



HKFOODS

Half Year Financial Report 2024

7 August 2024

HKFoods' Half Year Financial Report 1 January–30 June 2024

Net sales and comparable EBIT from HKFoods' continuing operations increased

April–June 2024

- HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 254.6 (234.1) million. Consumer demand in Finland remained at the previous period's level and HKFoods strengthened its position in the Finnish market through successful commercial measures. In addition, exports increased significantly due to the shift in sales caused by the political strikes in March.
- The Group's EBIT from continuing operations totalled EUR 3.1 (4.4) million.
- The Group's comparable EBIT from continuing operations was EUR 4.4 (4.2) million. Cost levels remained high in April–June. In addition to the increase in the cost of external services, wage costs were pushed up by the previously agreed general salary rises. Wage cost inflation was practically neutral despite the one-off items in the comparison period, as the food industry's collective agreement solution raised wages in both summer 2023 and spring 2024. EBIT was also affected by the lower profitability of red meat value-added sales. However, successful commercial measures, production efficiencies and cost savings improved profitability in April–June 2024.
- The comparable EBIT of the Business Unit Finland was EUR 6.7 (6.1) million.
- Cash flow from operating activities including discontinued operations was EUR 13.1 (19.8) million. The comparison period includes positive EBITDA from divested businesses.
- The financing negotiations in the spring reached a conclusion that ensured the continuity of the company's financing.
- The sale of the Swedish business unit was completed on 27 March 2024. As a result of the transaction, HKScan Corporation's Annual General Meeting approved the change of the company name to HKFoods. The new name was adopted on 27 May 2024 after registration with the Trade Register. The new parallel company names are HKFoods Plc (in English) and HKFoods Abp (in Swedish).
- On 2 May 2024, HKFoods signed an agreement to sell its Danish businesses 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 Danish businesses will be presented as a discontinued operation.

January–June 2024

- HKFoods' net sales from continuing operations increased by 6.9 per cent to EUR 483.3 (452.1) million.
- Sales increased due to good consumer demand and successful commercial activities. Especially sales in the domestic retail channel increased.
- The Group's EBIT from continuing operations totalled EUR 4.3 (4.0) million.
- The Group's comparable EBIT from continuing operations was EUR 5.8 (2.0) million.
- Cost levels remained high. HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports. Profitability of red meat, especially beef, in Finland remained challenging. Sales and profitability of poultry and meat products and ready meals showed a positive trend. Improved sales mix, increased production efficiency and cost savings improved EBIT during the review period.
- The comparable EBIT of the Business Unit Finland was EUR 10.0 (6.6) million.
- Cash flow from operating activities including discontinued operations was EUR 14.9 (14.1) million. Cash flow improved from the comparison period as a result of better working capital development.
- Interest-bearing net debt was EUR 215.6 (361.9) million and net gearing 98.1 (138.5) per cent.
- Net interest-bearing debt excluding IFRS 16 lease liabilities was EUR 124.4 (251.6) million.

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

Key figures, net sales, continuing operations

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Net sales	254.6	234.1	483.3	452.1	933.0
Finland	254.6	234.1	483.3	452.1	933.0

Key figures, EBIT, continuing operations

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
EBIT	3.1	4.4	4.3	4.0	14.3
- % of net sales	1.2	1.9	0.9	0.9	1.5
Comparable EBIT	4.4	4.2	5.8	2.0	11.6
- % of net sales	1.7	1.8	1.2	0.4	1.2
Comparable EBIT, Finland	6.7	6.1	10.0	6.6	20.5
- % of net sales	2.6	2.6	2.1	1.5	2.2

Key figures, other

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
EBITDA, continuing operations	11.4	11.7	20.3	19.1	45.1
Profit before taxes, continuing operations	-1.4	-2.0	-5.1	-7.8	-10.7
- % of net sales	-0.6	-0.9	-1.1	-1.7	-1.2
Profit for the period, continuing operations	-1.7	-3.8	-5.5	-10.3	-17.3
- % of net sales	-0.7	-1.6	-1.1	-2.3	-1.9
EPS, EUR, continuing operations	-0.03	-0.05	-0.09	-0.13	-0.24
Comparable EPS, EUR, continuing operations	-0.02	-0.06	-0.07	-0.15	-0.27
Cash flow from operating activities, incl. discontinued operations	13.1	19.8	14.9	14.1	50.6
Cash flow after investing activities, incl. discontinued operations	-3.3	10.9	70.6	-1.9	73.3
Return on capital employed (ROCE) before taxes, %, incl. discontinued operations			-1.1	-2.0	3.0
Interest-bearing net debt			215.6	361.9	287.9
Net gearing, %			98.1	138.5	121.0

HKFoods' CEO Juha Ruohola

HKFoods' extensive restructuring progressed in the second quarter. At the beginning of May, we announced that we have signed an agreement to sell our Danish subsidiary ROSE Poultry A/S to the Dutch Plukon Food Group. The transaction is expected to close during 2024 and it will be subject to the approval of the Danish competition authorities.

On a positive note, the second quarter saw an improvement in the company's net sales and comparable EBIT, as well as the conclusion of the financing negotiations in the spring, which ensured the company's financial continuity.

HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 254.6 (234.1) million in the second quarter of the year 2024. The Group's EBIT from continuing operations totalled EUR 3.1 (4.4) million and the Group's comparable EBIT from continuing operations was EUR 4.4 (4.2) million.

Sales increased due to successful commercial activities across all sales channels, but cost levels remained high in April–June. In addition to higher costs for external services, wage costs were driven up by previously agreed general increases and growth in production volumes and added value. As a result, wage costs were higher than in the comparison period, even though the comparison period's costs included significant one-off items for wage settlements. While inflation pressures have eased, market interest rates have remained high, increasing costs not only for the whole value chain but also for consumers. This has restrained consumer purchasing behaviour, especially for red meat. The profitability of the sales of red meat value cuts decreased from the comparison period. However, HKFoods strengthened its position in the Finnish consumer market.

Investments in Forssa and Rauma progressed as planned and the investment in the Rauma poultry cutting unit was completed during the quarter. We have also centralised our poultry product packaging activities from Eura to Rauma and Forssa and decided on an investment of approximately EUR 8 million in the production of ready-to-eat products at our Eura unit. These investments and our other development plans are expected to generate the total annual cost savings of around EUR 6 million as reported earlier. Savings will start to materialise from Q3/2024 onwards.

Over the past 18 months, we have been assessing the position of our businesses within the Group in order to increase our financial flexibility. We have improved HKFoods' profitability and strengthened the 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. Following the sale of the Swedish business, we adopted the new company name HKFoods at the end of May, as decided by the Annual General Meeting.

The business divestments have strengthened HKFoods' balance sheet and the proceeds have been used to repay the company's loans. The company's net debt decreased by EUR 146.3 from the comparison period and by EUR 72.3 million from the year-end to EUR 215.6 (372.7) million.

During the period under review, HKFoods negotiated the refinancing of debt maturing in January–March 2025. The outcome of the financing negotiations was positive for the company and ensured continuity of our financing.

At the heart of our responsibility programme is our employees' wellbeing and safety, which we promote through the Group-wide Better Together and Safety First programmes. These programmes are part of the implementation of HKFoods' 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 and healthy workplace for our employees and partners working in our units.

In terms of safety at work, the trend in accident frequency has levelled off this year. Improving work on safety requires from us long-term effort and measures in co-operation with our employees.

However, we still need to be particularly focused on achieving our profitability target. We will continue to keep a tight grip on costs, improve production efficiency, optimise our product portfolio in the face of changing consumer demand and take commercial action.

Thanks to the significant structural and operational measures taken, we can focus on the implementation of HKFoods' long-term strategy with confidence and continue our determined work towards becoming a versatile food company. We have achieved this in cooperation with our employees, but also with our customers, contract farmers and other partners.

Key events in Q2 2024

The company name changed to HKFoods

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 new name, logo, website and email address were introduced on 27 May 2024 after registration with the Trade Register. The parallel company names of the new name are HKFoods Plc (in English) and HKFoods Abp (in Swedish).

The names of the subsidiaries will change when their new names are officially registered. The new name of the Danish subsidiary is ROSE Poultry A/S from 27 May 2024. The name of the Polish subsidiary will be HKFoods Poland Sp. z o.o. from 23 August 2024 onwards. HKScan Finland Corporation will be changed to HKFoods Finland Plc on 2 September 2024.

Other contact details of the company and employees, such as phone numbers and addresses, will remain unchanged.

Details on the matter were provided in the following releases: [15 March 2024](#), [18 April 2024](#) and [24 May 2024](#).

HKFoods to sell its Danish business

On 2 May 2024, HKScan signed an agreement to sell its Danish business 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.

HKFoods issued secured notes of EUR 90 million

On 17 June 2024, HKFoods issued secured senior notes of EUR 90 million. The three-year notes mature on 17 June 2027, carry a floating interest at the rate of EURIBOR 3 months plus a margin of 7.5 per cent and had an issue price of 100 per cent.

The proceeds from the issue of the notes will be used for refinancing certain existing indebtedness of HKFoods and general corporate purposes of the HKFoods' group.

Details on the matter have been provided in the [31 May 2024](#), [7 June 2024](#), [10 June 2024](#), [10 June 2024](#) and [13 June 2024](#)

Strategy

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

HKFoods 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. HKFoods 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. HKFoods will continue its goal-oriented climate work.

Group net sales and EBIT

April–June

Net sales

HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 254.6 (234.1) million. Good volume growth increased the value of retail sales. The growth was strongest in meat, poultry and ready meal products. In the home markets, consumer demand continued at the level of the previous period. In addition, HKFoods' successful commercial activities strengthened the company's market position. Sales in the food service channel increased slightly from the comparison period. Meat export volumes were up significantly from the comparison period, mainly due to the shift in sales caused by the political strikes in March. Easter sales fell on the preceding period and had a slightly negative impact on the review period's sales and profitability compared to the comparison period. As a result of the sale of the Swedish business, the Polish bacon unit's sales to Sweden are reported as external sales from the review period onwards, which contributed to the increase in net sales and the share of exports in net sales.

EBIT

HKFoods' EBIT from continuing operations totalled EUR 3.1 (4.4) million. The comparable EBIT from continuing operations was EUR 4.4 (4.2) million.

Items affecting comparability of EUR -1.3 (0.1) 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 April–June 2024. Compared to the same period last year, inflation was driven by high costs of external services and by general wage increases.

As a result of commercial activities and good consumer demand, sales to the Finnish retail channel increased. Sales growth was particularly strong in products with higher added value, which improved the company's profitability. Profitability of products with lower added value remained weak. Due to stronger domestic demand than in the comparison period, exports of less profitable meat were lower than in the same period last year. However, exports increased significantly in the second quarter due to the shift in sales caused by the political strikes in March. This contributed to the decline in relative profitability. Despite this, HKFoods' better sales mix, production efficiency measures and cost savings improved the EBIT in the review period.

January–June

Net sales

HKFoods' net sales from continuing operations increased by 6.9 per cent to EUR 483.3 (452.1) million. Sales increased due to good consumer demand and successful commercial activities. Especially sales in the Finnish retail channel increased. On the other hand, sales from Finland to export markets declined. Sales growth

was strongest in HKFoods' own branded products in the strategically important poultry and ready meal products.

EBIT

HKFoods' EBIT from continuing operations totalled EUR 4.3 (4.0) million. The comparable EBIT from continuing operations was EUR 5.8 (2.0) million. Cost levels remained high. Particularly payroll and external services costs increased from the comparison period. The company made contingency arrangements to prepare for disruptions caused by political strikes and to secure customer deliveries, which contributed to the company's increased costs in the first quarter of the year. HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports.

Profitability of red meat in Finland remained challenging. Sales and profitability of meat and poultry products and ready meals developed positively. Better sales mix, increased production efficiency and cost savings improved EBIT during the review period.

Items affecting comparability of EUR -1.5 (2.0) million were recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

Balance sheet, cash flow and financing

At the end of June, HKFoods' balance sheet total was EUR 591.0 (948.0) million. The Group's interest-bearing debt at the end of June was EUR 231.7 (400.2) million including an IFRS 16 lease liability of EUR 91.2 (110.2) million. The company's net debt decreased from the comparison period by EUR 146.3 million and from the year end by EUR 72.3 million to EUR 215.6 (361.9) million. HKFood's net gearing ratio was 98.1 (138.5) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 41.5 percentage points.

At the end of June 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 company does not intend to redeem the hybrid loan in 2024.

During the reporting period HKFoods Plc issued secured senior notes of EUR 90 million. The three-year Notes mature on 17 June 2027, carry a floating interest at the rate of EURIBOR 3 months plus a margin of 7.5 per cent and had an issue price of 100 per cent. The proceeds from the bond were used for the partial repurchase of fixed-rate, unsecured notes due on 24 March 2025 and general corporate purposes of the HKFoods' group. After the repurchase, the remaining old notes amount to EUR 9.6 million.

The redemption of the old bond resulted in a financial expense of EUR -1.5 million, which had a negative impact on the result for the financial year. The cost of the new bond will be amortised over the next three years.

During the reporting period, HKFoods also entered into a new secured revolving credit facility agreement of EUR 20.0 million with its financing banks, which will mature in 2027. It replaced the previous revolving credit facility of 55.0 agreement maturing in January 2025.

The Group's liquidity position was satisfactory. A commercial paper programme had been drawn to the amount of EUR 4.0 (10.0) million. Committed credit facilities at the end of June 2024 stood at EUR 20.0 (145.0) million and had been drawn to the amount of EUR 0.0 (135.0) million. In April–June, net financial expenses from continuing operations were EUR -4.9 (-6.8) million and in January–June EUR -9.9 (-13.5) million.

Cash flow from operating activities in April–June was EUR 13.1 (19.8) million and in January–June EUR 14.9 (14.1) million. Cash flow after investments in April–June was EUR -3.3 (10.9) million and totalled EUR 70.6 (-1.9) million in January–June.

HKFoods's covenants for new bank loans and revolving credit facilities are the net gearing ratio and the ratio of net debt to EBITDA. EBITDA includes the share of profits from associates and joint ventures. The net gearing ratio limit is 115 per cent for bank loans until the end of December 2024, 110 per cent until the end of June 2025, 105 per cent until the end of March 2026 and 100 per cent from 30 June 2026. The net

gearing ratio limit for bond is 120 per cent. At the end of June 2024, the company's net gearing ratio was 98.1 per cent.

The covenant limit for net debt to EBITDA ratio for bank loans is currently 4.25. Starting from the end of December 2024 the limit is 3.75 and 3.50 starting from the end of June 2025. The limit is 3.25 starting from the end of September 2025 and 3.0 starting from the end of June 2026. At the end of June 2024, the net debt to EBITDA ratio was 3.9.

HKFoods' 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 ROSE Poultry 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. ROSE Poultry 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

HKFoods' investments in continuing operations amounted to EUR 8.7 (3.4) million in April–June. Investments for January–June were EUR 14.8 (7.6) million. IFRS 16 additions to right-of-use assets totalled EUR 0.1 (0.4) million in April–June and EUR 5.4 (6.4) million in January–June.

In March 2024, the company decided to centralise the packaging operations of poultry products from Eura to Rauma and Forssa, and to make an investment of approximately EUR 8 million in a production line for ready-to-eat products in the Eura unit. This investment proceeded to the implementation phase during the review period. With this strategic investment, HKFoods 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 made on the 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 and was completed in the review period. HKFoods aims to achieve total annual savings of approximately EUR 3 million through the investment and related development activities, which will start to materialise during the second half of the year.

At the Forssa unit, the investment in the meat packing and dispatching to improve the competitiveness and cost-efficiency of production progressed as planned during the review period. The introduction of new conveyors and systems is underway, and capacity is being increased towards the target.

At the Polish production unit, the investment in a slicing and packaging line to improve capacity and efficiency was completed. The value-enhancing investment and the property development project will continue as planned during the second half of the year.

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

Exports

HKFoods aims to further develop the exports of meat products and to use all meat components as efficiently and sustainably as possible. HKFoods exports meat to approximately 40 countries, e.g., China, the USA, Japan, New Zealand and South Korea. HKFoods exports also meat products to New Zealand, New Caledonia, Japan, South Korea and numerous European countries. In the review period, HKFoods started exporting pork to South Africa. 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. In June, the Chinese Ministry of Commerce (MOFCOM) launched anti-dumping investigations on EU pork.

Business Unit Finland

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Net sales	254.6	234.1	483.3	452.1	933.0
EBIT	5.8	6.2	9.0	6.7	20.7
- EBIT margin, %	2.3	2.7	1.9	1.5	2.2
Comparable EBIT	6.7	6.1	10.0	6.6	20.5
- EBIT margin, %	2.6	2.6	2.1	1.5	2.2

April–June

Net sales for Business Unit Finland totalled EUR 254.6 (234.1) million. Good volume growth increased the value of retail sales. The growth was strongest in meat, poultry and ready meal products. In the home markets, consumer demand continued at the level of the previous period. In addition, HKFoods' successful commercial activities strengthened the company's market position. Sales in the food service channel increased slightly from the comparison period. Meat export volumes were up significantly from the comparison period mainly due to the shift in sales caused by the political strikes in March. Easter sales fell on the preceding period and had a slightly negative impact on the review period's sales and profitability versus the comparison period. As a result of the sale of the Swedish business, the Polish bacon unit's sales to Sweden are reported as external sales from the review period onwards, which contributed to the increase in net sales and the share of exports in net sales.

EBIT was EUR 5.8 (6.2) million. Comparable EBIT was EUR 6.7 (6.1) million. EBIT included an item of EUR -0.8 (0.1) million affecting comparability. Cost levels remained high in April–June 2024. Compared to the same period last year, inflation was driven up by high costs of external services and by general wage increases.

As a result of commercial activities and good consumer demand, sales to the Finnish retail channel increased. Sales growth was particularly strong in products with higher added value, which improved the company's profitability. Profitability of products with lower added value remained weak. Due to stronger domestic demand than in the comparison period, exports of less profitable meat were lower than in the same period last year. However, exports increased significantly in the second quarter due to the shift in sales caused by the political strikes in March. This contributed to the decline in relative profitability. Despite this, HKFoods' better sales mix, production efficiency measures and cost savings improved the EBIT in the review period.

January–June

Net sales for Business Unit Finland totalled EUR 483.3 (452.1) million. Sales increased due to good consumer demand and successful commercial activities. Especially sales in the Finnish retail channel increased. On the other hand, sales from Finland to export markets declined. Sales growth was strongest in HKFoods' own branded products in the strategically important poultry and ready meal products.

EBIT was EUR 9.0 (6.7) million. Comparable EBIT was EUR 10.0 (6.6) million. EBIT included an item of EUR -1.0 (0.1) million affecting comparability. Cost levels remained high. Particularly payroll and external services costs increased from the comparison period. The company made contingency arrangements to prepare for disruptions caused by political strikes and to secure customer deliveries, which contributed to the company's increased costs in the first quarter of the year. HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports.

Profitability of red meat in Finland remained challenging. Sales and profitability of meat and poultry products and ready meals developed positively. Better sales mix, increased production efficiency and cost savings improved EBIT during the review period.

Personnel

HKFoods employed 3,013 (2,941) people in its continuing operations.

Continuing operations personnel	1-6/2024	1-6/2023	2023
Personnel on average*	3,013	2,941	2,946
Finland**	3,013	2,941	2,946
Women / men %	41 / 59	41 / 59	42 / 58
Women / men of superiors %	37 / 63	35 / 65	36 / 64

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

** Including Polish personnel.

Corporate Responsibility

During the review period, HKFoods continued to prepare for the compilation of data under the EU's Sustainability Reporting Directive (CSRD) and the deepening of measures for the climate target renewed at the beginning of 2024.

The implementation of data collection on reportable themes has been supported by system development work:

- The emissions accounting software has been updated to comply with the company's new emissions accounting and reporting model (GHG Protocol and LSRG)
- Responsible procurement software has been implemented to support supply chain data management.

For the fourth year in a row, HKFoods' climate work was recognised in the Financial Times' European Climate Leaders list. The 500 top-ranked companies have reduced emissions from their own production the most in relation to their net sales between 2017 and 2022, reported transparently on their climate impacts and committed to or set science-based climate targets. This year, 30 companies from Finland were included in the Financial Times' Climate Leaders list.

HKFoods' responsibility programme focuses on two themes: nature and people.

Nature

The HKFoods Group's revised climate target is to reach net zero for all greenhouse gas emissions by 2050. HKFoods' climate work is guided by a comprehensive set of measures consisting of dozens of scientifically verified emission reduction actions.

During the review period, pilot projects for the cultivation of catch crops in the fields of our contract farmers continued as planned, as well as studies aimed at reducing nitrogen fertilisation. These projects will demonstrate the impact of the measures on soil vitality, carbon sequestration and nitrogen nutrient run-off into water bodies. The correct level of soil fertilisation, either with nitrogen nutrient or with crops such as peas, is important to ensure that the field can produce an optimum yield during the growing season.

During the review period, HKFoods joined the Saaristomeri catchment area project coordinated by the ELY Centre for Southwest Finland. The project aims to reduce the impact of agricultural water runoff emissions and to provide common recommendations for action. The main focus of the Archipelago Sea programme is on controlling eutrophication and reducing nutrient run-off from agriculture.

People

HKFoods' values – Inspire, Lead, Care and Deliver – guide all the company activities and decision-making. HKFoods is committed to promoting the wellbeing and safety of its employees through the Group-wide Better Together and Safety First programmes. The goal is a safe and healthy workplace.

The Better Together programme's theme for 2024 is inclusion, which is reinforced through the Inclusion Starts with Me project. The project focuses particularly on strengthening a sense of belonging and psychological safety. The aim is for every employee to feel valued and an important part of the HKFoods community. The company offers a wide range of training and development opportunities that contribute to the professional growth and well-being of employees and the overall success of the organisation.

HKFoods makes goal-oriented efforts towards zero accidents at work. HKFoods' key objective is to be a safe workplace for its employees and for its partners operating in the units. The Group's total lost time injury frequency rate (LTIR) for 7/2023-6/2024 was 17.9 (16.6 for 7/2022-6/2023).

In terms of occupational safety, HKFoods has focused on the harmonisation and development of critical processes. One of the priorities has been to develop the handling of safety incidents. The company aims to clarify and streamline its processes for reporting, handling and communicating on workplace safety. Through the process, the aim is also to strengthen safety learning between business units and sites. Determined and systematic work to promote safety has paid off as for example, on 18 April 2024, the Forssa unit's maintenance department had three years with no lost-time accidents.

Shares and shareholders

At the end of June 2024, HKFoods Plc'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 HKFoods Oyj (665,000 shares) and are not listed.

On 27 March 2024, HKFoods 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 HKFoods 7,534,750 own shares, of which 6,869,750 were A shares and 665,000 K shares.

At the end of June, 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 calculated market value of HKFoods' shares at the end of June stood at EUR 59.3 (75.8) million. The market value of the Series A shares was EUR 56.2 (71.7) million, and the calculated market value of the unlisted Series K shares was EUR 3.1 (4.1) million.

In January–June, a total of 4,804,697 (9,622,833) of the company's shares were traded with a total value of EUR 3,509,114 (7,687,762). The highest price quoted was EUR 0.83 (0.97) and the lowest EUR 0.61 (0.68). The average price was EUR 0.73 (0.79). At the end of June, the closing price was EUR 0.66 (0.77).

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 the 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.hkfoods.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, Jari 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.hkfoods.com.

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.hkfoods.com/en/about-us/policies-and-certificates/remuneration-policy/>

Short-term business risks

Economic operating environment and financial risks

The European Central Bank (ECB) cut its policy rate by 0.25 percentage points in June. The Central Bank forecasts inflation in the euro area to average 2.5 per cent this year and 2.2 per cent in 2025. Geopolitical tensions could have an adverse impact on inflation and interest rate developments. The main threat to the absence of rate cuts in the near future is that inflation remains above the ECB's target of 2 per cent.

Uncertainty for 2024 remains related to the evolution of consumer demand in a context of high lending rates, weakened employment and declining consumer purchasing power. The number of bankruptcies, layoffs and redundancies has also continued to rise. In addition, fiscal rebalancing measures (e.g. VAT increases) will increase uncertainty in the coming months. If consumer demand weakens significantly and HKFoods' sales volumes fall considerably, this could 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.

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 HKFoods' 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

Weaker consumer purchasing power may increase demand for lower-priced products and product categories. This may be reflected in a weakening of HKFoods' 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 cyberattacks is high due to the unstable geopolitical situation and several companies have been targeted by cyberattacks. Cyberattacks can significantly disrupt the company's operations. HKFoods is prepared for cyberattacks through systematic monitoring and cybersecurity enhancements to ensure a rapid response in the event of an incident.

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 HKFoods' value chain. In its planning, HKFoods takes into account the potential impact of cost and scheduling risks on the execution of its investments.

If the European Commission imposes permanent tariff increases on Chinese electric vehicles, China may retaliate by either raising tariffs on food imports from Europe or banning imports altogether. If this happens, it could have an impact on HKFoods' pork export to China.

Events after the reporting period

Mika Tilli started as a 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 March 2024](#)

Michael Juhl Jørgensen started as Interim EVP, Business Unit Denmark and member of the Group Executive Team as of 1 July 2024.

Details on the matter have been provided in a release: [27 May 2024](#)

Turku, 7 August 2024

HKFoods Plc
Board of Directors

Webcast

In connection with its Half Year Financial Report 2024, HKFoods will hold a webcast in Finnish for analysts, institutional investors and media on 7 August 2024 at 10 a.m. EEST. You can follow the Finnish webcast at <https://hkfoods.videosync.fi/q2-2024/> and the recording will be available at www.hkfoods.com later on the same day.

HKFoods' CEO Juha Ruohola and CFO Mika Tilli will present the Half Year Financial Report.

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

Financial reports

HKFoods will publish the Interim Report for January–September 2024 on Wednesday 6 November 2024, at about 8:30 EET.

For further information

Juha Ruohola, CEO, tel. +358 400 647 160
Mika Tilli, CFO, tel. +358 50 538 5793

HKFoods Media Service Desk tel. +358 10 570 5700 or email communications@hkfoods.com

With 110 years of experience, we at HKFoods 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. HKFoods is a publicly listed company, and in 2023, our net sales from continuing operations totalled nearly EUR 1.2 billion. www.hkfoods.com

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

Consolidated Half Year Financial Report 1 January–30 June 2024

Consolidated income statement

(EUR million)		4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Continuing operations:						
Net sales		254.6	234.1	483.3	452.1	933.0
Cost of goods sold	1.	-237.6	-216.3	-452.6	-421.4	-867.4
Gross profit		17.0	17.8	30.7	30.7	65.6
Other operating items total						
Other operating items total	1.	2.4	2.9	4.9	5.2	10.1
Sales and marketing costs	1.	-7.6	-7.5	-14.6	-14.0	-25.8
General administration costs	1.	-8.7	-8.7	-16.7	-17.9	-35.7
Operating profit		3.1	4.4	4.3	4.0	14.3
Financial income						
Financial income		1.2	1.0	2.3	1.7	3.6
Financial expenses						
Financial expenses		-6.1	-7.8	-12.2	-15.2	-30.6
Share of profit/loss in associates and joint ventures						
Share of profit/loss in associates and joint ventures		0.3	0.4	0.5	1.6	2.0
Profit/loss before taxes		-1.4	-2.0	-5.1	-7.8	-10.7
Income tax						
Income tax		-0.2	-1.8	-0.4	-2.5	-6.6
Profit/loss for the period, continuing operations		-1.7	-3.8	-5.5	-10.3	-17.3
Profit/loss for discontinued operations		1.3	4.3	-20.4	2.8	-5.1
Profit/loss for the period		-0.4	0.5	-25.9	-7.6	-22.5
Profit/loss for the period attributable to:						
Equity holders of the parent		-0.8	-0.6	-26.4	-9.0	-26.4
Non-controlling interests		0.5	1.1	0.5	1.5	4.0
Total		-0.4	0.5	-25.9	-7.6	-22.5
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.03	-0.05	-0.09	-0.13	-0.24
EPS, diluted, continuing operations, EUR/share		-0.03	-0.05	-0.09	-0.13	-0.24
EPS, undiluted, discontinued operations, EUR/share		0.01	0.04	-0.23	0.03	-0.05
EPS, diluted, discontinued operations, EUR/share		0.01	0.04	-0.23	0.03	-0.05
EPS, undiluted, EUR/share		-0.02	-0.01	-0.31	-0.10	-0.29
EPS, diluted, EUR/share		-0.02	-0.01	-0.31	-0.10	-0.29

Consolidated statement of comprehensive income

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Profit/loss for the period	-0.4	0.5	-25.9	-7.6	-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	0.0	-3.0	-2.0	-4.2	1.3
Sweden translation difference transfer to profit and loss, discontinued operations	-	-	21.1	-	-
Cash flow hedging, continuing operations	0.0	-0.5	-1.4	-3.6	-10.4
Cash flow hedging, discontinued operations	0.0	-1.5	-0.8	-6.1	-3.6
Reclassification adjustment (electricity derivative), continuing operations	-	-	-	-1.9	-2.6
Transfer of the value of Sweden's electricity derivatives to the result for the financial period, discontinued operations	-	-	-1.0	-	-
Share of associates' and joint ventures' other comprehensive income items, continuing operations	-	0.7	-	0.7	0.5
Items that will not be reclassified to profit or loss					
Actuarial gains or losses, discontinued operations	-	-	-	-	-4.4
TOTAL OTHER COMPREHENSIVE INCOME	0.0	-4.3	16.0	-15.1	-19.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-0.4	-3.8	-9.9	-22.7	-41.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-0.9	-4.9	-10.4	-24.2	-45.6
Non-controlling interests	0.5	1.1	0.5	1.5	4.0
Total	-0.4	-3.8	-9.9	-22.7	-41.6

Consolidated balance sheet

(EUR million)	Note	30 June 2024	30 June 2023	31 Dec. 2023
ASSETS				
Intangible assets	2.	42.8	108.5	44.0
Tangible assets	3.4	256.8	367.0	284.9
Holdings		20.9	39.8	24.3
Deferred tax asset	5.	25.2	31.3	25.1
Other non-current assets		24.8	10.2	26.2
TOTAL NON-CURRENT ASSETS		370.6	556.8	404.5
Inventories	6.	64.4	126.2	75.2
Current receivables		81.3	135.2	97.3
Cash and cash equivalents		15.9	34.6	28.7
TOTAL CURRENT ASSETS		161.6	295.9	201.1
Assets of disposal group classified as held for sale	7.	58.8	95.3	246.0
TOTAL ASSETS		591.0	948.0	851.7
EQUITY AND LIABILITIES				
EQUITY				
		219.8	261.2	238.0
Non-current loans, interest-bearing	4.	173.7	231.6	289.0
Non-current liabilities, non-interest-bearing		5.5	31.8	6.3
TOTAL NON-CURRENT LIABILITIES		179.3	263.4	295.3
Current loans, interest-bearing	4.	54.6	161.0	17.9
Current liabilities, non-interest-bearing		114.5	228.1	161.5
TOTAL CURRENT LIABILITIES		169.1	389.1	179.4
Liabilities of disposal group classified as held for sale	7.	22.8	34.3	139.0
TOTAL EQUITY AND LIABILITIES		591.0	948.0	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	-	-	-	-	-	-	-	-	-26.4	-26.4	0.5	-25.9
Other comprehensive income (+) / expense (-)												
Transl. diff.	-	-	0.0	-	-	-	19.2	-	-	19.2	-	19.2
Cash flow hedging	-	-	-2.2	-	-	-	-	-	-	-2.2	-	-2.2
Transfer of the value of Sweden's electricity derivatives to the result for the financial period	-	-	-1.0	-	-	-	-	-	-	-1.0	-	-1.0
Total other comprehensive income / expense	-	-	-3.3	-	-	-	19.2	-	-	16.0	-	16.0
Total compreh. income for the period	-	-	-3.3	-	-	-	19.2	-	-26.4	-10.4	0.5	-9.9
Direct recognitions	-	-	-	-	-	-	-	-	-0.2	-0.2	-	-0.2
Sweden sale related transfer to result for the financial period	-	-	-1.2	-	-	0.1	-	-	-	-1.1	-	-1.1
Acquisition of own shares	-	-	-	-	-	-	-	-5.3	-	-5.3	-	-5.3
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.7	-1.7
EQUITY ON 30 June 2024	66.8	72.9	1.4	215.4	25.9	8.2	0.5	-9.1	188.0	194.2	25.7	219.8

(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	-	-	-	-	-	-	-	-	-9.0	-9.0	1.5	-7.6
Other comprehensive income (+) / expense (-)												
Transl. diff.-	-	-	-	-	-	-	-4.2	-	-	-4.2	-	-4.2
Cash flow hedging	-	-	-9.7	-	-	-	-	-	-	-9.7	-	-9.7
Reclassification adjustment (electricity derivative)	-	-	-1.9	-	-	-	-	-	-	-1.9	-	-1.9
Share of associates' and joint ventures' other comprehensive income items	-	-	0.7	-	-	-	-	-	-	0.7	-	0.7
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	-10.9	-	-	-	-4.2	-	-	-15.1	-	-15.1
Total comprehensive income for the period	-	-	-10.9	-	-	-	-4.2	-	-9.0	-24.2	1.5	-22.7
Direct recognitions	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Transfer of own shares	-	-	-	-	-	-	-	0.3	-0.3	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.9	-1.9
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.1	0.1
EQUITY ON 30 June 2023	66.8	72.9	11.0	215.4	25.9	10.4	-24.1	-3.8	-137.6	236.9	24.3	261.2

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

-	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Cash flow before change in net working capital	12.3	20.3	23.9	29.0	74.2
Change in net working capital	6.5	3.8	5.7	-2.0	5.9
Financial items and taxes	-5.7	-4.3	-14.7	-12.9	-29.4
CASH FLOW FROM OPERATING ACTIVITIES	13.1	19.8	14.9	14.1	50.6
Cash flow from investing activities	-16.4	-8.9	55.7	-16.0	22.6
CASH FLOW AFTER INVESTING ACTIVITIES	-3.3	10.9	70.6	-1.9	73.3
Hybrid loan	-	-	-	-	-2.1
Change in loans	0.1	-4.9	-82.3	20.9	-58.0
Dividends paid	-1.7	-1.9	-1.7	-1.9	-1.9
CASH FLOW FROM FINANCING ACTIVITIES	-1.6	-6.8	-84.1	19.0	-62.0
NET CASH FLOW	-4.9	4.1	-13.4	17.1	11.3
Cash and cash equivalents at beginning of period	21.0	30.6	29.0	17.8	17.8
Translation differences	-0.2	0.0	0.5	-0.2	-0.1
Cash and cash equivalents at end of period	16.0	34.8	16.0	34.8	29.0

Financial indicators

(EUR million)	30 June 2024	30 June 2023	31 Dec. 2023
Earnings per share (EPS), undiluted, EUR, continuing operations	-0.09	-0.13	-0.24
Earnings per share (EPS), diluted, EUR, continuing operations	-0.09	-0.13	-0.24
Equity per share, EUR	2.16	2.43	2.17
Equity ratio, %	37.2	27.6	28.8
Adjusted average number of outstanding shares, mill.	92.4	97.4	97.4
Gross capital expenditure on PPE, EUR mill., continuing operations	14.8	7.6	15.9
Additions in right-of-use assets, EUR mill., continuing operations	5.4	6.4	10.6
Depreciation and impairment, EUR mill., continuing operations	16.0	15.1	30.8
Employees, average, FTE, continuing operations	3,013	2,941	2,946

Calculation of financial indicators

HKFoods 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 (%)	$\frac{\text{Net interest-bearing liabilities incl. discontinued operations}}{\text{Total equity}} \times 100$
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 incl. discontinued operations – cash and bank and interest bearing receivables incl. discontinued operations Interest-bearing net debt incl. discontinued operations
Net debt to EBITDA ratio (leverage)	$\frac{\text{Interest-bearing net debt incl. discontinued operations}}{\text{EBITDA continuing operations + Denmark + share of profit/loss in associates and joint ventures continuing operations + Denmark}}$

* 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

HKFoods Plc's Half Year Financial Report 2024 has been prepared in compliance with the 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 2023. 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. The accounting principles are explained in the financial statements for 2023. The Half Year Financial Report is unaudited.

Assumption of ability to continue as a going concern

The Half Year Financial Report 2024 has been prepared on a going concern basis, assuming that HKFoods 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, HKFoods' 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.

The closing of the sale of the Swedish business in March 2024 significantly strengthened the company's financial position. In addition, profitability and cash flow from continuing operations have improved.

HKFoods' covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and liquidity covenant. In June 2024, HKFoods had a net gearing ratio of 98.1 per cent (limit 115 per cent), a net debt to EBITDA ratio of 3.9 (limit 4.25). HKFoods' management has assessed the cash flow forecasts of the business over the next 12 months, and the forecast indicates that the covenants will not be breached.

During the reporting period, HKFoods Plc finalised negotiations to refinance the debt maturing in January–March 2025 and issued secured senior notes of EUR 90 million. The proceeds from the bond were used for the partial repurchase of fixed-rate, unsecured notes due on 24 March 2025 and general corporate purposes of the HKFoods' group. During the reporting period, HKFoods also entered into a new secured revolving credit facility agreement of EUR 20.0 million with its financing banks, which will mature in 2027. It replaced the previous revolving credit facility of EUR 55.0 million agreement maturing in January 2025.

Analysis by segment

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
NET SALES					
- Finland					
Sales, goods	253.8	233.2	481.7	450.1	929.5
Sales, services	0.8	0.9	1.6	1.9	3.5
Group total, continuing operations	254.6	234.1	483.3	452.1	933.0
EBIT					
- Finland	5.8	6.2	9.0	6.7	20.7
- Group administration costs	-2.7	-1.9	-4.7	-2.7	-6.4
Group total, continuing operations	3.1	4.4	4.3	4.0	14.3
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	8.7	3.4	14.8	7.6	15.9
Additions in right-of-use assets	0.1	0.4	5.4	6.4	10.6
Investments total, continuing operations	8.8	3.8	20.2	14.0	26.5
AVERAGE NUMBER OF EMPLOYEES, FTE					
- Finland			3,013	2,941	2,946
Total, continuing operations			3,013	2,941	2,946

Notes to the income statement

1. Items affecting comparability

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Comparable EBIT, continuing operations	4.4	4.2	5.8	2.0	11.6
Termination of employment, Group management 1)	-0.5	-	-0.5	-	-
Termination of employment, Finland 1)	-0.2	-0.3	-0.4	-0.3	-0.3
Impairment of assets, Finland 1)	-0.6	-	-0.6	-	-
Reversal of environmental provision, Finland 2)	-	0.5	-	0.5	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	3.1	4.4	4.3	4.0	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)	30 June 2024	30 June 2023	31 Dec. 2023
Opening balance	44.0	113.8	113.8
Translation differences	0.1	-4.4	0.3
Additions	0.1	0.4	0.9
Depreciation and impairment	-1.7	-2.1	-4.0
Reclassification between items	0.8	0.7	2.3
Assets of disposal group classified as held for sale	-0.5	-	-69.4
Closing balance	42.8	108.5	44.0

3. Changes in tangible assets

(EUR million)	30 June 2024	30 June 2023	31 Dec. 2023
Opening balance	284.9	378.6	378.6
Translation differences	0.1	-4.4	0.9
Additions	22.2	22.6	47.9
Disposals	0.0	-7.2	-7.3
Depreciation and impairment	-15.8	-21.5	-43.8
Reclassification between items	-0.8	-1.0	-2.7
Assets of disposal group classified as held for sale	-33.7	-	-88.7
Closing balance	256.8	367.0	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	0.0
Additions	-	5.3	0.8	6.1	6.1
Depreciation for the financial period	0.0	-3.5	-1.8	-5.3	-
Payments	-	-	-	-	-4.5
Assets and liabilities of disposal group classified as held for sale	-	-0.4	-2.9	-3.3	-3.4
Closing balance on 30 June 2024	-0.1	71.7	8.8	80.4	87.8

(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	-	-0.7	-0.1	-0.8	-0.8
Additions	-	7.5	2.0	9.5	9.5
Disposals	-	-	-	-2.2	-2.2
Depreciation for the financial period	-2.2	-4.0	-2.4	-6.5	-
Payments	-	-	-	-	-5.6
Closing balance on 30 June 2023	-0.1	83.1	13.3	96.3	102.6

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Depreciation expense of right-of-use assets, continuing operations	-2.3	-2.2	-4.6	-4.3	-8.9
Interest expense on lease liabilities, continuing operations	-1.1	-1.1	-2.2	-2.1	-4.2
Total amounts recognised in profit or loss, continuing operations	-3.4	-3.2	-6.8	-6.4	-13.1

5. Deferred tax assets

Out of the total EUR 25.2 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. Unrecognised Finnish deferred tax asset at the end of June 2024 was EUR 29.9 million.

The company has utilised tax losses in Finland every year in 2019–2023, and no losses have expired. In 2023, the company was able to utilise tax losses, and a EUR 4.1 (0.2) million deferred tax asset was used and recognised 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)	30 June 2024	30 June 2023	31 Dec. 2023
Materials and supplies	36.9	68.4	37.5
Semi-finished products	3.1	7.3	4.1
Finished products	16.5	41.2	25.4
Spare parts	5.4	7.9	5.5
Inventories, advance payments	2.4	1.4	2.6
Total inventories	64.4	126.2	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, HKFoods and AS Maag Grupp closed the previously announced arrangement whereby HKFoods 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 HKFood'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. HKFoods 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 June 2024, the Group has a purchase price receivable of EUR 24.8 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 June 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

HKFoods and Lantmännen ek för have on 27 March 2024 closed the transaction announced on 29 December 2023, whereby HKFoods sells its Swedish business to the Swedish Lantmännen. The transaction concerned the shares in HKScan Sweden AB, the subsidiary that formed HKFood'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 HKFoods Corporation held by Lantmännen. The calculated 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, HKFoods signed an agreement to sell its Danish businesses 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 Danish business unit was classified as assets and liabilities held for sale on the balance sheet on 31 March 2024, and it is presented in the income statement as discontinued 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. The impairment was 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 Danish operations until June 2024, Swedish operations until March 2024 and the Baltic operations until August 2023. The balance sheet information includes the Danish operations in June 2024, Swedish operations at the end of 2023 and Baltic operations at the end of June 2023.

Profit/loss for discontinued operations

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Net sales	56.2	294.6	292.8	583.7	1.092.7
Cost of goods sold	-52.2	-277.8	-276.7	-557.3	-1.039.7
Other operating items total	-2.2	-11.5	-12.4	-22.5	-39.1
Operating profit	1.9	5.3	3.7	4.0	13.8
Financial income and expenses	-0.2	-0.7	-0.9	-1.2	-2.5
Share of profit/loss in associates and joint ventures	-	0.0	-	-0.3	-0.7
Income tax	-	-0.2	0.8	0.4	-0.7
Profit/loss for the period	1.6	4.3	3.5	2.8	10.0
Impairment from fair-value measurement, Baltics	-	-	0.3	-	-0.2
Impairment from fair-value measurement, Sweden	-0.3	-	6.7	-	-17.1
Impairment from fair-value measurement, Denmark	-	-	-11.0	-	-
Translation difference transfer to profit and loss, Sweden	-	-	-21.0	-	-
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	1.3	4.3	-20.4	2.8	-5.1

Cash flow of discontinued operations

(EUR million)	4-6/2024	4-6/2023	1-6/2024	1-6/2023	2023
Cash flow from operating activities	1.0	4.8	11.3	18.8	28.9
Cash flow from investing activities	-3.1	-5.3	70.3	-7.2	42.5
Cash flow from financing activities	-0.4	-1.4	-1.5	-2.8	-5.2
Cash flow total	-2.5	-1.9	80.2	8.8	66.2

Assets and liabilities of disposal group classified as held for sale

(EUR million)	30 June 2024	30 June 2023	31 Dec. 2023
Intangible assets	0.5	-	52.1
Tangible assets	22.7	51.1	88.7
Other non-current assets	4.2	-	20.2
Inventories	10.8	30.7	39.0
Receivables	20.4	13.4	45.7
Cash and cash equivalents	0.1	0.1	0.3
Total assets (A)	58.7	95.3	246.0
Lease liabilities	3.4	7.6	14.1
Trade payables and other liabilities	19.4	26.6	124.9
Total liabilities (B)	22.8	34.3	139.0
Net balance sheet value (A-B)	36.0	61.0	107.1

Derivative instrument liabilities

(EUR million)	30 June 2024	30 June 2023	31 Dec. 2023
Nominal values of derivative instruments			
Foreign exchange derivatives	40.5	82.7	98.4
Interest rate derivatives	20.0	20.0	20.0
Electricity derivatives	0.1	-2.4	1.3
Fair values of derivative instruments			
Foreign exchange derivatives	0.0	1.2	-1.7
Interest rate derivatives	0.2	0.4	0.2
Electricity derivatives	2.2	12.4	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)	30 June 2024	30 June 2023	31 Dec. 2023
Debts secured by pledges or mortgages			
- loans from financial institutions	29.6	39.5	36.0
- bonds	90.0		
- lease liabilities	10.7		
On own behalf			
- Assets pledged	290.0	61.5	44.3
On behalf of others			
- guarantees and other commitments	6.3	2.9	6.3
Other contingencies			
Leasing and rental commitments	0.6	0.2	0.2

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

Derivatives

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

Conditional purchase price receivable

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

(EUR million)	30 June 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	0.1	-	0.1	-
- Commodity derivatives	2.2	-	2.2	-
of which subject to cash flow hedging	2.2	-	2.2	-
Total	13.0	-	2.5	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	0.0	-	0.0	-
- Commodity derivatives	0.0	-	0.0	-
of which subject to cash flow hedging	0.0	-	0.0	-
Total	0.0	-	0.0	-

(EUR million)	30 June 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	0.4	-	0.4	-
- Foreign exchange derivatives	1.4	-	1.4	-
- Commodity derivatives	13.1	-	13.1	-
of which subject to cash flow hedging	13.1	-	13.1	-
Total	14.9	-	14.9	-
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	-0.2	-	-0.2	-
- Commodity derivatives	-0.6	-	-0.6	-
of which subject to cash flow hedging	-0.6	-	-0.6	-
Total	-0.8	-	-0.8	-

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 but rather to a significant degree on management estimates and measurement models generally acceptable for their use.

Business transactions with related parties

(EUR million)	1-6/2024	1-6/2023	2023
Sales to associates	4.5	7.3	12.7
Purchases from associates	24.3	24.4	47.6
Trade and other receivables from associates	1.6	1.6	2.0
Trade and other payables to associates	3.9	3.5	3.9
Animal purchases from related party*	14.3	15.5	28.3
Animal sales to related party*	2.6	3.1	6.4
Loan receivable from LSO Osuuskunta	4.0	3.5	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.