We are developing a more climate-friendly way of producing food. HKScan is a publicly listed company, and in 2023, our net sales from continuing operations totalled nearly EUR 1.2 billion. www.hkscan.com

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

Consolidated Financial Statements 1 January–31 March 2024

Consolidated income statement

(EUR million)		1-3/2024	1-3/2023	2023
Continuing operations:				
Net sales		228.7	218.0	933.0
Cost of goods sold	1.	-215.0	-205.1	-867.4
Gross profit		13.8	12.9	65.6
Other operating items total	1.	2.4	2.3	10.1
Sales and marketing costs	1.	-7.1	-6.5	-25.8
General administration costs	1.	-8.0	-9.1	-35.7
Operating profit		1.2	-0.4	14.3
Financial income		1.1	0.8	3.6
Financial expenses		-6.0	-7.4	-30.6
Share of profit/loss in associates and joint ventures		0.1	1.3	2.0
Profit/loss before taxes		-3.7	-5.8	-10.7
Income tax		-0.1	-0.7	-6.6
Profit/loss for the period, continuing operations		-3.8	-6.5	-17.3
Profit/loss for discontinued operations		-21.7	-1.6	-5.1
Profit/loss for the period		-25.5	-8.0	-22.5
Profit/loss for the period attributable to:				
Equity holders of the parent		-25.6	-8.5	-26.4
Non-controlling interests		0.1	0.4	4.0
Total		-25.5	-8.0	-22.5
Earnings per share calculated on profit attributable to equity holders of the parent:				
EPS, undiluted, continuing operations, EUR/share		-0.05	-0.08	-0.24
EPS, diluted, continuing operations, EUR/share		-0.05	-0.08	-0.24
EPS, undiluted, discontinued operations, EUR/share		-0.23	-0.02	-0.05
EPS, diluted, discontinued operations, EUR/share		-0.23	-0.02	-0.05
EPS, undiluted, EUR/share		-0.28	-0.09	-0.29
EPS, diluted, EUR/share		-0.28	-0.09	-0.29

Consolidated statement of comprehensive income

(EUR million)	1-3/2024	1-3/2023	2023
Profit/loss for the period	-25.5	-8.0	-22.5
OTHER COMPREHENSIVE INCOME (after taxes):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations, discontinued operations	-2.0	-1.3	1.3
Sweden translation difference transfer to profit and loss, discontinued operations	21.1	-	-
Cash flow hedging, continuing operations	-1.4	-3.1	-10.4
Cash flow hedging, discontinued operations	-0.8	-4.6	-3.6
Reclassification adjustment (electricity derivative), continuing operations	-	-1.9	-2.6
The value of Sweden electricity derivatives transfer to result for the financial period	-1.0	-	-
Share of associates' and joint ventures' other comprehensive income items, continuing operations	-	-	0.5
Items that will not be reclassified to profit or loss			
Actuarial gains or losses, discontinued operations	-	-	-4.4
TOTAL OTHER COMPREHENSIVE INCOME	16.0	-10.8	-19.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-9.5	-18.8	-41.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	-9.6	-19.3	-45.6
Non-controlling interests	0.1	0.4	4.0
Total	-9.5	-18.8	-41.6

Consolidated balance sheet

(EUR million)	Note	31 March 2024	31 March 2023	31 Dec. 2023
ASSETS				
Intangible assets	2.	43.1	112.0	44.0
Tangible assets	3.4	256.1	379.4	284.9
Holdings		20.9	41.7	24.3
Deferred tax asset	5.	25.1	32.2	25.1
Other non-current assets		23.6	10.4	26.2
TOTAL NON-CURRENT ASSETS		368.8	575.7	404.5
Inventories	6.	66.4	135.5	75.2
Current receivables		84.3	148.7	97.3
Cash and cash equivalents		21.0	30.5	28.7
TOTAL CURRENT ASSETS		171.7	314.7	201.1
Assets of disposal group classified as held for sale	7.	57.4	98.0	246.0
TOTAL ASSETS		598.0	988.3	851.7
EQUITY AND LIABILITIES				

EQUITY		221.8	266.9	238.0
Non-current loans, interest-bearing	4.	89.2	237.2	289.0
Non-current liabilities, non-interest-bearing		5.7	39.5	6.3
TOTAL NON-CURRENT LIABILITIES		95.0	276.7	295.3
Current loans, interest-bearing	4.	138.2	161.1	17.9
Current liabilities, non-interest-bearing		118.8	249.0	161.5
TOTAL CURRENT LIABILITIES		257.0	410.0	179.4
Liabilities of disposal group classified as held for sale	7.	24.2	34.7	139.0
TOTAL EQUITY AND LIABILITIES		598.0	988.3	851.7

Statement of changes in consolidated equity

-	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2024	**66.8**	**72.9**	**5.9**	**215.4**	**25.9**	**8.1**	**-18.6**	**-3.8**	**-161.5**	**211.1**	**26.9**	**238.0**
Result for the financial period	-	-	-	-	-	-	-	-	-25.6	-25.6	0.1	-25.5
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-0.1	-	-	-	19.2	-	-	19.2	-	19.2
Cash flow hedging	-	-	-2.2	-	-	-	-	-	-	-2.2	-	-2.2
The value of Sweden electricity derivatives transfer to result for the financial period	-	-	-1.0	-	-	-	-	-	-	-1.0	-	-1.0
Total other comprehensive income / expense	-	-	-3.2	-	-	-	19.2	-	-	16.0	-	16.0
Total compreh. income for the period	**-**	**-**	**-3.2**	**-**	**-**	**-**	**19.2**	**-**	**-25.6**	**-9.6**	**0.1**	**-9.5**
Direct recognitions	-	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Sweden sale related transfer to result for the financial period	-	-	-1.2	-	-	0.1	-	-	-	-1.1	-	-1.1
Acquisition of own shares	-	-	-	-	-	-	-	-5.6	-	-5.6	-	-5.6
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-
EQUITY ON 31 March 2024	**66.8**	**72.9**	**1.5**	**215.4**	**25.9**	**8.2**	**0.5**	**-9.4**	**-186.9**	**194.9**	**26.9**	**221.8**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2023	**66.8**	**72.9**	**21.9**	**215.4**	**25.9**	**10.4**	**-19.9**	**-4.1**	**-128.4**	**260.9**	**24.6**	**285.5**
Result for the financial period	-	-	-	-	-	-	-	-	-8.5	-8.5	0.4	-8.0
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-1.3	-	-	-1.3	-	-1.3
Cash flow hedging	-	-	-7.7	-	-	-	-	-	-	-7.7	-	-7.7

	1	2	3	4	5	6	7	8	9	10	11	12
Reclassification adjustment (electricity derivative)	-	-	-1.9	-	-	-	-	-	-	-1.9	-	-1.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	-9.5	-	-	-	-1.2	-	-	-10.8	-	-10.8
Total comprehensive income for the period	**-**	**-**	**-9.5**	**-**	**-**	**-**	**-1.2**	**-**	**-8.5**	**-19.3**	**0.4**	**-18.8**
Direct recognitions	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Transfer of own shares	-	-	-	-	-	-	-	0.3	-0.3	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.1	0.1
EQUITY ON 31 March 2023	**66.8**	**72.9**	**12.4**	**215.4**	**25.9**	**10.4**	**-21.1**	**-3.8**	**-137.1**	**241.7**	**25.1**	**266.9**

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, incl. discontinued operations

-	1-3/2024	1-3/2023	2023
Cash flow before change in net working capital	11.6	8.7	74.2
Change in net working capital	-0.8	-5.7	5.9
Financial items and taxes	-9.0	-8.7	-29.4
CASH FLOW FROM OPERATING ACTIVITIES	1.8	-5.7	50.6
Cash flow from investing activities	72.1	-7.1	22.6
CASH FLOW AFTER INVESTING ACTIVITIES	73.9	-12.8	73.3
Hybrid loan	-	-	-2.1
Change in loans	-82.5	25.8	-58.0
Dividends paid	-	-	-1.9
CASH FLOW FROM FINANCING ACTIVITIES	-82.5	25.8	-62.0
NET CASH FLOW	-8.6	13.0	11.3
Cash and cash equivalents at beginning of period	29.0	17.8	17.8
Translation differences	0.6	-0.2	-0.1
Cash and cash equivalents at end of period	21.0	30.6	29.0

Financial indicators

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Earnings per share (EPS), undiluted, EUR, continuing operations	-0.05	-0.08	-0.24
Earnings per share (EPS), diluted, EUR, continuing operations	-0.05	-0.08	-0.24
Equity per share, EUR	2.17	2.48	2.17
Equity ratio, %	37.1	27.0	28.8
Adjusted average number of outstanding shares, mill.	94.9	97.4	97.4
Gross capital expenditure on PPE, EUR mill., continuing operations	6.2	4.2	15.9

Additions in right-of-use assets, EUR mill., continuing operations	5.3	5.9	10.6
Depreciation and impairment, EUR mill., continuing operations	7.7	9.9	38.9
Employees, average, FTE, continuing operations	2,834	2,754	2,946

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 (%)	$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}}$	x 100
Equity ratio (%)	$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}}$	x 100
Net gearing ratio (%)	$\frac{\text{Net interest-bearing liabilities incl. discontinued operations}}{\text{Total equity}}$	x 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 incl. discontinued operations – cash and bank and interest bearing receivables incl. discontinued operations	

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

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

Notes to the Interim Report

Accounting policies

HKScan Corporation's interim report for 1 January–31 March 2024 has been prepared in compliance with the IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the interim report as in the annual financial statements for 2023. 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. The accounting principles are explained in the financial statements for 2023. The interim report is unaudited.

Assumption of ability to continue as a going concern

The interim report January–March 2024 has been prepared on a going concern basis, assuming that HKScan will be able to realise its assets and settle its liabilities in the foreseeable future in the ordinary course of business. In assessing the going concern basis, HKScan's management has taken into account the uncertainties and risks associated with the business environment, available funding sources and the cash flow estimates of the Group companies.

HKScan's covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and liquidity covenant. In March 2024, HKScan had a net gearing ratio of 93.8 per cent (limit 125 per cent), a net debt to EBITDA ratio of 2.5 (limit 4.5) and a liquidity of EUR 29.5 million (limit EUR 15 million). HKScan's management has assessed the cash flow forecasts of the business over the next 12 months, and the forecast indicates that the covenants will remain well below their limits and not be breached.

During January–March 2024, HKScan has commenced negotiations to refinance the debt maturing in January–March 2025, and the negotiations on the details of the refinancing instruments will continue in spring 2024. The company's management estimates that the refinancing negotiations will result in a positive outcome that will ensure HKScan's ability to continue as a going concern.

Analysis by segment

(EUR million)	1-3/2024	1-3/2023	2023
NET SALES			
- Finland			
Sales, goods	227.9	217.0	929.5
Sales, services	0.8	1.0	3.5
Group total, continuing operations	228.7	218.0	933.0
EBIT			
- Finland	3.1	0.5	20.7
- Group administration costs	-2.0	-0.8	-6.4
Group total, continuing operations	1.2	-0.4	14.3

INVESTMENTS			
- Finland			
Gross capital expenditure on PPE	6.2	4.2	15.9
Additions in right-of-use assets	5.3	5.9	10.6
Investments total, continuing operations	11.5	10.2	26.5
AVERAGE NUMBER OF EMPLOYEES, FTE			
- Finland	2,834	2,754	2,946
Total, continuing operations	2,834	2,754	2,946

Notes to the income statement

1. Items affecting comparability

(EUR million)	1-3/2024	1-3/2023	2023
Comparable EBIT, continuing operations	1.4	-2.3	11.6
Termination of employment, Finland 1)	-0.2	-	-0.3
Reversal of environmental provision, Finland 2)	-	-	0.5
Reclassification adjustment of electricity derivatives, Group management 2)	-	1.9	2.6
Change in fair value of electricity derivatives, Group management 2)	-	-	0.0
EBIT, continuing operations	**1.2**	**-0.4**	**14.3**

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”

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Opening balance	44.0	113.8	113.8
Translation differences	0.1	-1.1	0.3
Additions	-	0.3	0.9
Depreciation and impairment	-0.8	-1.0	-4.0
Reclassification between items	0.3	0.0	2.3
Assets of disposal group classified as held for sale	-0.4	-	-69.4
Closing balance	43.1	112.0	44.0

3. Changes in tangible assets

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Opening balance	284.9	378.6	378.6

Translation differences	0.0	-1.2	0.9
Additions	12.7	13.2	47.9
Disposals	0.0	-0.2	-7.3
Depreciation and impairment	-8.0	-11.0	-43.8
Reclassification between items	-0.3	0.0	-2.7
Assets of disposal group classified as held for sale	-33.3	-	-88.7
Closing balance	256.1	379.4	284.9

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. 2024	0.0	70.3	12.7	82.9	89.6
Translation differences	-	-	0.0	0.0	0.0
Additions	-	5.3	0.6	5.8	5.8
Disposals	-	-	-	-	-
Depreciation for the financial period	-	-1.7	-0.9	-2.6	-
Payments	-	-	-	-	-2.2
Assets and liabilities of disposal group classified as held for sale	-	-0.4	-3.1	-3.5	-3.6
Closing balance on 31 March 2024	0.0	73.4	9.2	82.6	89.6

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2023	2.2	80.3	13.8	96.3	101.7
Translation differences	-	-0.2	0.0	-0.2	-0.2
Additions	-	6.8	1.0	7.8	7.8
Depreciation for the financial period	0.0	-2.0	-1.2	-3.3	-
Payments	-	-	-	-	-2.8
Closing balance on 31 March 2023	2.1	85.0	13.5	100.6	106.6

(EUR million)	1-3/2024	1-3/2024	1-12/2023
Depreciation expense of right-of-use assets, continuing operations	-2.3	-2.1	-8.9
Interest expense on lease liabilities, continuing operations	-1.1	-1.1	-4.2
Total amounts recognised in profit or loss, continuing operations	**-3.4**	-3.2	-13.1

5. Deferred tax assets

Out of the total EUR 25.1 million, EUR 23.9 million of the deferred tax asset arise from adopted losses, postponed depreciations, and non-deductible interest expenses in the Group's operations in Finland. The increased deferred tax asset arising from tax losses in Finland in 2018 resulted from losses incurred during the Rauma unit ramp up and was therefore temporary in nature.

Deferred tax assets are assumed to be used from losses in 2027 and postponed depreciations and non-deductible interest expenses to material respect by the end of the current decade. The estimate is based on management's plans for the near future. As plans contain uncertainties, these are mitigated in the estimate with a very conservative assumption on EBIT growth in 2026 and beyond. The 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. The utilisation of postponed tax depreciations and non-deducted interest expense does not have a time limit. Unrecognized Finnish deferred tax asset at the end of March 2024 was EUR 29.2 million.

The company has utilized tax losses in Finland every year in 2019–2023, and no losses have expired. In 2023, the company was able to utilize tax losses, and a EUR 4.1 (0.2) million deferred tax asset was used and recognized as a tax expense. The losses in taxation in Finland expire with the following schedule: EUR 4.7 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 23.2 million in 2028, EUR 10.0 million in 2029 and EUR 1.6 million in 2031.

6. Inventories

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Materials and supplies	39.2	72.5	37.5
Semi-finished products	2.8	6.4	4.1
Finished products	16.5	46.5	25.4
Spare parts	5.3	7.9	5.5
Inventories, advance payments	2.6	2.2	2.6
Total inventories	66.4	135.5	75.2

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

Sale of operations in Baltics

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

The Business Unit Baltics was classified as assets and liabilities held for sale on the balance sheet on 31 December 2022, and it is presented in the income statement as discontinued operations. At the end of March 2024, the Group has a purchase price receivable of EUR 24.7 million on its balance sheet. The fixed and unsecured purchase price receivable of EUR 15 million is measured at amortised cost and discounted at 5 per cent. The conditional purchase price receivable is measured at fair value through profit and loss, and it includes management judgement and estimation. Management has estimated the probability of the earn-out taking into account the uncertainty about the development of profitability. The EBITDA required for the realisation of the earn-out for the divested business is lower than the Group has previously used for valuation purposes, as the realisation of the earn-out is also significantly influenced by the development of the buyer's meat business and the achievable synergies. The conditional purchase price fair value is estimated at EUR 10.5 million at the end of March 2024.

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

Sale of operations in Sweden

HKScan and Lantmännen ek för have on 27 March 2024 closed the transaction announced on 29 December 2023, whereby HKScan sells its Swedish business to the Swedish Lantmännen. The transaction concerned the shares in HKScan Sweden AB, the subsidiary that formed HKScan's Business Unit Sweden.

The purchase price for the shares of HKScan Sweden Ab including the settlement of an internal loan amounted to EUR 83.7 million at closing. In addition, Lantmännen ek för transferred A shares (6,869,750) and K shares (665,000) in HKScan Corporation held by Lantmännen. The calculational market value of the shares was EUR 5.5 million at the time of signing the agreement. A prepayment of EUR 25 million of the purchase price was made upon the signing of the agreement. The sold company had EUR 4.4 million in cash at the closing.

The Swedish business unit was classified as assets and liabilities held for sale on the balance sheet on 31 December 2023, and it is presented in the income statement as discontinued operations. The Group’s translation difference in equity has come almost entirely from the Swedish operations, and at closing it was recorded from the comprehensive income statement into the income statement.

The Group's significant internal transactions between continuing and discontinued operations included the sale and purchase of products between the Swedish operations and the rest of the Group, the Group's administrative service fee from Sweden and the Group's financial gain on the Swedish lending. The figures for continuing and discontinued operations reflect external sales and their costs in accordance with the Group's segment reporting. External financing costs for Sweden are shown as a financing cost of discontinued operations.

Sale of operations in Denmark

On 2 May 2024, HKScan signed an agreement to sell the shares of its Danish subsidiary HKScan Denmark A/S to the Dutch Plukon Food Group B.V. The debt-free purchase price is EUR 44.6 million. The transaction is expected to close during 2024 and is subject to approval by the Danish competition authorities.The valuation of the Danish assets and liabilities at the estimated purchase price including transaction costs resulted in an impairment of EUR 11 million. The impairment is allocated to buildings.

The Group's significant internal transactions between continuing and discontinued operations included the sale and purchase of products between the Danish operations and the rest of the Group, the Group's administrative service fee from Denmark and the Group's financial gain on the Danish lending. The figures for continuing and discontinued operations reflect external sales and their costs in accordance with the Group's segment reporting. External financing costs for Denmark are shown as a financing cost of discontinued operations.

The income statement and cash flow presented below include the Swedish and Danish operations until March 2024 and the Baltic operations until August 2023. The balance sheet information include the Danish operations in March 2024, Swedish operations at the end of 2023 and Baltic operations at the end of March 2023.

Profit/loss for discontinued operations

(EUR million)	1-3/2024	1-3/2023	2023
Net sales	236.6	289.1	1,092.7
Cost of goods sold	-224.6	-279.4	-1,039.7
Other operating items total	-10.2	-11.0	-39.1
Operating profit	1.8	-1.3	13.8
Financial income and expenses	-0.7	-0.6	-2.5
Share of profit/loss in associates and joint ventures	0.0	-0.3	-0.7
Income tax	0.8	0.6	-0.7
Profit/loss for the period	1.9	-1.6	10.0
Impairment from fair-value measurement, Baltics	0.3	-	-0.2
Impairment from fair-value measurement, Sweden	7.1	-	-17.1
Impairment from fair-value measurement, Denmark	-11.0	-	-
Translation difference transfer to profit and loss, Sweden	-21.1	-	-
Other equity items transfer to result for the period, Baltics	-	-	2.2
Other equity items transfer to result for the period, Sweden	1.1	-	-
Profit/loss for the period from discontinued operations	-21.7	-1.6	-5.1

Cash flow of discontinued operations

(EUR million)	1-3/2024	1-3/2023	2023
Cash flow from operating activities	10.3	14.1	28.9
Cash flow from investing activities	73.4	-2.0	42.5
Cash flow from financing activities	-1.1	-1.4	-5.2
Cash flow total	**82.6**	**10.7**	**66.2**

Assets and liabilities of disposal group classified as held for sale

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Intangible assets	0.4	-	52.1
Tangible assets	22.3	50.1	88.7
Other non-current assets	4.2	-	20.2
Inventories	11.6	33.3	39.0
Receivables	18.9	14.4	45.7
Cash and cash equivalents	0.0	0.2	0.3
Total assets (A)	**57.4**	**98.0**	**246.0**
Lease liabilities	3.6	7.9	14.1
Trade payables and other liabilities	20.5	26.8	124.9
Total liabilities (B)	**24.2**	**34.7**	**139.0**
Net balance sheet value (A-B)	**33.3**	**63.3**	**107.1**

Key figures of continuing and discontinued operations 2023–2024

(EUR million)	Q1/2023	Q2/2023	Q3/2023	Q4/2023	2023	Q1/2024
Net sales						
- Finland	218.0	234.1	231.2	249.7	933.0	228.7
Discontinuing operations total	289.1	294.6	264.0	245.0	1,092.7	236.6
Group total	507.1	528.7	495.2	494.7	2,025.7	465.3

(EUR million)	Q1/2023	Q2/2023	Q3/2023	Q4/2023	2023	Q1/2024
EBIT						
- Finland	0.5	6.2	7.6	6.3	20.7	3.1
- Group administration	-0.8	-1.9	-0.5	-3.2	-6.4	-2.0
Group total, continuing operations	-0.4	4.4	7.1	3.1	14.3	1.2
Discontinuing operations total	-1.3	5.3	11.0	-16.2	-1.3	-21.9
Group total	-1.7	9.6	18.1	-13.0	13.0	-20.7

(EUR million)	Q1/2023	Q2/2023	Q3/2023	Q4/2023	2023	Q1/2024
Comparable EBIT						
- Finland	0.5	6.1	7.6	6.3	20.5	3.4
- Group administration	-2.7	-1.9	-1.0	-3.4	-8.9	-2.0
Group total, continuing operations	-2.3	4.2	6.6	3.0	11.6	1.4
Discontinuing operations total	-1.1	5.3	6.6	3.3	14.0	1.8
Group total	-3.4	9.5	13.2	6.3	25.6	3.2

Derivative instrument liabilities

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Nominal values of derivative instruments			
Foreign exchange derivatives	42.4	85.0	98.4
Interest rate derivatives	20.0	33.3	20.0
Electricity derivatives	0.4	-3.2	1.3
Fair values of derivative instruments			
Foreign exchange derivatives	0.1	0.4	-1.7
Interest rate derivatives	0.2	0.2	0.2
Electricity derivatives	2.5	14.9	5.2

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

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

Consolidated other contingent liabilities

(EUR million)	31 March 2024	31 March 2023	31 Dec. 2023
Debts secured by pledges or mortgages			
- loans from financial institutions	29.6	39.5	36.0
On own behalf			
- Assets pledged	33.3	61.5	44.3
On behalf of others			
- guarantees and other commitments	6.3	3.0	6.3
Other contingencies			
Leasing and rental commitments	0.2	0.2	0.2

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

Derivatives

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

Conditional purchase price receivable

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

(EUR million)	31 March 2024	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Conditional purchase price receivable	10.5			10.5
- Trading derivatives				
- Interest rate swaps	0.2	-	0.2	-
- Foreign exchange derivatives	0.2	-	0.2	-
- Commodity derivatives	2.6	-	2.6	-
of which subject to cash flow hedging	1.0	-	1.0	-
Total	**3.0**	**-**	**3.0**	**10.5**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				

-Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-0.1	-	-0.1	-
of which subject to cash flow hedging	-0.1	-	-0.1	-
Total	**-0.2**	**-**	**-0.2**	**-**

(EUR million)	31 March 2023	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	0.2	-	0.2	-
- Foreign exchange derivatives	0.5	-	0.5	-
- Commodity derivatives	15.3	-	15.3	-
of which subject to cash flow hedging	13.4	-	13.4	-
Total	**16.0**	**-**	**16.0**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-0.4	-	-0.4	-
of which subject to cash flow hedging	-0.4	-	-0.4	-
Total	**-0.5**	**-**	**-0.5**	**-**

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)	1-3/2024	1-3/2023	2023
Sales to associates	2.4	3.8	12.7
Purchases from associates	12.2	12.3	47.6
Trade and other receivables from associates	2.1	1.9	2.0
Trade and other payables to associates	4.4	3.6	3.9
Animal purchases from related party*	6.3	7.4	28.3
Animal sales to related party*	1.1	1.5	6.4
Loan receivable from LSO Osuuskunta	2.0	2.7	4.1

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