HKSCAN

Report of the Board of Directors and Financial Statements 2023

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Report of the Board of Directors for the financial year 2023

Group net sales and EBIT

On 29 December 2023, HKScan Corporation signed an agreement to sell the shares of its Swedish subsidiary HKScan Sweden AB to the Swedish Lantmännen ek för. The transaction is expected to be closed in the first half of 2024 and is subject to clearance by the EU Commission and the Swedish competition authorities on foreign direct investment (FDI) controls. The transaction will change HKScan's structure and financial key figures. HKScan reports the Swedish business as a discontinued operation, and the company's financial reporting will focus on continuing operations, i.e. businesses in Finland and Denmark. The transaction does not include the Polish bacon unit, which has been previously reported as part of the Business Unit Sweden. The Polish unit's figures are reported as part of the Business Unit Finland in the financial statement. The classification of the Swedish operations as assets and liabilities held for sale and its valuation at fair value based on the purchase price resulted in an impairment of EUR 17.3 million and EUR 2.7 million transaction costs are included in the profit for the discontinued operations.

HKScan concluded the sale of its Baltic businesses to the Estonian AS Maag Grupp on 31 August 2023.

Further information on assets and liabilities held for sale and discontinued operations can be found in its own chapter in the report of the Board of Directors.

Net sales

HKScan's net sales from continuing operations increased by 6.0 per cent to EUR 1,163.2 (1,097.5) million. Net sales increased in both Finland and Denmark. Retail sales increased 8 per cent in Denmark and 6 per cent in Finland. Food service sales developed even more strongly with a significant increase in the early part of the year, partly explained by the impact of Covid restrictions in the previous year. Total sale volumes decreased compared to the same period in the previous year due to lower meat export sales.

EBIT

HKScan's EBIT from continuing operations totalled EUR 17.4 (-2.6) million. The comparable EBIT from continuing operations was EUR 14.9 (-2.9) million.

Items affecting comparability of EUR 2.5 (0.3) million were recorded in continuing operations. Items affecting comparability are described in more detail in review by business unit.

In 2023, strong cost inflation continued, especially for raw materials and external services. In addition, general wage increases and one-off items pushed up costs. Energy costs remained at a moderate level and were significantly lower than in the comparison period in July–September. High cost inflation had been off-set by gradual increases in sales prices during 2022, and in the review period, sales prices have largely covered high costs. The change in consumer demand weakened EBIT in the first half of the year, especially in Finland. Consumer demand improved slightly from spring onwards but focused especially on lower-priced products. The weakening of demand for beef continued in 2023. HKScan's improved sales mix improved the EBIT towards the end of the year. HKScan's measures to improve production efficiency and save costs improved EBIT in 2023.

Balance sheet, cash flow and financing

At the end of the year, HKScan's balance sheet total was EUR 851.7 (976.0) million. The Group's interest-bearing debt at the end of the year was EUR 306.9 (364.5) million including an IFRS 16 lease liability of EUR 89.6 (101.7) million. The company's net debt decreased from the comparison period by EUR 65.2 million to EUR 287.9 (353.1) million. HKScan's net gearing ratio was 121.0 (123.7) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 43.5 percentage points.

At the end of the year 2023, 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 the hybrid bond is treated as equity. In September, an interest of EUR 2.1 million was paid for the hybrid loan, treated as equity, from the retained earnings.

In December, the company agreed to extend the maturity of the EUR 75.0 million credit facility, EUR 10.0 million additional credit facility and EUR 36.0 million bank loan to January 2025.

The Group's liquidity position was satisfactory. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 3.5 (15.0) million. Committed credit facilities at the end of the year 2023 stood at EUR 85.0 (145.0) million and had been drawn to the amount of EUR 75.0 (100.0) 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. According to the loan terms, the net gearing ratio limit is 125 per cent for bank loans and 130 per cent for bonds. At the end of year 2023, the company's net gearing ratio was 121.0 per cent.

Until the end of the year, the covenant limit for net debt to EBITDA ratio was 5.0. At the end of year 2023, the net debt to EBITDA ratio was 3.7. From the beginning of January 2024, the covenant limit will be 4.5.

The minimum limit for the liquidity covenant is EUR 20.0 million. At the end of year 2023, the liquidity was EUR 35.5 million. From 1 January 2024, the liquidity covenant limit will be reduced to EUR 15 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. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the financial statements.

Net financial expenses from continuing operations were EUR -27.7 (-16.0) million. The increase in net financial expenses was due to the general rise in interest rates and the arrangement costs of the loans. Cash flow from operating activities was EUR 50.6 (18.9) million. Cash flow after investments was EUR 73.3 (-21.9) million.

Disputes and pending legal proceedings

The Danish tax authorities conducted an audit of energy taxes covering the period 2011–2020 in HKScan Denmark A/S, which is a subsidiary of the Group. At the end of 2020, the Danish tax authorities issued their decision, according to which the company has been obliged to repay past refunds of energy taxes amounting to 24.7 million Danish krone (ca. EUR 3.3 million) in the pending matter. Further, it cannot be excluded that in addition to the currently pending matter, the company could separately be imposed penal sanctions as a result of the tax audit. HKScan Denmark A/S has submitted an appeal concerning the decision. HKScan recorded the expense in 2020 and paid the amount to the authorities in 2021.

Investments

HKScan's investments in continuing operations amounted to EUR 21.5 (20.8) million. IFRS 16 increases to right-of-use assets were EUR 13.1 (4.9) million.

The Forssa unit's investment to improve the competitiveness and cost-efficiency of production progressed as planned.

In April, HKScan decided to implement a development investment of approximately EUR 4.6 million in the Rauma unit's poultry cutting department to improve the profitability and competitiveness of the unit. With the investment and related development measures, HKScan aims to achieve total annual savings of around EUR 3 million in Finland, which are expected to be realised after the completion of the investment in the second half of 2024 at the latest. The development investment in Rauma also proceeded according to plan.

In Denmark, the investment in the production of higher-value ready-to-eat poultry products progressed as planned. The Polish production unit continued to invest in improving the capacity and efficiency of the bacon production and increasing the added value. In addition, the property development project continued.

HKScan also implemented several other investments to improve operational efficiency as part of its ongoing investment plan in Finland and Denmark.

(EUR million)	2023	2022
INVESTMENTS		
Finland		
Gross capital expenditure on PPE	15.9	17.3
Additions in right-of-use assets	10.6	3.0
Investments total	26.5	20.3
Denmark		
Gross capital expenditure on PPE	5.6	3.5
Additions in right-of-use assets	2.5	1.9
Investments total	8.1	5.4
Total, continuing operations	**34.6**	**25.7**

Export

HKScan's objective is to develop exports of products and reduce the role of meat exports as a channel to balance the home markets. Currently, products account for about one fifth of exports. Meat exports were reduced in 2023 as planned. In November 2023, Finnish poultry meat was approved for export to China. HKScan expects exports to start in the first half of 2024. The company already exports Finnish pork to China. During the year, HKScan also launched beef exports from Finland to Japan.

Changes in the international meat market

Strong demand for poultry meat is expected to continue. Beef consumption is expected to continue to fall, contributing to the already strong demand for poultry products. Very low pork prices in the American continent will continue to challenge the EU's export prices. Despite the recent fall in prices, pork prices in the EU are expected to remain high.

Review by Business Unit

(EUR million)	2023	2022
NET SALES		
- Finland	933.0	877.2
- Denmark	230.2	220.4
Group total, continuing operations	**1,163.2**	**1,097.5**
EBIT		
- Finland	20.7	6.4
- Denmark	3.1	1.4
Segments total	23.8	7.8
Group administration costs	-6.4	-10.3
Group total, continuing operations	**17.4**	**-2.6**

Items affecting comparability

(EUR million)	2023	2022
Comparable EBIT, continuing operations	**14.9**	**-2.9**
Termination of employment, Group Management [1]	-	-1.8
Termination of employment, Finland [1]	-0.3	-
Reversal of environmental provision, Finland [2]	0.5	-
Loss of prepayment, Finland [3]	-	-0.2
Reversal of impairment of assets, Finland [2]	-	2.3
Reclassification adjustment of electricity derivatives, Group management [3]	2.6	-
Change in fair value of electricity derivatives, Group management [3]	0.0	-
Impairment of associated company, Denmark [3]	-0.2	-
EBIT, continuing operations	**17.4**	**-2.6**

[1] Included in the Income Statement in the item "Employee benefit expenses"
[2] Included in the Income Statement in the item "Depreciation and amortization"
[3] Included in the Income Statement in the item "Other operating expenses"

Business Unit Finland

In Finland, net sales totalled EUR 933.0 (877.2) million. Net sales increased mainly due to the price increases made before the review period. Sales volumes were at the comparison period level. The value of retail sales increased clearly, with particularly strong growth in the retail sales value of HKScan's own branded products. The volume of retail sales declined slightly during the review period as a result of weak consumer demand in the early part of the year but improved from the spring onwards.
Food service sales continued to grow strongly, particularly in the first quarter, levelling off towards the end of the year. The growth was strongest in the strategically important poultry products. Pork sales also increased clearly, while demand for beef weakened. Pork exports, which had shown strong growth in the early part of the year, turned clearly down in the second quarter.

EBIT was EUR 20.7 (6.4) million. Comparable EBIT was EUR 20.5 (4.3) million. EBIT included an item of EUR 0.1 (2.1) million affecting comparability. Cost levels in Finland remained high, with raw materials in particular being more expensive than in the comparison period. Cost increases were covered by higher sales prices.
In addition, general wage increases, one-off items and higher external service prices pushed up costs. Energy costs were lower than in the previous year. The strong increase in pork exports at the beginning of the year had a negative impact on profitability.
The increase in sales of branded products was supported by additional investments in marketing activities, which increased fixed costs. A better sales mix improved the EBIT at the end of the year. Improved production efficiency and successful commercial measures improved EBIT in 2023.

Following change negotiations conducted in the spring, HKScan decided to implement a EUR 4.6 million development investment in its Rauma unit to improve profitability and competitiveness. The investment-related reorganisation of operations and adjustment of staffing levels will result in the reduction of up to 35 jobs in the Rauma poultry cutting department and changes to more than 200 jobs. With the investment and related development measures, HKScan aims to achieve total annual savings of around EUR 3 million in Finland, which are expected to be realised after the completion of the investment in the second half of 2024 at the latest.

Business Unit Denmark

In Denmark, net sales totalled EUR 230.2 (220.4) million. Price increases made before the review period increased net sales significantly at the beginning of the year, but the impact of inflation and price increases levelled off from the second quarter onwards. Retail sales growth was particularly strong at the beginning of the year but levelled off from the spring onwards. In addition, the importance of promotional sales became more pronounced towards the end of the year. Food service sales showed clear growth in Denmark. Due to the strong demand of the home markets, exports decreased from the previous year.

Denmark's EBIT was EUR 3.1 (1.4) million. Comparable EBIT was EUR 3.3 (1.4) million. EBIT included an item of EUR -0.2 (0.0) million affecting comparability. The strong cost inflation was covered by sales price increases made before the review period. EBIT improved due to successful commercial measures, strong consumer demand and long-term production efficiency improvements.

In Denmark, HKScan's strategy-based investment to increase the sales of value added poultry products and add value in products was completed. Production on the new poultry cooking line started in August.

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 cash at the closing. Sold companies had EUR 2.8 million cash at the closing.

Baltics business unit was classified as assets and liabilities held for sale in 31.12.2022 balance sheet and it is presented in 2023 and 2022 income statement as discontinued operations. At the end of December 2023, the Group has a purchase price receivable of EUR 24.5 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 December 2023.

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 has on 29 December 2023 agreed on selling the shares of its Swedish subsidiary HKScan Sweden AB to the Swedish Lantmännen ek för. The transaction does not include the Polish bacon unit, which has been previously reported as part of the Business Unit Sweden. The Polish unit's figures are reported as part of the Business Unit Finland in the financial statement. In HKScan's 2023 financial statements, Business Unit Sweden, excluding the Polish unit, is classified as assets and liabilities held for sale and presented as discontinued operations.

The purchase price for the shares in HKScan Sweden AB amounts to approximately EUR 60 million in cash as well as the A shares (6,869,750) and K shares (665,000) in HKScan Corporation held by Lantmännen. Lantmännen will also repay an intragroup loan between HKScan Corporation and HKScan Sweden AB to the amount of approximately EUR 50 million. HKScan Corporation will also reduce off-balance sheet factoring financing of approximately EUR 55 million and approximately EUR 13 million of IFRS 16 leasing liabilities. A prepayment of EUR 25 million of the purchase price was made upon signing of the agreement. Bank guarantee has been taken for the prepayment. The remainder of the purchase price will be paid at the closing of the transaction. The cash consideration will be adjusted at the time of the transaction by the usual adjustments. The total number of A and K shares held by Lantmännen to be transferred to HKScan as purchase price is 7,534,750 shares, with a calculational market value of EUR 5.5 million at the time of signing the agreement.

The transaction is expected to be closed in the first half of 2024 and is subject to clearance by the EU Commission and further clearance by the Swedish authorities for foreign direct investment (FDI) control. HKScan's Board of Directors will convene an Extraordinary General Meeting to confirm and approve the transaction, at which time the Board will submit to the Extraordinary General Meeting the approvals necessary to close the transaction, including the authorization to complete the directed acquisition of the A and K shares in HKScan held by Lantmännen.

Assets and liabilities held for sale are measured at a purchase price of EUR 115.5 million deducted with transaction costs, which led to EUR 17.3 million impairment in book value, which was allocated to goodwill, and EUR 2.7 million transaction costs are included in profit for the discontinued operations. Group's translation difference in equity comes almost entirely from Swedish operations and at closing it will be recorded from comprehensive income statement into income statement.

The significant transactions between continuing and discontinued operations are Sweden's product sales and purchases with the Group companies, the Group's service fee from Sweden and the Group's financial income from financing Sweden. Figures for continuing and discontinued operations represent external sales and its costs according to Group's segment reporting. Sweden's external financial expenses are shown as financial expenses for the discontinued operation.

Income statement and cash flow presented below include Swedish operations from full years 2022-2023 and Baltics operations until August 2023. Balance sheet information include Swedish operations in 2023 and Baltics operations in 2022.

Profit/loss for discontinued operations	**2023**	**2022**
Net sales	862.5	931.9
Cost of goods sold	-822.7	-914.4
Other operating items	-29.0	-35.1
Operating profit	10.7	-17.6*
Financial income and expenses	-1.8	-0.5
Share of profit/loss in associates and joint ventures	0.0	0.1
Income tax	-0.7	-1.3
Profit/loss for the period	8.2	-19.4
Impairment from fair-value measurement	-17.3	-30.6
Equity item transfer to result for the period	2.2	-
Profit/loss for the period from discontinued operations	**-6.9**	**-50.0**

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

Cash flow of discontinued operations	2023	2022
Cash flow from operating activities	12.4	12.1
Cash flow from investing activities	48.9	-22.7
Cash flow from financing activities	-3.5	-4.1
Cash flow total	**57.7**	**-14.7**

Assets and liabilities of disposal group classified as held for sale	2023	2022
Intangible assets	52.1	0.0
Tangible assets	88.7	49.7
Other non-current assets	20.2	-
Inventories	39.0	34.4
Receivables	45.7	17.2
Cash and cash equivalents	0.3	0.6
Total assets (A)	**246.0**	**101.9**
Lease liabilities	14.1	8.1
Trade payables and other liabilities	124.9	32.2
Total liabilities (B)	**139.0**	**40.4**
Net balance sheet value (A-B)	**107.1**	**61.5**

Strategy

HKScan's long-term strategic target is to grow into a versatile food company. In the current exceptional and rapidly changing operating environment, the company is focusing on strengthening its financial base and improving the profitability of its core business. HKScan's core business includes meat, processed meat products and ready-made foods, such as meals, meal components and snacks.

Advancing the long-term strategy will require HKScan to achieve a stronger balance sheet. To increase financial flexibility, the company continuously assesses the position of each business within the Group. 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 its products and strengthening the value creation capacity of its own brands. The aim is to grow in product categories that make everyday life easier for consumers, such as meals, meal components and snacks. The aim is also to grow in poultry products and new product categories and to strengthen in growing and new sales channels. HKScan wants to renew commercially and strengthen its relationship with consumers through its trusted brands.

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

Key events in 2023

Juha Ruohola took over as CEO on 2 March 2023

On 2 March 2023, HKScan's Board of Directors appointed Juha Ruohola, Master of Agriculture and Forestry, eMBA, as CEO of HKScan Corporation. Prior to that, Juha Ruohola served as HKScan's interim CEO from 29 September 2022.

HKScan sold its Baltic businesses to the Estonian AS Maag Grupp on 31 August 2023

On 31 August 2023, HSKcan sold its Baltic business to the Estonian AS Maag Grupp, subject to the approval of the Estonian competition authorities in July 2023. The Latvian Competition Authority approved the transaction unconditionally in February 2023.

The transaction involved the shares of AS HKScan Estonia, AS HKScan Latvia and UAB HKScan Lietuva, the subsidiaries constituting 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 remaining part will be paid over the next three years. With the transaction, HKScan's ownership of the Baltic business ended. The divestment of the Baltic business improved HKScan's profitability and strengthened its balance sheet.

Details of the transaction have been previously disclosed in press releases on 13 December 2022, 24 July 2023 and 31 August 2023: *13.12.2022*, *24.7.2023* and *31.8.2023*.

On 29 December 2023, HKScan signed an agreement to sell its Swedish businesses

On 29 December 2023, HKScan Corporation announced that it had signed an agreement to sell the shares of its Swedish subsidiary HKScan Sweden AB to the Swedish Lantmännen ek för. The transaction is expected to be closed in the first half of 2024 and is subject to clearance by the EU Commission and the Swedish authorities with regard to foreign direct investment (FDI) controls.

The purchase price for the shares in HKScan Sweden AB amounts to approximately EUR 60 million in cash as well as the A shares (6,869,750) and K shares (665,000) in HKScan Corporation held by Lantmännen. Lantmännen will also repay an intragroup loan between HKScan Corporation and HKScan Sweden AB to the amount of approximately EUR 50 million. HKScan Corporation will also reduce off-balance sheet factoring financing of approximately EUR 55 million and approximately EUR 13 million of IFRS 16 leasing liabilities. A prepayment of EUR 25 million of the purchase price was made upon signing of the agreement.

Details of the transaction have been previously disclosed in press release on 29 December 2023: *29.12.2023*.

Investing in profitability and adding value

In addition, HKScan continued to make investments to improve profitability and increase added value in several of its production units in Finland and Denmark.

HKScan's Near-term and land-based climate targets approved by SBTi

HKScan is among the first Nordic food companies to have specified the near-term targets both for industrial energy usage and for the land sector (Forest, Land and Agriculture =FLAG).

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

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

Report on non-financial information

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

Responsibility work is the basis of HKScan's strategy, with a focus on the business needs and the expectations and requirements of key stakeholders. The most important strategic responsibility targets at the Group level are summarised in the responsibility programme, whose material themes have been defined on the basis of a stakeholder analysis and a materiality assessment. At the beginning of 2024, HKScan updated the climate targets and timeline of its responsibility programme to better align with international climate work guidelines and reporting standards.

The objectives of the responsibility programme, approved by HKScan's Executive Team, relate to the wellbeing of nature and people: climate, packaging, biodiversity and the safety and wellbeing of employees. Other key responsibility themes for the company include animal welfare, healthy and safe food, a competitive farmer community and good governance. These themes are promoted within the Business Units, as they are subject to local regulation and stakeholder expectations vary across markets.

The progress of HKScan's responsibility work will be reported in more detail in the Annual and Responsibility Report based on the GRI Standards Framework to be published in week 11/2024. The report will describe in more detail HKScan's impact on the environment and people as well as the company's responsibility measures.

Key commitments, policies and principles

HKScan's values and ethical guidelines (Code of Conduct) form the foundation of the company's way of working. HKScan's operations are guided by, for instance, Group-wide corporate governance, information security, data privacy, disclosure, remuneration, risk management and environmental policies, occupational health and safety policy, food safety and quality policy and animal welfare policy. The company has the Supplier Code of Conduct, which commits suppliers to comply with the company's requirements in its whole supply chain. In addition, the company has a number of internal policies and guidelines relating to ethical conduct.

HKScan respects and supports international human rights agreements, the UN Convention on the Rights of the Child, and the International Labour Organization's core conventions. Additionally, HKScan takes into consideration in its operations the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

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

In 2023, HKScan continued to prepare for the EU's Corporate Sustainability Reporting Directive (CSRD) by, for example, updating its materiality analysis of responsibility and reviewing the ESRS standards developed by the European Financial Reporting Advisory Group (EFRAG) and adopted by the EU Commission in late July to guide the implementation of the directive. HKScan also updated the climate emissions calculation to comply with the new GHG Protocol calculation model for the land use sector.

Environment

After the review period, in January 2024, HKScan reported 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.

The HKScan Group's revised climate target is to achieve net zero for all greenhouse gas emissions by 2050 at the latest. Significantly reducing total greenhouse gas emissions is HKScan's primary way to achieve net zero. In order to reach this target, the reduction of greenhouse gases must be complemented by sustainable carbon removals, either through natural or technological solutions. The company's previous climate target was a carbon-neutral food chain from farms to consumers by 2040.

In connection with the update of its climate target, HKScan announced that it received the approval of the SBTi (Science Based Targets initiative) for near-term and soil-related climate targets. HKScan's revised climate calculation shows that about 1 per cent of the company's emissions are generated by its own operations and 99 per cent by other parts of the food chain. It is therefore essential to take into account emissions from land use and the entire food chain.

HKScan's climate work is guided by a comprehensive set of measures. It consists of dozens of measurable climate emissions reduction measures defined by our Business Units. The company is moving towards net zero climate emissions in cooperation with its contract farmers and other partners.

HKScan's climate work in its own production focused particularly on the improvement of energy efficiency. In one of the ready-meals lines in Vantaa, the option of using electricity instead of natural gas was introduced for heat generation. In addition, natural gas was replaced by carbon-neutral electricity at the Vinderup unit in Denmark. If necessary, Vinderup can continue to use natural gas.

HKScan continued to explore best practices on how to reduce the climate impact of meat production together with around 50 pilot farms in Finland and Denmark. During the summer 2023 growing season, HKScan investigated how to improve carbon sequestration in fields on pilot farms, for example by using soil sensors, weather stations, carbon flux measurement equipment and by comparing different crop varieties. Based on the studies and collected data, the company makes recommendations to its contract farmers.

During the year, the company developed digital data collection on the climate impacts of the value chainIn Finland, HKScan extended the use of the Zero Carbon questionnaire. HKScan uses digital climate tools to obtain information on the climate impact of its contract farmers and to help farmers target their climate actions on the most impactful issues.

HKScan promotes biodiversity on farms and in its own production as well as through responsible procurement practices. In 2023, HKScan investigated the status of its environmental impacts by participating in a study by the Finnish Food and Drink Industries' Federation (ETL), which identified the main environmental impacts of the food industry and looked for ways to reduce them. In addition, HKScan was selected to participate in the UN Global Compact Network Finland's Science Based Targets for Nature training programme, where the company's nature work is developed in line with the Science Based Targets Network framework.

In Finland, HKScan also participates in the food industry's Material Efficiency Commitment 2022–2026 to reduce the environmental impact of food and food packaging across the sector. Efficient use of materials significantly reduces the company's environmental impact.

In Denmark, HKScan has supported its contract farmers in their transition to solar power. The first solar panels to reduce the need for purchased electricity were installed on four of the company's contract farms in early 2023, and a wind turbine was installed on one farm.

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

In October, HKScan was the first food company in Finland to sign a voluntary Green Deal commitment to reduce the consumption of single-use plastic (SUP) packaging in the European Union. The SUP directive requires EU Member States to achieve an ambitious and permanent reduction in the consumption of certain single-use plastic products by 2026. The reduction applies to beverage cups made entirely or partly of plastic as well as single-use plastic food packaging with contents ready to eat straight from the container.

HKScan's value chain generates climate emissions, and the company is systematically working to reduce them. HKScan has assessed the risks and opportunities related to climate change and their financial impact in line with the Task Force on Climate-Related Financial Disclosure (TCFD) model. Key risks relate to issues such as legislation, the availability of lower emission technologies, energy costs, consumer behaviour and attractiveness as an employer and investment. An updated description of risks and opportunities will be published in HKScan's Annual and Responsibility Report in week 11/2024.

The effectiveness and impact of HKScan's environmental work on the company's own production is assessed by internal and external ISO 14001 audits, with the exception of the Danish production units. In 2023, there were no significant environmental deviations. Environmental risks at HKScan's production plants have been identified as part of the ISO 14001 environmental management system, and the most significant ones are related to wastewater and possible chemical leaks. Environmental risks are controlled and managed at the plant level through, for example, preventive maintenance and monitoring equipment. Personnel are trained on environmental matters and encouraged to make environmental observations and to report any deviations observed.

In May 2023, HKScan was included in the Financial Times' European Climate Leaders list for the third year in a row. The Financial Times has listed some 500 European companies that have reduced the climate emissions from their own production most in relation to net sales between 2016 and 2021.

Social responsibility and HR matters

In 2023, HKScan's continuing operations had 3,623 (3,631) employees. In addition, the Swedish business unit reported as a discontinued operation employed 1,765 (1,758) people. In 2023, the total salaries and remunerations, including social costs, paid by HKScan's continuing operations were EUR 206.1 (199.5) million. In addition, HKScan's value chain of continuing operations includes some 2,150 contract farmers with whom the company works closely to develop production and responsibility and to ensure the competitiveness of local meat production.

Continuing operations personnel	1-12/2023	1-12/2022
Personnel on average*	**3,623**	**3,631**
Finland**	2,946	2,967
Denmark	677	664
Women / men %	40 / 60	41 / 59
Women / men of superiors %	31 / 69	29 / 71

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

HKScan takes goal-oriented measures towards zero accidents at work through its Safety First policy, with a particular focus on promoting a proactive safety culture and continuous improvement. The company continued its preparation for the ISO 45001 occupational health and safety standard by assessing current practices in its Finnish and Danish production units. HKScan aims to have all its units ISO 45001 certified by the end of 2025.

In 2023, the main focus of safety work was on proactive safety and developing the skills of employees through Blue Rules training. Safety observations, near misses and accidents were systematically addressed and used to improve the safety of practices, processes and the work environment. Moreover, safety culture was promoted through careful risk assessments and process management.

By the end of 2023, 92 per cent of employees had completed the Blue Rules online training on safe working to avoid fatal accidents. In October, the Group celebrated the European Health and Safety Week, focusing on the themes of the Blue Rules. In 2023, HKScan's lost time accidents / million working hours (LTIR) was 16.4 (13.5).

HKScan continued the promotion of wellbeing at work with the Group-wide programme Better Together, which focuses on personnel engagement, promotion of wellbeing at work and psychological safety. Action plans for wellbeing at work have been drawn up for each production unit and Business Unit. In 2023, the themes in the programme were Nutrition and Physical Activity, Mental Health at Work, Sleep and Recovery, and Prevention of Musculoskeletal Disorders.

In October, the company conducted a Group-wide Voice survey to assess employee experience and commitment to HKScan. The response rate of the survey was 85.4 per cent Employee Net Promoter Score (eNPS) improved slightly compared to the previous survey in 2021. The Voice 2023 eNPS is 0, compared to -3 in 2021. HKScan aims to achieve an index score of 10. In December, each team reviewed the results with their superior and drew up a plan for their contribution to the development of the working community.

As in the previous year, HKScan rewarded teams that performed exceptionally well by awarding them High Five Rewards for achievements in line with targets. We Are Valuable awards were granted in Finland and Poland during the summer for behaviour in line with the company values.

The company actively uses an internal learning platform, Learning Point, which brings together the training courses that HKScan offers to its employees. Learning Point includes compulsory training, such as general inductions, Blue Rules, Code of Conduct, data security training and tailored site-specific inductions.

In 2023, HKScan focused on strengthening business-critical competencies and launched two training programmes, the Poultry Academy in Denmark, and the Meat Academy in Finland. The aim of these programmes is to develop the employees' knowledge of responsible meat production and the related food chain.

For many years, HKScan has employed people whose employment is challenging for various reasons. In addition, the company has invested in diversity and inclusion. In Denmark, HKScan was awarded the prestigious CSR People Prize 2023 for its significant work in promoting diversity and inclusion in the workplace. The well-known prize is awarded annually for progress in promoting social responsibility.

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

Human rights and measures against bribery and corruption

HKScan respects international human rights agreements, the UN Convention on the Rights of the Child, and the International Labour Organization's core conventions. HKScan also takes into consideration in its operations the UN Guiding Principles on Business and Human Rights.

HKScan's employees complete the online training on the Code of Conduct every second year. The training strengthens employees' competence on issues such as human rights and the principles against corruption and bribery.

HKScan continued to further develop its responsible procurement processes and updated the Supplier Code of Conduct. The Code commits suppliers to comply with the company's animal welfare, human rights, environment, health, and safety principles, among other things, in its whole supply chain.

HKScan's stakeholders can use the company's anonymised Fair Way whistleblowing channel to report suspicions of unethical conduct. In 2023, the company received 14 (20) reports of suspected negligence or misconduct through the Fair Way channel. The reports mainly concerned suspicions of improper behaviour or management challenges. Most of the reports were resolved through HR processes during 2023. Based on the reports, internal policies and management development were revised and reviewed.

HKScan's human rights impact assessment for people working in the company's production units was completed in 2023. The company analysed the likelihood and severity of human rights impacts and defined the next steps to manage the impacts. HKScan's risks concerning human rights are related to the treatment of employees throughout the value chain.

Corruption and bribery risks associated with the company's own activities are prevented and managed through clearly defined approval processes, other internal control processes and personnel training. Potential risks related to human rights and corruption in the supply chain are managed through a procurement risk assessment, standard expectations and by requiring a commitment to the Supplier Code of Conduct. The implementation of these principles is monitored through internal audit and third-party audits. In 2023, no deviations from the principles of human rights, bribery and corruption were detected.

Food safety

In the food supply chain, food safety is of key importance. HKScan continuously develops its food safety culture and ensures product safety through systematic work from procurement to the customer. All HKScan's production units are certified according to standards (FSSC 22000, IFS or BRC) approved by the Global Food Safety Initiative (GFSI).

The company carries out systematic food safety risk management at all stages of its value chain. Risk assessment in the production units is based on the HACCP (Hazard Analysis Critical Control Point) process. Its operational level is verified annually by several internal and external audits. HKScan also requires its raw material suppliers and subcontractors to have certified food safety management systems and a traceability system to identify risks related to the origin of raw materials. The company regularly organises food safety training for its personnel and partners and encourages continuous improvement by making food safety observations and reporting irregularities.

With the globalisation of the food chain, food fraud and deliberate sabotage have become central themes alongside other food safety risks. To identify and prevent related risks, HKScan Group has a supply chain-wide risk assessment model to determine the necessary measures.

In May, HKScan's production units in Vinderup and Skovsgaard received the highest possible BRC AA+ rating in the widely acknowledged BRC food safety certification audit. In addition, the Finnish units got excellent results in the 2023 certification audits. In Finland four production units passed their FSSC audits with excellent results and three BRC-certified units got the best possible AA+ rating.

Animal welfare

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

In 2023, HKScan continued its animal welfare project in Finland to study the behaviour of bulls using video imaging and artificial intelligence. The results of this project can be used together with contract farmers, for example to compare different farming conditions and to improve animal welfare.

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

EU taxonomy

EU taxonomy is the EU's sustainable finance classification system, which defines environmentally sustainable economic activities. The introduction of the taxonomy regulation is proceeding in stages, with the EU Commission initially publishing technical criteria for climate change mitigation and adaptation for those sectors with the greatest climate impact. In June 2023, the EU taxonomy was completed when the EU Commission published the environmental criteria for the taxonomy as part of its Sustainable Finance Package 2023. The new criteria concern biodiversity, water and marine protection, circular economy and the prevention of environmental pollution.

HKScan is monitoring the development of the EU taxonomy and will report the data in accordance with the EU Commission’s guidance. At the end of 2023, the company’s sector, the manufacture and sale of food products, did not have a NACE classification in the EU taxonomy. In line with the EU Commission's guidance, companies will have to report for 2023 on their activities covered by the taxonomy classification system in terms of net sales, investments and operating expenditure.

Net sales

HKScan’s net sales for continuing operations of EUR 1,163.2 (1,097.5) million consist almost entirely of sales of food products manufactured by the company, for which there is no industry classification in the EU taxonomy. The company therefore has no taxonomy-eligible net sales and, as a result, no taxonomy-compliant net sales. In relation to net sales, a significant part of the costs of the company’s continuing operations is accounted for by the purchase of meat raw material from contract farmers. The EU’s taxonomy criteria for primary meat production are currently under preparation, and their final content and impact on HKScan's reporting under the taxonomy regulation is still uncertain.

Capital and operating expenditure

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

Key targets and results

* Calculation includes Kivikylän Kotipalvaamo Oy and Lihatukku Harri Tamminen Oy which are Finland Business Unit's subsidiaries

Target	Corporate Governance	Results for continuing operations 2023
NATURE		
Environment		
Zero Carbon** • carbon-neutral own production (scope 1 & 2) by the end of 2025 • carbon-neutral food chain (scope 1 - 3) by the end of 2040	Action plan towards carbon neutrality	• Climate impacts of own production (scope 1 and 2) 26,310 (26,418) tCO_2e*, carbon intensity 0.07 (0.07) tCO_2e / sold product tonne* • Climate impact of the whole food chain (scope 1–3) 1.194 (1.125) $MtCO_2e$*, carbon intensity 3.28 (3.02) tCO_2e / sold product tonne* • Energy consumption 0.75 (0.74) MWh /sold product tonne*
Responsible packaging • 100% recyclable packaging by the end of 2030 • 80% renewable or recycled packaging materials by the end of 2030	Business Units' plans towards targets	• 77 (75)% of packaging recyclable • 58 (58)% renewable or recycled materials
We commit to increasing biodiversity in our food chain	Part of climate work. Biodiversity management approach, targets and indicators defined later.	Biodiversity promoted on farms as part of climate work.
PEOPLE		
Social and HR matters		
Determined work towards zero accidents	Safety First programme to promote work safety	• Accidents at work resulting in at least one day's absence 16.4 (13.5) /million working hours • Days of absence due to accidents 1,124 (846)
Continuous promotion of personnel wellbeing at work	Better Together programme for promotion of wellbeing at work	• Personnel satisfaction eNPS 0 (-3) • Absences 7.1 (8.1)% of working hours
Human rights and measures against bribery and corruption		
• Human rights impact assessment for people working in HKScan's production units • 100% of personnel completed the Code of Conduct training	• Human rights impact assessment • Personnel training on compliance with HKScan's policies	• Phase 1 of the human rights impact assessment work done. • 91 (75)% of the entire personnel completed the Code of Conduct training

Results of HKScan's responsibility work will be described in more detail in the Annual and Responsibility Report 2023 based on the GRI Standards framework to be published in week 11/2024. Revised calculation of figures to be completed for the Annual and Responsibility Report 2023.

For 2019–2023, the GHG Protocol guidelines were used to calculate the company's climate emissions. HKScan will update the calculation once the divestment of the Swedish business has been closed. The new calculation includes updates to the existing GHG Protocol guidance including the new Land Sector and Removals Guidance.

Tables in accordance with the EU Taxonomy Regulation

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities in 2023

TURNOVER				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	**Code (a) (2)**	**Turnover (3)**	**Proportion of Turnover, year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		EUR million	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity: HKScan's industry has no Taxonomy classification		0	0							Y	Y	Y	Y	Y	Y	Y	0		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		
Of which Enabling			%	%		%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Activity: HKScan's industry has no Taxonomy classification		0	0	EL	EL			EL									0		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%	%	%	%	%	%	%								%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**0**	**0**	**%**	**%**	**%**	**%**	**%**	**%**								**0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		1,163.2	100%																
TOTAL		**1,163.2**	**100%**																

Proportion of capital expenditures from products or services associated with Taxonomy-aligned economic activities in 2023

CAPITAL EXPENDITURES				**Substantial Contribution Criteria**						**DNSH criteria ('Does Not Significantly Harm') (h)**									
Economic Activities (1)	**Code (a) (2)**	**CapEx (3)**	**Proportion of CapEx, year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		EUR million	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity: HKScan's industry has no Taxonomy classification		0	0							Y	Y	Y	Y	Y	Y	Y	0		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		
Of which Enabling			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Activity: HKScan's industry has no Taxonomy classification		0	0														0		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%	%	%	%	%	%	%								%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**0**	**0**	**%**	**%**	**%**	**%**	**%**	**%**								**0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		34.6	100%																
TOTAL		**34.6**	**100%**																

Proportion of operating expenditure from products or services associated with Taxonomy-aligned economic activities in 2023

OPERATING EXPENDITURE				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')(h)									
Economic Activities (1)	**Code (a) (2)**	**OpEx (3)**	**Proportion of OpEx, year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		EUR million	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity: HKScan's industry has no Taxonomy classification		0	0							Y	Y	Y	Y	Y	Y	Y	0		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		
Of which Enabling			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Activity: HKScan's industry has no Taxonomy classification		0	0														0		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%	%	%	%	%	%	%								%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**0**	**0**	**%**	**%**	**%**	**%**	**%**	**%**								**0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		0	0																
TOTAL		**0**	**100%**																

Research and development

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

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

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

Shares and shareholders

At the end of December 2023, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781 and were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. The K shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek för (665,000 shares) and are not listed. There were no changes in the number of K shares of LSO Osuuskunta and Lantmännen ek för.

The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the payment of the rewards for the Group's Restricted Share Plan 2019–2021 and Performance Share Plan 2018 for the performance period 2019–2021. On 6 March 2023, a total of 115,137 HKScan Corporation's series A shares owned by the company were transferred without consideration to the participants of the share-based incentive plans in accordance with the terms of the plans.
The establishment of the plans and their key terms have been announced in stock exchange releases on 7 February 2018, 8 May 2019 and 7 April 2021. The transfer of own shares by a directed share issue without consideration is based on the Board's authorisation granted by the Annual General Meeting on 30 March 2022.
After the transfer, HKScan Corporation holds 1,506,658 A shares as treasury shares.

At the end of December, the company held 1,506,658 (1,621,795) A shares as treasury shares, corresponding to 1.52% of the company's total number of shares and 0.75% of the total number of votes.

The calculational market value of HKScan's shares at the end of December stood at EUR 86.9 (84.6) million. The market value of the Series A shares was EUR 82.1 (79.9) million, and the calculational market value of the unlisted Series K shares was EUR 4.8 (4.7) million.

In 2023, a total of 15,571,128 (16,990,679) of the company's shares were traded with a total value of EUR 12,190,163 (22,060,625). The highest price quoted was EUR 0.97 (1.71) and the lowest EUR 0.68 (0.86). The average price was EUR 0.78 (1.31). At the end of December, the closing price was EUR 0.89 (0.87).

At the end of 2023, the shareholders maintained by Euroclear Finland Ltd included 15,552 (15,698) shareholders. Nominee-registered foreign shareholders held 6.4 (6.5) per cent of the company's shares.

At the end of 2023, members of the Board of Directors and the company's President and CEO and his deputy, as well as their related parties owned a total of 409 876 A Shares, corresponding to 0.4 per cent of the total number of shares and 0.2 per cent of the votes.

Ownership breakdown by amount of share on 31 December 2023

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-100	4,095	26.33	186,740	0.19
101-500	4,793	30.82	1,378,820	1.39
501-1,000	2,382	15.32	1,896,819	1.92
1,001-5,000	3,136	20.16	7,219,109	7.30
5,001-10,000	569	3.66	4,198,306	4.24
10,001-50,000	472	3.03	9,331,453	9.43
50,001-100,000	54	0.35	3,786,412	3.83
100,001-500,000	31	0.20	6,435,726	6.50
500,001-& above	20	0.13	64,390,831	65.07
On common accounts	0	0.00	127,565	0.13
Total	**15,552**	**100**	**98,951,781**	**100**

Shares by share series 31 December 2023

Share series	Number of shares	% of shares	% of votes
A Shares	93,551,781	94.54	46.42
K Shares	5,400,000	5.46	53.58
Total	**98,951,781**	**100**	**100**

Ownership breakdown by sector on 31 December 2023

	Share of owners %	Share of shares %	Share of votes %
Corporates	3.20	44.26	66.37
Finance and insurance companies	0.11	8.23	4.04
Public entities	0.02	5.68	2.79
Househoulds	96.03	29.44	14.45
Non-profit organizations	0.33	0.91	0.44
Abroad	0.31	11.35	11.84
Other	0.00	0.14	0.06
All sectors, total	**100**	**100**	**100**

20 Largest shareholders on 31 December 2023

		A shares	K shares	Of total shares, %	Of total votes, %
1	LSO Osuuskunta	25,083,884	4,735,000	30.13	59.43
2	Lantmännen ek. För	6,869,750	665,000	7.61	10.01
3	Apteekkien Eläkekassa	3,581,889		3.62	1.78
4	Sijoitusrahasto Fourton Hannibal	3,250,000		3.28	1.61
5	Maa- ja metsätaloustuottajain Keskusliitto MTK ry	2,711,414		2.74	1.35
6	Suhonen Jyrki	1,605,362		1.62	0.80
7	Keskinäinen työeläkevakuutusyhtiö Varma	1,539,247		1.56	0.76
8	HKScan Oyj	1,506,658		1.52	0.75
9	Oy Etra Invest Ab	1,500,000		1.52	0.74
10	Jocer Oy Ab	1,175,000		1.19	0.58
11	Etola Group Oy	1,000,000		1.01	0.50
12	J & K Hämäläinen Oy	616,582		0.62	0.31
13	Sinituote Oy	600,000		0.61	0.30
14	Gripenberg Jarl kuolinpesä	545,000		0.55	0.27
15	Petter ja Margit Forsströmin säätiö Karl ja Olivia Forsströmin muistolle	522,000		0.53	0.26
16	Ab 2011 Fruitgum Company Oy	510,000		0.52	0.25
17	Sun Marianne Oy	508,200		0.51	0.25
18	Valtion Eläkerahasto	500,000		0.51	0.25
19	Hallqvist AB	405,000		0.41	0.20
20	Piglauri Oy	393,968		0.40	0.20
	Other shareholders	**39,127,827**	**0**	**39.54**	**19.41**
	Total	**93,551,781**	**5,400,000**	**100**	**100**

Source: Euroclear Finland

Annual General Meeting 2023

HKScan Corporation's Annual General Meeting was held on 20 April 2023 in Turku. The AGM adopted the parent company's and consolidated financial statements, discharged the members and the deputy members of the Board of Directors and the CEOs from liability for the year 2022 and adopted the remuneration report for the governing bodies. The AGM resolved that no dividend will be paid for 2022.

The decisions of the AGM have been published in their entirety in a stock exchange release on 20 April 2023, and the minutes are available in Finnish on the company website at *www.hkscan.com*.

Share-based long-term incentive plan

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

Part of the shares earned based on the achievement of the performance targets in the 2018–2020 PSP 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 incentive plan is available in HKScan's 2022 Remuneration Report on the company website at www.hkscan.com.

Short-term business risks

Economic operating environment and financial risks

In the third quarter of 2023, inflation in the euro area slowed down but remained above 4 per cent, especially due to increases in wages, services and food prices. While high inflation is expected to continue in the euro area, the associated uncertainty, in particular regarding energy and electricity prices, has declined significantly compared to a year ago. Inflation in the euro area fell to 2.9 per cent in December, and the ECB's expectations for interest rate reductions are on the rise. However, adjusted for energy and food prices, inflation continues to rise at a rate of 3.4 per cent, well above the central bank's inflation target.

Uncertainty for 2024 remains related to the evolution of consumer demand in the environment of high inflation and high interest rates. The number of bankruptcies 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.

The developments described above or a delay in the closing of the sale of the Swedish businesses could result in a breach of the covenants. The covenants are close to the limits until the sale of the Swedish businesses is closed, although there is slightly more room for flexibility than before. Should unforeseen changes in the business environment make a breach of the covenants appear likely, the management will enter into negotiations with the banks on a temporary modification of the covenants and their terms.

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

HKScan has sufficient committed financing until the end of January 2025. During the first half of 2024 the company will commence negotiations to refinance the debt maturing in 2025.

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 concern also HKScan's home markets. In an unstable geopolitical situation, the role of global supply chains is weakening, while the importance and potential of regional supply chains and local food production are increasing.

Changes in consumer behaviour

Consumer purchasing behaviour is expected to change significantly as food prices rise sharply in response to rising costs in the food supply chain. Depending on the purchasing power of consumers in HKScan's various home markets, consumer demand for food will focus on lower-priced products and 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 consumer demand for meat products. In addition, unexpected actions taken by pressure groups may impact business and consumer demand.

Other business risks

Food safety is of key importance in the long production chain of the food industry. The possibility of animal diseases cannot be fully excluded. African Swine fever and avian flu cases in European countries have reduced the export potential of meat outside the EU.

The risk of cyber-attacks has increased due to the unstable geopolitical situation. In neighbouring regions, an increasing number of food businesses have come under cyber-attack. In the event of a cyber-attack, the company's operations could be significantly affected.

The weakened functioning of global logistics chains could pose risks to the company's ability to execute its investments within the planned timeframes and costs and 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 planning to centralise its poultry meat packaging activities from Eura to Rauma and/or Forssa

HKScan is planning to improve the efficiency of its production operations by centralising the poultry packing activities currently located in the Eura unit to the company's production units in Rauma and/or Forssa. The company started statutory negotiations in its Eura unit's poultry cutting department as well as in its Rauma and Forssa production units, which may take over packaging operations. Through the efficiency plan, HKScan aims to achieve annual savings of around EUR 1 million as from the third quarter of 2024.

Details in press release on *11 Jan 2024*.

HKScan revised its climate emissions calculation and target and got SBTi's approval for climate targets for near-term and soil-related emissions

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 in press release on *25 January 2024*.

Extraordinary General Meeting

After the reporting period, on 29 January 2024, HKScan convened an Extraordinary General Meeting that will be held on 28 February 2024, in Turku, Finland.

Information on the Extraordinary General Meeting has been published in a press release on 29 January 2024: *29.1.2024*.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity is EUR 195.6 (265.4) million, including the reserve for invested unrestricted equity of EUR 216.2 (216.0) million and the profit for the financial year 2023 of EUR -69.9 million. The Board of Directors proposes to the Annual General Meeting that no dividends be paid for 2023. The remaining distributable assets will be retained in equity.

Outlook for 2024

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

Annual General Meeting 2024

HKScan's Annual General Meeting is planned to be held in Turku on Thursday, 18 April 2024. The invitation will be published later.

Key figures

Financial indicators	2023	2022	2021	2020	2019
Net sales, EUR million, continuing operations	1,163.2	1,097.5	950.6	947.1	925.8
Operating profit/loss (EBIT), EUR million, continuing operations	17.4	-2.6	4.9	2.9	-29.0
% of net sales	1.5	-0.2	0.5	0.3	-3.1
Comparable operating profit/loss, EUR million, continuing operations	14.9	-2.9	1.3	-1.6	-13.0
% of net sales	1.3	-0.3	0.1	-0.2	-1.4
Profit/loss before taxes, EUR million, continuing operations	-9.0	-13.4	-6.9	-6.6	-40.0
% of net sales	-0.8	-1.2	-0.7	-0.7	-4.3
Return on equity (ROE), %, incl. discontinued operations	-8.6	-21.2	-0.4	1.5	-11.5
Return on capital employed before taxes (ROCE), %, incl. discontinued operations	3.0	-6.4	3.5	3.9	-3.1
Equity ratio, %	28.8	29.3	33.9	33.7	34.8
Net gearing ratio , %	121.0	123.7	92.2	89.8	84.6
Gross capital expenditure on PPE, EUR million, continuing operations	21.5	20.8	22.4	61.5	11.9
Additions in right-of-use assets, EUR million, continuing operations	13.1	4.9	71.7	4.6	9.1
Investments total, EUR million, continuing operations	34.6	25.7	94.1	66.2	21.0
% of net sales	3.0	2.3	9.9	7.0	2.3
R&D expenses. EUR million, continuing operations	3.6	4.2	4.1	2.9	3.3
% of net sales	0.3	0.4	0.4	0.3	0.4
Employees, average (FTE), continuing operations	3,623	3,631	3,618	3,484	3,431

Per share data	2023	2022	2021	2020	2019
Undiluted earnings per share (EUR/share), continuing operations	-0.22	-0.22	-0.17	-0.18	-0.58
Earnings per share adjusted for dilution effect (EUR/share), continuing operations	-0.22	-0.22	-0.17	-0.18	-0.58
Undiluted earnings per share (EUR/share), discontinued operations	-0.07	-0.51	0.11	0.17	0.07
Earnings per share adjusted for dilution effect (EUR/share), discontinued operations	-0.07	-0.51	0.11	0.17	0.07
Undiluted earnings per share (EUR/share)	-0.29	-0.73	-0.06	-0.01	-0.51
Earnings per share adjusted for dilution effect (EUR/share)	-0.29	-0.73	-0.06	-0.01	-0.51
Comparable earnings per share, EUR, continuing operations	-0.25	-0.22	-0.21	-0.23	-0.38
Equity per share, EUR	2.17	2.68	3.24	3.19	3.18
Dividend paid per share, EUR	0.00*	0.00	0.04	0.03	0.00
Dividend payout ratio, undiluted, %	0.0*	0.0	-23.8	-16.3	0.0
Dividend payout ratio, diluted, %	0.0*	0.0	-23.8	-16.3	0.0
Effective dividend yield, %	0.0*	0.0	2.4	1.5	0.0
Price-to-earnings ratio (P/E)					
undiluted	-4.0	-3.9	-9.9	-10.7	-4.8
diluted	-4.0	-3.9	-9.9	-10.7	-4.8
Lowest trading price, EUR	0.68	0.86	1.57	1.60	1.48
Highest trading price, EUR	0.97	1.71	2.52	2.85	2.88
Middle price during the period, EUR	0.78	1.31	2.08	2.03	2.05
Share price at the end of the year, EUR	0.89	0.87	1.66	1.96	2.76
Market capitalisation, EUR million	86.9	84.6	161.2	190.0	267.6
Trading volume (1,000)	15,571	16,991	32,515	27,000	26,948
% of the average volume	16.0	17.5	33.5	27.8	33.7
Adjusted number of outstanding shares (1,000)					
average during financial period	97,426	97,291	97,046	96,952	79,943
at the end of financial period	97,445	97,330	97,094	96,952	96,952
fully diluted	97,445	97,330	97,094	96,952	96,952

* Based on the Board of Directors' proposal.

Calculation of financial indicators

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

Return on equity (%)

$$\frac{\text{Profit}}{\text{Total equity (average)}} \times 100$$

Return on capital employed (ROCE) before tax (%)

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing ratio (%)

$$\frac{\text{Interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Net gearing ratio (%)*

$$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Earnings per share**

$$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$$

Equity per share

$$\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$$

Dividend per share

$$\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$$

Dividend payout ratio (%)

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield (%)

$$\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial year}} \times 100$$

P/E ratio

$$\frac{\text{Closing price on the last trading day of the financial year}}{\text{Earnings per share}}$$

Market capitalization	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 investment 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 company's finance. Examples of such expenses are: capacity adjustment (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency / reorganization programmes, significant compensations or penalties paid out due to legal verdict or settlement, transaction fees / expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.
Comparable EBIT	Operating profit – items affecting comparability

Comparable earnings per share**

$$\frac{\text{Profit for the period attributable to equity holders of the parent - items affecting comparability}}{\text{Average number of outstanding shares during period}}$$

Interest-bearing net debt

Interest-bearing debt incl. discontinued operations – cash and bank and interest bearing loan receivables incl. discontinued operations

Net debt to EBITDA ratio (leverage)

$$\frac{\text{Interest-bearing net debt incl. discontinued operations}}{\text{EBITDA incl. discontinued operations + share of profit/loss in associates and joint ventures incl. discontinued operations}}$$

Liquidity covenant

Available cash incl. discontinued operations + unused stand-by loan - the face value of commercial papers issued

* Calculation has changed in 2023 and 2022 has been restated to be comparable. Reported figure for 2022 was 121.6.
** When calculating the earnings per share, interest and issue costs of the hybrid loan, net of tax, have been reduced from profit for the period.

Financial Statements 2023

Consolidated income statement for 1 January – 31 December

(EUR million)	Note	2023	2022
Continuing operations			
Net sales	1.	1,163.2	1,097.5
Other operating income	2.	4.0	6.1
Materials and services	3.	-800.4	-753.9
Employee benefits expenses	4.	-206.1	-199.5
Depreciation and amortisation	5.,13.	-35.3	-32.7
Other operating expenses	6.	-108.0	-120.1
EBIT		**17.4**	**-2.6**
Financial income	7.	3.6	1.7
Financial expenses	7.,13.	-31.3	-17.7
Share of associates' and joint ventures' results		1.3	5.3
Profit/loss before taxes		**-9.0**	**-13.3**
Income tax	8.	-6.6	-2.7
Profit/loss for the period, continuing operations		-15.6	-16.0
Profit/loss for discontinued operations	20.	-6.9	-50.0
Profit/loss for the period		**-22.5**	**-66.0**
Profit/loss for the period attributable to:			
Equity holders of the parent		-26.4	-69.7
Non-controlling interests		4.0	3.7
Total		**-22.5**	**-66.0**

(EUR million)	Note	2023	2022
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	-0.22	-0.22
EPS, diluted, continuing operations, EUR/share	9.	-0.22	-0.22
EPS, undiluted, discontinued operations, EUR/share	9.	-0.07	-0.51
EPS, diluted, discontinued operations, EUR/share	9.	-0.07	-0.51
EPS, undiluted, EUR/share	9.	-0.29	-0.73
EPS, diluted, EUR/share	9.	-0.29	-0.73

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

Consolidated statement of comprehensive income 1 January – 31 December

(EUR million)	2023	2022
Profit/loss for the period	-22.5	-66.0
OTHER COMPREHENSIVE INCOME (after taxes):		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations, discontinued operations	1.3	-7.3
Cash flow hedging, continuing operations	-10.4	11.1
Cash flow hedging, discontinued operations	-3.6	4.1
Reclassification adjustment (electricity derivative), continuing operations	-2.6	-
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	14.1
Total other comprehensive income	**-19.2**	**22.1**
Total comprehensive income for the period	**-41.6**	**-43.9**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the parent	-45.6	-47.6
Non-controlling interests	4.0	3.7
Total	**-41.6**	**-43.9**

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

Consolidated balance sheet on 31 December

(EUR million)	Note	31 Dec. 2023	31 Dec. 2022
Intangible assets	10.	16.2	67.1
Goodwill	11.	27.8	46.8
Tangible assets	12.,13.	284.9	378.6
Shares in associates and joint ventures	14.	23.6	29.3
Other receivables	15.	26.2	12.2
Other shares and holdings	15.	0.7	11.8
Deferred tax asset	16.	25.1	31.8
Non-current assets		**404.5**	**577.5**
Inventories	17.	75.2	123.9
Trade receivables	18.	75.3	118.7
Other receivables	18.	21.9	36.6
Income tax receivable	18.	0.1	0.2
Cash and bank	19.	28.7	17.2
Current assets		**201.1**	**296.5**
Assets of disposal group classified as held for sale	20.	246.0	101.9
Assets		**851.7**	**976.0**
Share capital	21.	66.8	66.8
Share premium reserve	21.	72.9	72.9
Treasury shares	21.	-3.8	-4.1
Hybrid loan	21.	25.9	25.9
Fair value reserve and other reserves	21.	228.9	247.6
Translation differences	21.	-18.6	-19.9
Retained earnings	21.	-160.9	-128.4
Equity attributable to equity holders of the parent		211.1	260.9
Non-controlling interests		26.9	24.6
Equity		**238.0**	**285.5**

(EUR million)	Note	31 Dec. 2023	31 Dec. 2022
Deferred tax liability	16.	3.9	23.9
Non-current interest-bearing liabilities	13., 24.	289.0	333.9
Non-current non-interest-bearing liabilities	24.	-0.1	0.0
Non-current provisions	23.	0.0	5.1
Pension obligations	22.	2.5	13.2
Non-current liabilities		**295.3**	**376.1**
Current interest-bearing liabilities	13., 24.	17.9	30.6
Trade and other payables	24.	156.5	233.9
Refund liabilities	24.	3.7	7.7
Income tax liability	24.	1.4	1.5
Current provisions	23.	0.0	0.2
Current liabilities		**179.4**	**273.9**
Liabilities of disposal group classified as held for sale	20.	139.0	40.4
Equity and liabilities		**851.7**	**976.0**

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

Consolidated cash flow statement

(EUR million)	2023	2022
Profit/loss for the period, continuing operations	-15.6	-16.0
Profit/loss for discontinued operations	-6.9	-50.0
Adjustments	96.6	119.2
Cash flow before change in net working capital	74.2	53.2
Change in net working capital	15.1	-18.9
Other changes	-9.3	-1.9
Interest paid	-29.6	-16.0
Other financial expenses paid	-10.6	-9.0
Interest received	4.2	2.3
Other financial income received	7.9	9.2
Dividends received	1.7	2.4
Income taxes paid	-3.0	-2.4
Cash flow from operating activities (A)	**50.6**	**18.9**
Total investments	-36.0	-46.1
Total sales of assets	1.7	2.4
Acquisition of subsidiary, net of cash acquired	0.2	0.3
Disposal of subsidiary, net of cash	59.6	-
Loan receivables, borrowings and repayments	-2.8	2.6
Cash flow from investing activities (B)	**22.6**	**-40.8**

(EUR million)	2023	2022
Hybrid loan	-2.1	-2.1
Proceeds from external borrowings	35.0	139.5
Repayment of external borrowings	-80.7	-105.6
Payment of lease liabilities	-12.4	-12.1
Dividends paid	-1.9	-5.3
Cash flow from financing activities (C)	**-62.0**	**14.4**
Net cash flow (A+B+C)	**11.3**	**-7.4**
Cash and cash equivalents, end balance	29.0	17.8
Cash and cash equivalents, opening balance	17.8	27.2
Effect of changes in exchange rates	-0.1	-2.0
Change	**11.3**	**-7.4**

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

Statement of changes in consolidated equity

(EUR million)	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Hybrid loan	Other reserves	Translation differences*	Treasury shares	Retained earnings	Equity holders of the parent	Non-controlling interests	Total
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	-	-	-	-	-	-	-	-	-26.4	-26.4	4.0	-22.5
Other comprehensive income (+) / expense (–)												
Translation difference	-	-	0.0	-	-	-	1.3	-	-	1.3	-	1.3
Cash flow hedging	-	-	-14.0	-	-	-	-	-	-	-14.0	-	-14.0
Reclassification adjustment (electricity derivative)	-	-	-2.6	-	-	-	-	-	-	-2.6	-	-2.6
Share of associates' and joint ventures' other comprehensive income items	-	-	0.5	-	-	-	-	-	-	0.5	-	0.5
Actuarial gains or losses	-	-	-	-	-	-	-	-	-4.4	-4.4	-	-4.4
Total other comprehensive income / expense	-	-	-16.0	-	-	-	1.3	-	-4.4	-19.2	-	-19.2
Total comprehensive income for the period	**-**	**-**	**-16.0**	**-**	**-**	**-**	**1.3**	**-**	**-30.9**	**-45.6**	**4.0**	**-41.6**
Direct recognitions	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Baltics sale related transfer to result for the financial period	-	-	-	-	-	-2.2	-	-	-	-2.2	-	-2.2
Transfer of own shares	-	-	-	-	-	-	-	0.3	-0.3	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.9	-1.9
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 31 Dec. 2023	**66.8**	**72.9**	**5.9**	**215.4**	**25.9**	**8.1**	**-18.6**	**-3.8**	**-161.5**	**211.1**	**26.9**	**238.0**

* Translation difference comes almost entirely from Swedish operations. It will be recorded from other comprehensive income to income statement at closing.

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

(EUR million)	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Hybrid loan	Other reserves	Translation differences*	Treasury shares	Retained earnings	Equity holders of the parent	Non-controlling interests	Total
EQUITY ON 1 Jan. 2022	**66.8**	**72.9**	**6.6**	**215.4**	**25.9**	**10.4**	**-12.6**	**-4.8**	**-65.9**	**314.8**	**22.1**	**336.9**
Result for the financial period	-	-	-	-	-	-	-	-	-69.7	-69.7	3.7	-66.0
Other comprehensive income (+) / expense (–)												
Translation difference	-	-	0.0	-	-	-	-7.3	-	-	-7.3	-	-7.3
Cash flow hedging	-	-	15.2	-	-	-	-	-	-	15.2	-	15.2
Actuarial gains or losses	-	-	-	-	-	-	-	-	14.1	14.1	-	14.1
Total other comprehensive income / expense	-	-	15.3	-	-	-	-7.3	-	14.1	22.1	-	22.1
Total comprehensive income for the period	**-**	**-**	**15.3**	**-**	**-**	**-**	**-7.3**	**-**	**-55.5**	**-47.6**	**3.7**	**-43.9**
Direct recognitions	-	-	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Transfer of own shares	-	-	-	-	-	-	-	0.7	-0.7	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-3.9	-3.9	-1.4	-5.3
Founding of subsidiary	-	-	-	-	-	-	-	-	-	-	0.3	0.3
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 31 Dec. 2022	**66.8**	**72.9**	**21.9**	**215.4**	**25.9**	**10.4**	**-19.9**	**-4.1**	**-128.4**	**260.9**	**24.6**	**285.5**

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

Notes to the financial statements for 2023

Basic information about the entity

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

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

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting on 8 February 2024. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting can also modify the financial statements.

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

Accounting policies

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

Assumption of ability to continue as a going concern

The Financial Statements for financial year 2023 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 over the next 12 months.

The weak profitability development and the increase in working capital in year 2022 had a negative impact on cash flow and further on the net gearing and leverage, which are the company's covenants. In January-March 2023, the impact of the weakening consumer demand on the company's profitability and cash flow was offset by cost savings, efficiency improvements and working capital management. In April-December 2023, consumer demand strengthened slightly, but the company continued and launched new measures to strengthen profitability and cash flow.

The uncertainty related to the increase in cost inflation in 2024 has decreased. Especially the uncertainty related to energy and electricity prices has been reduced for 2024, based on the electricity price forecasts for the next 12 months updated during the period under review.

Uncertainty for the year 2024 remains related to the consumer demand in the environment of high inflation and high interest rates. If consumer demand weakens significantly and HKScan's sales volumes fall considerably, this will have a negative impact on the company's profitability. The developments described above may also lead to a temporary increase in working capital, which would weaken profitability and have a negative impact on the company’s cash flow and asset values. This could result in a breach of the covenants. If a breach of the covenants would seem to be apparent due to unforeseen changes in the business environment, management will enter into negotiations with the banks on a temporary modification of the covenants and their terms. During the first half 2024, HKScan will commence negotiations to refinance the debt maturing in 2025. However, this does not impact the going concern assessment of the company’s financial statements 2023 as the company has sufficient committed financing until the end of the going concern period 31 December 2024.

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. The EBITDA includes the share of profits from associates and joint ventures. The liquidity covenant is defined as available cash and unused stand-by loan less the face value of commercial papers issued.

The limit on the net gearing ratio is 125 per cent for the bank loans and 130 per cent for the bond. The ratio of net debt to EBITDA limit was 5.0 from October 2023 and is 4.5 from January 2024. The limit of the liquidity covenant was EUR 20.0 million in December 2023 and is EUR 15 million from 1 January 2024 until 31 October 2024.

In December 2023, HKScan had a net gearing ratio of 121.0 per cent, a net debt to EBITDA ratio of 3.7 and a liquidity of EUR 35.5 million.

The uncertainties and risks associated with the business environment have considerably decreased during the second half of 2023 along with improved profitability and cash flow of the continuing business units and especially due to the signing and expected closing of the divestment of the Swedish businesses which will significantly improve the company’s financial status. HKScan’s management has assessed the cash flow forecasts of the business over the next 12 months, which indicates that the covenants will remain close to their limits in the first half of 2024 until the sale of the Swedish businesses is closed but will not be breached and that financing is secured for 12 months from 31 December 2023.

There are risks and uncertainties to the going concern as described above, but HKScan’s management assesses it can manage these. There is no material uncertainty relating to the going concern when preparing the 2023 financial statement in accordance with IFRS standards.

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS standards and SIC and IFRIC interpretations effective on 31 December 2023. ‘International Financial Reporting Standards’ refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

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

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

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

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2022 except for the change in accounting policy for spare parts inventory. From 2023 onwards spare parts exceeding minimum value as a practical matter are capitalised to spare parts inventory with acquisition cost. Items below the minimum value are recorded as cost when purchased. Before all purchased spare parts were recorded as cost when purchased. The change is done retrospectively as if the policy would have been always effective. Opening balance 2022 has been restated higher than previously reported by EUR 7.9 million for inventory, EUR 6.4 million for retained earnings and EUR 1.5 million for deferred tax liability. The change has no impact on the 2022 income statement as the inventory balance is stable.

New and amended standards adopted by the group

There have been no new standards, amendments or interpretations, which are effective for the financial year beginning on 1 January 2023 that affect Group's accounting policies or any of the disclosures.

Comparability with previous years

The years 2023 and 2022 are comparable with each other. Assets and liabilities classified as held for sale in the balance sheet include Baltics operations in 2022 and Swedish operations in 2023. Discontinued operations in the income statement include Swedish operations from full years 2022-2023 and Baltics operations until August 2023.

Consolidation subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value, or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

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

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

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

Associates

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

The Group's share in associates' changes recognised in other items of comprehensive income are recognised in the Group's other items of comprehensive income.

Joint ventures

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

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

Foreign Currency Translation

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

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

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

Property, plant and equipment

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

The expected useful lives are as follows:

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

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

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

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

Government grants

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

Intangible assets

Goodwill

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

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

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

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

Research and development costs

Research and development costs are charged as incurred.

Other intangible rights and assets

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

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

Impairment of non-financial assets

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

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

Inventories

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

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

Leases

The Group as lessee

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

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

The Group as lessor

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

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

Employee benefits

Pension obligations

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

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

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

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

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

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

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

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

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

Share based payments

Based on IFRS 2, the fair value of share based incentives is determined at the grant date and the fair value is expensed until vesting. If the share reward is paid as a combination of shares and cash, the fair value determination is divided into equity-settled and cash-settled portions. The equity-settled portion is booked into equity and cash-settled into liabilities. The fair value of equity-settled portion is the fair value of Company share at the grant date deducted with expected dividends to be paid before the reward payment. Furthermore, the share purchase and ownership requirement in the performance period is taken into account by deducting the estimated financing costs of the share purchases from the fair value.
The fair value of the cash-settled portion is recalculated on each reporting date until the reward payment.

Provisions

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

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

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

Taxes and deferred taxes based on taxable income for the period

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

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

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

Revenue recognition policies

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

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

Non-current assets held for sale and discontinued operations

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

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

Financial assets and liabilities

Financial assets

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

Financial assets at amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade receivables and loan receivables under current and non-current financial assets.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as financial income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

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

Derecognition

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents

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

Financial liabilities

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

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

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as a part of the cost of the said asset when it is likely that these will generate future economic benefits, and when the costs can be measured reliably. During the financial years presented, the Group did not have any qualifying investments.

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

Derivatives and hedge accounting

Derivative contracts are initially accounted for at fair value on the date on which the Group becomes a party to the contract and subsequently continue to be measured at fair value. Gains and losses arising from the measurement at fair value are treated in the income statement in the manner determined by the purpose of the derivative. The impacts on profit or loss arising from changes in the value of derivative contracts to which hedge accounting applies and which are effective hedges, are presented in a manner consistent with the hedged item. When derivative contracts are entered into, the Group treats the derivatives, as in the case of interest rate risk, as cash flow hedges, cash flow hedges of a highly probable forecast transaction, or derivatives that do not satisfy the criteria for applying hedge accounting. The Group documents the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group documents and assesses the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows.

Cash flow hedging

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

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

Other hedging instruments where hedge accounting is not applied

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

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

Equity

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

Dividend

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

EBIT

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

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

Critical accounting estimates and judgements

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

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

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

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

Impairment testing

The Group tests goodwill annually for possible impairment. The recoverable amounts of cash generating units are determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Although the assumptions used are appropriate according to the Management, the estimated recoverable amounts may differ substantially from those realised in future. The assumptions used in the impairment calculation involve judgement that the Management has used in estimating the development of different factors. The sensitivity analysis emphasises that the factors related to revenue growth are the most central sources of uncertainty in the methods, assumptions and estimates used in the calculations. This sensitivity derives from the challenging estimation of the future development of the previously mentioned factors. More details on the matter are presented in note 11.

Deferred tax

Deferred tax assets are recognised for the amount which it is likely that taxable profit will be generated in the future, against which the temporary difference can be utilised. The Group assesses the principles for recognising deferred tax in connection with the financial statements. To this end, it has assessed how likely subsidiaries are to have recoverable taxable income against which the unused tax losses or unused tax credits can be utilised. More details on the matter are presented in note 16.

Valuation of inventories

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

Impact of climate related matters to financial statement

The company has evaluated risks and opportunities and their financial impact related to climate change according to Task Force on Climate Related Financial Disclosures (TCFD) -model. Key risks relate to legislation, availability of lower emissions technology, energy costs, consumer behaviour and interest as employer and investment target. Climate related matters in financial statements mainly impact management estimates on long term cash flows that are used in impairment testing and valuation of deferred tax assets.

Valuation of conditional purchase price receivable

Conditional purchase price receivable related to sale of Baltics business includes significant management estimate and judgment. More details on the matter are presented in note 20.

Assumption of ability to continue as a going concern

The financial statement for the has been prepared on the going concern basis. Should it prove in the future that the preparation of financial statements on the going concern principle is not justified, the carrying values and/or classification of the company's assets and liabilities would have to be adjusted. This would result in an impairment of deferred tax assets and measurement of non-current assets at fair value. See "Assumption of ability to continue as going concern" in the beginning of accounting policies.

Application of new and revised IFRS norms

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

Notes to income statement

1. Business segments

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

The Group Management Team monitors business performance by geographical area. The geographical segments monitored are Finland and Denmark. Polish unit, which has been previously reported as part of Sweden, is now reported as part of Finland. Year 2022 figures has been restated respectively.

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

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

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

Year 2023	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Un-allocated	Group total
INCOME STATEMENT INFORMATION									
Net sales	-	933.0	230.2	-	1,163.2	-	-	-	1,163.2
EBIT	-	20.7	3.1	-	23.8	-6.4	-	-	17.4
Share of associates' results	-	2.0	-0.7	-	1.3	-	-	-	1.3
Financial income and expenses								-27.7	-27.7
Income taxes								-6.6	-6.6
Result for the period									**-15.6**
BALANCE SHEET INFORMATION									
Segment assets	-	471.0	69.6	-	540.7	59.2	-85.1	-	514.8
Shares in associates	-	20.1	3.5	-	23.6	-	-	-	23.6
Assets of disposal group classified as held for sale	246.0	-	-	-	246.0	-	-	-	246.0
Unallocated assets	-	-	-	-	-	-	-	67.3	67.3
Total assets	**246.0**	**491.1**	**73.2**	**-**	**810.3**	**59.2**	**-85.1**	**67.3**	**851.7**
Segment liabilities	-	208.9	24.8	-	233.7	38.5	-20.7	-	251.5
Liabilities of disposal group classified as held for sale	139.0	-	-	-	139.0	-	-	-	139.0
Unallocated liabilities	-	-	-	-	-	-	-	223.2	223.2
Total liabilities	**139.0**	**208.9**	**24.8**	**-**	**372.7**	**38.5**	**-20.7**	**223.2**	**613.7**

Year 2023	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Un-allocated	Group total
OTHER INFORMATION									
Sales, goods	-	929.5	230.2	-	1,159.7	-	-	-	1,159.7
Sales, services	-	3.5	-	-	3.5	-	-	-	3.5
Investments	-	25.5	8.1	-	33.6	1.0	-	-	34.6
Depreciation and amortisation	-	-29.7	-4.5	-	-34.2	-1.1	-	-	-35.3
Impairment	-	-	-	-	-	-	-	-	-
Goodwill	-	27.8	-	-	27.8	-	-	-	27.8
Cash flow before debt service	3.4	26.1	10.7	-1.0	39.2	63.3	-	-	102.5

Cash flow before debt service reconciliation Group total	
Cash flow from operating activities	50.6
Financial items (-)	26.4
Cash flow from investing activities	22.6
Loan receivables Borrowings and repayments (-)	2.8
Cash flow before debt service	**102.5**

Year 2022	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Un-allocated	Group total
INCOME STATEMENT INFORMATION									
Net sales	-	877.2	220.4	-	1,097.5	-	-	-	1,097.5
EBIT	-	6.4	1.4	-	7.8	-10.3	-	-	-2.6
Share of associates' results	-	5.0	0.3	-	5.3	-	-	-	5.3
Financial income and expenses								-16.0	-16.0
Income taxes								-2.7	-2.7
Result for the period									**-16.0**

Year 2022	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Un-allocated	Group total
BALANCE SHEET INFORMATION									
Segment assets	286.9	453.0	71.7	-	811.7	29.1	-52.0	-	788.8
Shares in associates	5.0	19.1	4.7	-	28.8	0.5	-	-	29.3
Assets of disposal group classified as held for sale	-	-	-	101.9	101.9	-	-	-	101.9
Unallocated assets	-	-	-	-	-	-	-	55.9	55.9
Total assets	**291.9**	**472.2**	**76.4**	**101.9**	**942.4**	**29.6**	**-52.0**	**55.9**	**976.0**
Segment liabilities	126.9	198.4	22.5	-	347.9	14.1	-6.7	-	355.3
Liabilities of disposal group classified as held for sale	-	-	-	40.4	40.4	-	-	-	40.4
Unallocated liabilities	-	-	-	-	-	-	-	294.8	294.8
Total liabilities	**126.9**	**198.4**	**22.5**	**40.4**	**388.3**	**14.1**	**-6.7**	**294.8**	**690.5**
OTHER INFORMATION									
Sales, goods	-	873.2	220.4	-	1,093.6	-	-	-	1,093.6
Sales, services	-	3.9	-	-	3.9	-	-	-	3.9
Investments	-	19.0	5.4	-	24.4	1.3	-	-	25.7
Depreciation and amortisation	-	-29.5	-4.4	-	-33.8	-1.2	-	-	-35.1
Impairment	-	2.3	-	-	2.3	-	-	-	2.3
Goodwill	18.9	27.8	-	-	46.8	-	-	-	46.8
Cash flow before debt service	8.2	1.1	-3.4	-17.5	-11.6	-1.8	-	-	-13.4
Cash flow before debt service reconciliation to Group total									
Cash flow from operating activities									18.9
Financial items (-)									11.1
Cash flow from investing activities									-40.8
Loan receivables Borrowings and repayments (-)									-2.6
Cash flow before debt service									**-13.4**

2. Other operating income

	2023	2022
Rental income	1.6	1.2
Gain on disposal of non-current assets	0.1	0.0
Exchange rate gains related to foreign exchange derivatives	0.8	0.6
Insurance compensation	0.2	2.0
Government grants	0.3	0.1
Other operating income	1.0	2.2
Other operating income	**4.0**	**6.1**

3. Materials and services

	2023	2022
Purchases during the financial period	-693.6	-669.2
Increase/decrease in inventories	-10.7	10.0
Work performed for own use and capitalised	0.0	0.0
Materials and supplies	**-704.3**	**-659.2**
External services	-96.1	-94.7
Materials and services	**-800.4**	**-753.9**

4. Employee benefit expenses

	2023	2022
Salaries and fees	-169.1	-163.8
Share-based payments	-0.1	0.0
Pension expenses, defined contribution plans	-25.0	-24.3
Pension expenses, defined benefit plans	-0.3	-0.3
Total pension expenses	-25.4	-24.7
Other social expenses	-11.5	-11.0
Employee benefit expenses	**-206.1**	**-199.5**
Key management personnel compensation:		
Short-term employee benefits	-2.9	-3.2
Post-employment benefits	-0.4	-0.5
Termination benefits	-0.1	-1.6
Share-based payments	-0.1	-0.4
Key management salaries, fees and benefits	**-3.5**	**-5.8**
Average number of employees during financial year (FTE)		
Clerical employees	655	650
Workers	2,968	2,981
Total	**3,623**	**3,631**

Members of Board of Directors:	Salaries and fees	Post-employment benefits
Reijo Kiskola, Chairman	0.125	-
Jari Mäkilä, Debuty Chairman	0.058	-
Per Olof Nyman	0.055	-
Harri Suutari	0.052	-
Terhi Tuomi	0.050	-
Anne Koutonen	0.062	-
Ilkka Uusitalo	0.034	-
Ove Conradsson	0.034	-
Total	**0.470**	**-**
CEO		
Juha Ruohola	0.577	0.106

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

Share-based payments

Long-term incentive scheme 2018

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

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

From performance period 2019–2021 a total of 115,137 shares were delivered to 5 participants in spring 2023. In addition a cash portion was paid to cover taxes.

PSP 2018–2020

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

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

PSP 2019–2021

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

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

RSP 2019–2021

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

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

Performance Share Plan 2023–2027

On 3 April 2023 the Board of Directors of HKScan Corporation has decided to establish a new long-term share-based incentive plan for the CEO. The Performance Share Plan 2023–2027 comprises one (1) five-year (5) performance period covering the calendar years 2023–2027. In the plan, the CEO has the opportunity to earn HKScan Corporation series A shares based on the achievement of performance criteria. The potential rewards based on the plan will be paid in three instalments, by the end of May 2026, May 2027 and May 2028.

The rewards to be paid based on the performance period 2023–2027 correspond to the value of approximately 1.9 million HKScan Corporation shares in maximum total, also including the portion to be paid in cash. The reward to be paid on the basis of the Performance Share Plan will be capped if the limits set by the Board for the payable reward from the performance period 2023–2027 are reached.

The reward of the Performance Share Plan is paid partly in HKScan shares and partly in cash. The cash proportion of the reward is intended for covering taxes and tax-related expenses arising from the rewards to the participant. In general, the reward payment is not binding if the CEO contract terminates during the performance period.

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

Share based incentives during the reporting period 1 Jan. – 31 Dec. 2023

Plan	Performance Share Plan 2023-2027			LTI 2018			
Instrument	**PSP 2023-2027**	**PSP 2019-2021 (2 tranche)**	**RSP 2019-2021 (2 tranche)**	**PSP 2019-2021 (1 tranche)**	**RSP 2019-2021 (1 tranche)**	**PSP 2018-2020**	**TOT/WA**
Initial amount, pcs	1,944,445	661,100	440,750	661,100	440,750	910,400	5,058,545
Initial allocation date	3.4.2023	26.6.2019	26.6.2019	26.6.2019	26.6.2019	5.3.2018	
Vesting date / payment approximately	31.5.2026, 31.5.2027, 31.5.2028	31.3.2023, 31.5.2024, 31.5.2025	31.3.2023, 31.5.2024, 31.5.2025	31.3.2022, 31.5.2024, 31.5.2025	31.3.2022, 31.5.2024, 31.5.2025	31.3.2021, 31.3.2022, 31.5.2024, 31.5.2025	
Maximum contractual life, yrs	5	6	6	6	6	7	5.9
Remaining contractual life, yrs	4.4	1.4	1.4	1.4	1.4	1.4	3.7
Vesting conditions	EBIT, EPS, Debt service capacity, Employment precondition	Operative Cash flow, Employment precondition, in addition TSR and profitability for 2024-2025 payments	ROCE, Employment precondition, in addition TSR and profitability for 2024-205 payments	Operative Cash flow, Employment precondition, in addition TSR and profitability for 2024-2025 payments	ROCE, Employment precondition, in addition TSR and profitability for 2024-205 payments	2018: EBIT (50%), EPS (50%); 2019-2020 Operative Cash flow, TSR and profitability for 2024-2025 payments, Employment precondition	
Number of persons at the end of the reporting year	1	6	5	6	5	4	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2023	**PSP 2023-2027**	**PSP 2019-2021 (2 tranche)**	**RSP 2019-2021 (2 tranche)**	**PSP 2019-2021 (1 tranche)**	**RSP 2019-2021 (1 tranche)**	**PSP 2018-2020**	**Total**
1 Jan. 2023							
Outstanding at the beginning of the reporting period, pcs	-	219,350	231,800	132,424	115,900	56,950	756,424
Changes during the period							
Granted	1,944,445	-	-	-	-	-	1,944,445
Forfeited	-	-	-	-	-	-	0
Excercised	-	8,6924	115,900	-	-	-	202,824
Expired	-	-	-	-	-	-	0
31 Dec. 2023							
Outstanding at the end of the period	1,944,445	132,426	115,900	132,424	115,900	56,950	2,498,045

Fair value determination

Based on IFRS 2 standard, the fair value of share based incentives is determined at grant date and the fair value is expensed until vesting. The fair value is booked to equity and possible social security contributions to liability. The fair value of the equity is the fair value of Company share at grant date deducted with expected dividends to be paid before reward payment. Total shareholder return (TSR) is estimated using Monte-Carlo Simulation and included in the fair value. The fair value of the liability is recalculated on each reporting date until reward payment.

The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period	
Share price at grant, €	0.78
Share price at reporting period end, €	0.83
Maturity, years	4.2
Expected dividends, €	0
Fair value at grant, €	1,516,667
Fair value reporting period end, €	151,667

Effect of share-based incentives on the result and financial position during the period	
Expenses for the financial year, share-based payments, euros	101,668
Expenses for the financial year, share-based payments, equity-settled, euros	106,772
Liabilities arising from share-based payments 31 Dec. 2023, euros	6,886
Estimated amount of cash to be paid to the tax authorities under the plans which have not yet been delivered	196,273

5. Depreciation and impairment

	2023	**2022**
Depreciation according to plan	-24.9	-25.3
Depreciation expense of right-of-use assets	-10.4	-9.8
Impairment	-	2.3
Total	**-35.3**	**-32.7**

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

6. Other operating expenses

	2023	2022
Rents/leases	-1.2	-1.1
Losses on disposal of non-current assets	-2.9	-0.2
Non-statutory staff costs	-8.4	-7.8
Energy	-24.5	-38.5
Maintenance	-25.9	-24.9
Advertising, marketing and entertainment costs	-12.0	-10.8
Service, information management and office costs	-20.3	-21.8
Exchange rate losses related to foreign exchange derivatives	-0.8	-0.7
Other expenses	-12.1	-14.3
Total other operating expenses	**-108.0**	**-120.1**

Audit fees

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

	2023	2022
Audit fees	-0.5	-0.5
Tax consultation	0.0	0.0
Other fees	-0.1	-0.1
Audit fees, total	**-0.6**	**-0.6**

Ernst & Young Oy was paid from non-audit services to entities of HKScan in total 76 thousand euros during the financial year 2023.

7. Financial income and expenses

Financial income	2023	2022
Dividend income	0.2	0.1
Interest income		
Interest income from loans and receivables	2.6	1.3
Interest income from interest rate derivatives	0.8	0.2
Other financial income	0.0	0.0
Total	**3.6**	**1.7**

Financial expenses		
Interest expenses		
Interest expenses from other liabilities at amortised cost	-21.5	-10.7
Interest expenses from interest derivatives	-0.6	-1.1
Interest expenses from lease liabilities	-4.4	-4.1
Other financial expenses		
Change in fair value of interest rate derivatives	-0.1	1.4
Other financial expenses	-4.2	-2.6
Exchange gains and losses from loans and other receivables	-0.5	-0.6
Total	**-31.3**	**-17.7**
Total financial income and expenses	**-27.7**	**-16.0**

8. Income taxes

Income taxes	2023	2022
Income tax on ordinary operations	-2.9	-2.4
Tax for previous financial periods	-	0.0
Change in deferred tax liabilities and assets	-3.7	-0.3
Income tax on ordinary operations	**-6.6**	**-2.7**

Cumulative tax rate reconciliation		
Accounting profit/loss before taxes	-9.0	-13.3
Deferred tax at parent company's tax rate	1.8	2.7
Effect of different tax rates applied to foreign subsidiaries	0.1	0.0
Share of associates' results	0.3	1.1
Tax-exempt income	0.0	0.0
Non-deductible expenses	-	-0.3
Unrecognised tax on the losses for the financial period	-8.3	-6.2
Tax for previous financial periods	-0.5	0.0
Tax expenses in the income statement	**-6.6**	**-2.7**

9. Earnings per share

	2023	2022
Profit for the period attributable to equity holders of the parent from continuing operations	-19.6	-19.7
Profit for the period attributable to equity holders of the parent from discontinued operations	-6.9	-50.0
Hybrid loan calculational interest (after taxes) from continuing operations	-1.7	-1.7
Total	**-28.1**	**-71.3**
Weighted average number of outstanding shares in thousands	97,426	97,291
Weighted average number of outstanding shares adjusted for dilution effect	97,426	97,291
Undiluted earnings per share (EUR/share), continuing operations	-0.22	-0.22
Earnings per share adjusted for dilution effect (EUR/share), continuing operations	-0.22	-0.22
Undiluted earnings per share (EUR/share), discontinued operations	-0.07	-0.51
Earnings per share adjusted for dilution effect (EUR/share), discontinued operations	-0.07	-0.51
Undiluted earnings per share (EUR/share)	-0.29	-0.73
Earnings per share adjusted for dilution effect (EUR/share)	-0.29	-0.73

Notes to the balance sheet

10. Intangible assets

	2023	2022
Opening balance, cumulative acq cost	111.4	114.7
Translation differences	0.2	-4.7
Additions	0.9	2.0
Reclassification between items	2.3	1.3
Assets of disposal group classified as held for sale	-55.5	-2.0
Closing balance, cumulative acq cost	59.3	111.4
Opening balance, cumulative depreciations	-44.3	-41.7
Translation differences	0.0	0.4
Depreciation for the financial period	-4.0	-4.5
Assets of disposal group classified as held for sale	5.1	1.5
Closing balance, cumulative depreciations	-43.2	-44.3
Intangible assets on 31 Dec.	**16.2**	**67.1**

The intangible assets included in the Swedish business operations have been classified as assets held for sale in 2023. Remaining balance includes IT-software, trademarks and connection fees.

11. Goodwill

	2023	2022
Opening balance	46.8	71.3
Translation differences	0.1	-2.3
Depreciation and impairment	-	-15.6
Assets of disposal group classified as held for sale	-19.0	-6.6
Closing balance	**27.8**	**46.8**

Allocation of goodwill

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

Specification of goodwill	2023	2022
Finland	27.8	19.8
Sweden	-	26.9
Total	**27.8**	**46.8**

Impairment testing

The company tests for impairment each year. The key assumptions in testing are the growth prospects of the business, cost trends, and the discount rate employed.

Management reviews the business performance based on business segments and it has identified Finland and Denmark as cash generating units. Goodwill is monitored by the Management at CGU level. Sweden BU, excluding Polish unit, has been classified as held for sale and measured according to IFRS 5 at fair value less transaction costs, see note 20. In connection to classification, goodwill amounting to EUR 8 million was allocated to Polish unit from Sweden CGU and it has been tested as part of Finland CGU as per 31.12.2023.

In impairment testing all the CGU's assets are tested against the recoverable amounts in the future. The recoverable amounts of the CGUs' are based on value-in-use calculations. The cash flow estimates employed are based on management's financial plans. Net sales is expected to increase by 2.9 per cent in Finland and 2.2 per cent in Denmark in 2024. Plans include EBITDA improvement in 2024. Subsequent terminal period after 2024 does not include other profit improvement other than terminal residual growth rate. HKScan's long term financial target of over 4 per cent EBIT percentage, which is also level achieved by competitors, has not been used as assumption in the calculation as the company has not met estimates in previous years and current EBIT percentage is clearly below target level. Assumption is that sales mix improves in Finland and that sales of new value-added products increase in Denmark. In addition improvement in operational efficiency is an assumption for both countries. Cost inflation is expected to be moderate. Due to not reaching estimates before 2023 the discount rate includes a risk component related to uncertainty of future cash flows. The cash flow for terminal period is extrapolated using a growth factor (2.0 per cent).

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, a company specific risk based on management judgment, which is 3.5 per cent for Finland and Denmark, has been taken into account in the calculation. This includes the uncertainty related to consumer behaviour and future cash flows. The interest rates used before taxes are 9.5 (8.7) per cent in Finland and 8.9 (8.2) per cent in Denmark.

The sensitivity of each CGU to impairment is tested by varying the discount rate and future cash flow. Based on the sensitivity analyses conducted, an increase of 1 percentage point in WACC would result in impairment amounting to EUR 18 million in Finland and EUR 6 million in Denmark. If EBITDA for all future years in testing would be 10 % smaller, impairment loss amounting to EUR 35 million in Finland and EUR 12 million in Denmark would have to be booked. Following discount rate increases in percentage points would not cause any impairment, provided that other factors remained unchanged: Finland 0.6, Denmark 0.0. Following decreases in EBITDA would not cause any impairment, provided that other factors remained unchanged: Finland EUR 2 million and Denmark EUR 0 million. Recoverable amounts in testing exceeded the assets values by EUR 29 million in Finland and EUR 0 million in Denmark.

The following table presents EBITDA in EUR million used in testing. Years 2022–2023 are actuals. Comparison year has been restated so that Finland includes Polish unit.

	2022	2023	2024	terminal year 2025
Finland	32.0	49.3	49.5	49.5
Denmark	4.3	5.9	7.7	7.7

No impairment has been recorded based on impairment testing in 2023. In 2022 an impairment amounting to EUR 15.6 million was recorded to goodwill in Baltics before the segment was classified as held for sale.

12. Tangible assets

Tangible assets 2023	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and work in progress	Total
Opening balance, cumulative acq cost	6.7	336.6	712.8	5.4	27.2	1,088.8
Translation differences	0.0	0.8	1.1	-	0.4	2.3
Additions	1.6	0.8	2.9	0.1	26.9	32.3
Disposals	0.0	-5.0	-11.6	0.0	-	-16.6
Other changes	-	-4.1	-21.1	-0.1	-	-25.3
Reclassification between items	-	2.9	14.1	0.0	-19.7	-2.7
Assets of disposal group classified as held for sale	-2.0	-64.6	-200.4	-	-14.5	-281.5
Closing balance, cumulative acq cost	6.4	267.5	497.7	5.3	20.3	797.2
Opening balance, cumulative depreciations	0.0	-226.3	-575.3	-4.8	-	-806.4
Translation differences	-	-0.5	-1.0	-	-	-1.4
Accumulated depreciation on disposals and reclassifications	-	-	11.5	-	-	11.5
Depreciation for the financial period	-	-7.6	-22.9	-0.1	-	-30.6
Other changes	-	4.1	21.1	0.1	-	25.3
Assets of disposal group classified as held for sale	-	61.5	144.8	-	-	206.4
Closing balance, cumulative depreciations	0.0	-168.7	-421.7	-4.8	-	-595.2
Tangible assets on 31 Dec. 2023	**6.4**	**98.8**	**76.0**	**0.6**	**20.3**	**202.0**
Right-of-use assets (Note 13)	0.0	81.4	15.1	-	-	96.5
Assets of disposal group classified as held for sale	-	-11.1	-2.5	-	-	-13.6
Tangible assets total on 31 Dec. 2023	**6.3**	**169.0**	**88.7**	**0.6**	**20.3**	**284.9**

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

13. Right-of-use assets and lease liabilities

The company leases land, premises, machinery and equipment. Lease durations vary from few years for machinery and equipment up to decades for land.
An expense amounting to EUR -1.2 (-1.1) million has been recognised in other operating expenses from short term and items of low value leases.

	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	-	0.0	0.0	0.0	0.0
Additions	0.1	9.2	6.4	15.7	15.7
Disposals	-2.2	-	0.0	-2.2	0.0
Depreciation for the financial period	0.0	-8.1	-5.1	-13.2	-
Other changes	-	-	-	-	-2.2
Payments	-	-	-	-	-11.5
Assets and liabilities of disposal group classified as held for sale	-	-11.1	-2.5	-13.6	-14.1
Closing balance on 31 Dec. 2023	**0.0**	**70.3**	**12.7**	**82.9**	**89.6**

	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan 2022	2.2	92.1	15.3	109.5	113.4
Translation differences	-	-0.8	-0.2	-1.1	-1.1
Additions	0.1	3.7	5.8	9.6	9.6
Depreciation for the financial period	-0.1	-8.4	-5.5	-14.0	-
Reclassification between items	-	-	-	-	0.0
Payments	-	-	-	-	-12.1
Assets and liabilities of disposal group classified as held for sale	-	-6.3	-1.6	-7.9	-8.1
Closing balance on 31 Dec. 2022	**2.2**	**80.3**	**13.8**	**96.3**	**101.7**

	2023	2022
Depreciation expense of right-of-use assets	-10.4	-9.8
Interest expense on lease liabilities	-4.4	-4.1
Total amounts recognised in profit or loss	**-14.9**	**-13.9**

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

14. Shares in associates and joint ventures

	2023	2022
Opening balance on 1 Jan.	29.3	26.4
Translation differences	0.0	-0.4
Impairment losses	-0.2	-
Disposals, business disposals	-0.9	-0.1
Assets of disposal group classified as held for sale	-5.0	-
Closing balance on 31 Dec.	23.3	25.9
Share of associates' and joint ventures' results	1.4	5.4
Share of associates' and joint ventures' other comprehensive income items	0.5	-
Dividend from associates and joint ventures	-1.6	-2.0
Shares in associates on 31 Dec.	**23.6**	**29.3**
Effect on the Group's earnings:		
Associates	-0.6	0.5
Joint ventures	1.9	4.8
Total	**1.4**	**5.4**
Book value in the Group's balance sheet:		
Associates	5.8	12.0
Joint ventures	17.8	17.3
Total	**23.6**	**29.3**

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

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

Material investment in joint venture:

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

Summary of Honkajoki Group's results:	2023	2022
Net sales	60.0	66.1
EBIT	4.8	12.4
Profit before taxes	4.6	12.2
Profit for the period	3.7	9.8
Summary of Honkajoki Group's balance sheet:		
Assets		
Non-current assets	38.2	36.0
Current assets	13.9	16.3
Total assets	**52.1**	**52.3**
Liabilities		
Non-current liabilities	7.1	7.0
Current liabilities	10.4	11.4
Total assets	**17.4**	**18.4**
Net assets	**34.7**	**34.0**
Reconciliation of the summary of financial information for Honkajoki Group:		
Profit for the period	3.7	9.8
Share of non-controlling interest	0.0	0.0
Income from joint venture (50%)	1.9	4.9
Net assets 1. Jan.	34.0	28.1
Profir for the period	3.7	9.8
Dividend distribution	-3.0	-4.0
Net assets 31. Dec.	34.7	34.0
Share of non-controlling interest	0.3	0.3
Share of joint venture (50%)	17.2	16.8

15. Financial assets and liabilities

Financial instruments by category 2023

	Assets and liabilities at fair value through profit and loss	Financial assets at amortised cost	Equity instruments at fair value through OCI	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	Fair value hierarchy
Assets as per balance sheet								
Non-current trade and other receivables	10.5	14.0	-	-	-	24.5	24.5	3
Other shares and holdings	-	-	0.7	-	-	0.7	0.7	3
Trade and other receivables *	-	83.1	-	-	-	83.1	-	-
Derivative financial instruments	-	-	-	5.5	-	5.5	5.5	2
Cash and bank	-	28.7	-	-	-	28.7	-	-
Total	**10.5**	**125.8**	**0.7**	**5.5**	**0.0**	**142.5**	**-**	**-**

* Trade and other receivables balance sheet amount of EUR 97.2 million euros includes derivative financial instruments amounting to EUR 3.8 million euros and prepayments and other items that are not financial instruments amounting to EUR 10.2 million euros.

Liabilities as per balance sheet								
Non-current interest-bearing liabilities	-	-	-	-	289.0	289.0	-	-
Non-current non-interest bearing liabilities	-	-	-	-	-0.1	-0.1	-	-
Current interest-bearing liabilities	-	-	-	-	17.9	17.9	-	-
Derivative financial instruments *	1.7	-	-	-	-	1.7	1.7	2
Trade and other payables *	-	-	-	-	133.4	133.4	-	-
Total	**1.7**	**0.0**	**0.0**	**0.0**	**440.2**	**441.8**	**-**	**-**

* Trade and other payables balance sheet amount of EUR 160.2 million euros includes derivative financial instruments amounting to EUR 1.7 million euros and advance payments that are not financial instruments amounting to EUR 25.1 million euros.

Financial instruments by category 2022

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

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

	Assets and liabilities at fair value through profit and loss	Financial assets at amortised cost	Equity instruments at fair value through OCI	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	Fair value hierarchy
Liabilities as per balance sheet								
Non-current interest-bearing liabilities	-	-	-	-	333.9	333.9	-	-
Non-current non-interest bearing liabilities	-	-	-	-	0.0	0.0	-	-
Current interest-bearing liabilities	-	-	-	-	30.6	30.6	-	-
Derivative financial instruments *	-	-	-	0.1	-	0.1	0.1	2
Trade and other payables *	-	-	-	-	241.2	241.2	-	-
Total	**0.0**	**0.0**	**0.0**	**0.0**	**605.7**	**605.8**	**-**	**-**

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

In 2023 non-current receivables relate to fixed and conditional purchase price receivable arising from sale of Baltics operations. Other shares and holdings consists of holdings in non-listed entities and are measured at cost as it is considered appropriate estimate of fair value. The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments. Fair value of financial instruments, other than those recorded at fair value (hierarchy 2), is close to the balance sheet value and therefore they are not separately disclosed. EUR 90.0 million bond that have balance sheet value of EUR 89.7 million have market value of EUR 68.3 million at the end of 2023.

16. Deferred tax assets and liabilities

Specification of deferred tax assets

	1 Jan. 2023	Translation difference	Recognised in income statement	Recognised in equity	Assets and liabilities of disposal group classified as held for sale	31 Dec. 2023
Pension benefits	2.5	0.0	-1.2	1.1	-2.0	0.5
Other timing differences	1.3	0.0	-0.2	-	-0.3	0.7
Postponed tax depreciations	9.9	-	-	-	-	9.9
Non-deductible interest expense	4.5	-	-	-	-	4.5
Adopted losses	13.6	-	-4.1	-	-	9.4
Total	**31.8**	**0.0**	**-5.5**	**1.1**	**-2.4**	**25.1**

Specification of deferred tax liabilities

	1 Jan. 2023	Translation difference	Recognised in income statement	Recognised in equity	Assets and liabilities of disposal group classified as held for sale	31 Dec. 2023
Depreciation difference	6.6	0.0	-0.4	-	-4.8	1.3
Other timing differences	2.4	0.0	0.3	-	-0.5	2.3
Arising from consolidation	11.6	0.0	-1.1	-	-10.8	-0.3
Arising from hedge accounting	3.3	-	-	-2.3	-0.4	0.5
Total	**23.9**	**0.0**	**-1.2**	**-2.3**	**-16.5**	**3.9**

Specification of deferred tax assets

	1 Jan. 2022	Translation difference	Recognised in income statement	Recognised in equity	Assets and liabilities of disposal group classified as held for sale	31 Dec. 2022
Pension benefits	7.7	-0.4	-0.9	-3.8	-	2.5
Other timing differences	1.3	0.0	0.0	-	-	1.3
Postponed tax depreciations	9.9	-	-	-	-	9.9
Non-deductible interest expense	4.5	-	-	-	-	4.5
Adopted losses	13.9	-	-0.3	-	-	13.6
Arising from hedge accounting	-1.0	0.0	-	1.0	-	0.0
Total	**36.3**	**-0.4**	**-1.2**	**-2.8**	**-**	**31.8**

Specification of deferred tax liabilities

	1 Jan. 2022	Translation difference	Recognised in income statement	Recognised in equity	Assets and liabilities of disposal group classified as held for sale	31 Dec. 2022
Depreciation difference	6,5	-0,4	0,5	0,0	-	6,6
Other timing differences	2,5	0,0	-0,1	-	-	2,4
Arising from consolidation	12,6	-0,9	0,0	-	-	11,6
Arising from hedge accounting	0,0	-	-	3,3	-	3,3
Total	**21,6**	**-1,4**	**0,4**	**3,3**	**-**	**23,9**

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 Group's operations in Finland. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma unit ramp up and were therefore temporary in nature.

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 company has not reached earlier estimates and this has prolonged the deferred tax asset utilization time by one year. Consideration is based on management's plans for the near future. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2026 and beyond. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and deductibility restrictions of interest expense can be used to speed up the utilisation of losses before they expire. Postponed tax depreciations and non-deducted interest expense do not have a time limit.

The company has utilized tax losses in Finland every year in 2019–2023, and losses have not expired. In 2023, the company was able to utilize the tax losses and EUR 4.1 (0.2) million deferred tax asset was used and recognized as a tax expense. Unrecognized Finnish deferred tax asset at the end of 2023 was EUR 29.2 million. 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.

On 31 December 2022, the Group had EUR 42.1 (37.4) million of unrecognized deferred tax asset.

Global 15 per cent minimum tax regulation Pillar 2 applies to HKScan. The company has evaluated the impact of Pillar 2 regulation. The regulation is not expected to have impact on Group's income taxes. The company will use temporary relief method to calculate minimum tax.

17. Inventories

	2023	2022
Materials and supplies	37.5	66.2
Unfinished products	4.1	6.1
Finished products	25.4	41.9
Other inventories	5.5	7.9
Prepayments for inventories	2.6	1.7
Total inventories	**75.2**	**123.9**

18. Trade and other current receivables

	2023	2022
Trade receivables from associates	1.4	1.9
Current receivables from associates	1.4	1.9
Trade receivables	73.9	116.8
Loan receivables	0.1	0.1
Other receivables	6.7	10.2
Current receivables from others	80.6	127.1
Current derivative receivables	3.8	16.0
Interest receivables	1.1	1.6
Other prepayments and accrued income	10.3	8.7
Current prepayments and accrued income	11.3	10.3
Trade and other receivables	97.2	155.3
Tax receivables (income taxes)	0.1	0.2
Total current receivables	**97.3**	**155.5**

Age breakdown of trade receivables and items recognised as impairment losses

	2023	Expected loss rate	Impairment losses	Net 2023
Unmatured	70.6	0.03%	-0.1	70.6
Matured:				
Under 30 days	5.3	0.03%	0.0	5.3
30–60 days	0.2	22% - 100%	-0.1	0.2
61–90 days	0.2	37% - 100%	-0.1	0.1
over 90 days*	0.5	57% - 100%	-0.2	0.2
Total	**76.8**		**-0.4**	**76.5**

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

	2022	Expected loss rate	Impairment losses	Net 2023
Unmatured	114.6	0.01% - 0.1%	-0.12	114.5
Matured:				
Under 30 days	3.8	0.01% - 0.1%	0.0	3.8
30–60 days	0.3	20% - 35%	-0.1	0.2
61–90 days	0.3	35% - 50%	-0.1	0.2
over 90 days*	0.6	50% - 100%	-0.7	-0.1
Total	**119.7**		**-1.0**	**118.6**

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

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

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

	2023	2022
Opening loss allowance at 1 January	1.0	0.5
Receivables written off during the year as uncollectible	-0.1	0.0
Increase in loss allowance recognised in profit or loss during the year	0.5	1.0
Unused amount reversed	-0.9	-0.5
Closing loss allowance at 31 December	0.5	1.0

19. Cash and cash equivalents

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

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

	2023	2022
Cash and bank	28.7	17.2
Short-term money market investments	-	-
Other financial instruments	-	-
Total cash and cash equivalents	**28.7**	**17.2**

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

20. Assets and liabilities of disposal group classified as held for sale 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 cash at the closing. Sold companies had EUR 2.8 million cash at the closing.

Baltics business unit was classified as assets and liabilities held for sale in 31.12.2022 balance sheet and it is presented in 2023 and 2022 income statement as discontinued operations. At the end of December 2023, the Group has a purchase price receivable of EUR 24.5 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 December.

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 admin-istrative 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 has on December 29th 2023 agreed on selling the shares of its Swedish subsidiary HKScan Sweden AB to the Swedish Lantmännen ek för. The transaction does not include the Polish bacon unit, which has been previously reported as part of the Business Unit Sweden. The Polish unit’s figures are reported as part of the Business Unit Finland in the financial statement. In HKScan's 2023 financial statements, Business Unit Sweden, excluding Polish unit, is classified as assets and liabilities held for sale and presented as discontinued operations. The purchase price for the shares in HKScan Sweden AB amounts to approximately EUR 60 million in cash as well as the A shares (6,869,750) and K shares (665,000) in HKScan Corporation held by Lantmännen. Lantmännen will also repay an intragroup loan between HKScan Corporation and HKScan Sweden AB to the amount of approximately EUR 50 million. HKScan Corporation will also reduce off-balance sheet factoring financing of approximately EUR 55 million and approximately EUR 13 million of IFRS 16 leasing liabilities. A prepayment of EUR 25 million of the purchase price was made upon signing of the agreement. Bank guarantee has been taken for the prepayment. The remainder of the purchase price will be paid at the closing of the transaction. The cash consideration will be adjusted at the time of the transaction by the usual adjustments. The total number of A and K shares held by Lantmännen to be transferred to HKScan as purchase price is 7,534,750 shares, with a calculational market value of EUR 5.5 million at the time of signing the agreement.

The transaction is expected to be closed in the first half of 2024 and is subject to clearance by the EU Commission and further clearance by the Swedish authorities for foreign direct investment (FDI) control. HKScan’s Board of Directors will convene an Extraordinary General Meeting to confirm and approve the transaction, at which time the Board will submit to the Extraordinary General Meeting the approvals necessary to close the transaction, including the authorization to complete the directed acquisition of the A and K shares in HKScan held by Lantmännen.

Assets and liabilities held for sale are measured at purchase price EUR 115.5 million deducted with transaction costs which led to EUR 17.3 million impairment in book value, which was allocated to goodwill, and EUR 2.7 million transaction costs are included in profit for the discontinued operations. Group's translation difference in equity comes almost entirely from Swedish operations and at closing it will be recorded from comprehensive income statement into income statement.

The significant transactions between continuing and discontinued operations are Sweden's product sales and purchases with Group companies, Group's service fee from Sweden and Group's financial income from financing Sweden. Figures for continuing and discontinued operations represent external sales and its costs according to Group's segment reporting. Sweden's external financial expenses are shown as financial expenses for the discontinued operation.

Income statement and cash flow presented below include Swedish operations from full years 2022-2023 and Baltics operations until August 2023. Balance sheet information include Swedish operations in 2023 and Baltics operations in 2022.

Profit/loss for discontinued operations	**2023**	**2022**
Net sales	862.5	931.9
Cost of goods sold	-822.7	-914.4
Other operating items	-29.0	-35.1
Operating profit	10.7	-17.6*
Financial income and expenses	-1.8	-0.5
Share profit/loss in associates and joint ventures	0.0	0.1
Income tax	-0.7	-1.3
Profit/loss for the period	8.2	-19.4
Impairment from fair-value measurement	-17.3	-30.6
Equity item transfer to result from the period	2.2	-
Profit/loss for the period from discontinued operations	**-6.9**	**-50.0**

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

Cash flow of discontinued operations	**2023**	**2022**
Cash flow from operating activities	12.4	12.1
Cash flow from investing activities	48.9	-22.7
Cash flow from financing activities	-3.5	-4.1
Cash flow total	**57.7**	**-14.7**

Assets and liabilities of disposal group classified as held for sale	**2023**	**2022**
Intangible assets	52.1	0.0
Tangible assets	88.7	49.7
Other non-current assets	20.2	-
Inventories	39.0	34.4
Receivables	45.7	17.2
Cash and cash equivalents	0.3	0.6
Total assets (A)	**246.0**	**101.9**
Lease liabilities	14.1	8.1
Trade payables and other liabilities	124.9	32.2
Total liabilities (B)	**139.0**	**40.4**
Net balance sheet value (A-B)	**107.1**	**61.5**

21. Notes relating to equity

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

	Number of outstanding shares (1,000)	Share capital (EUR million)	Share premium reserve (EUR million)	RIUE (EUR million)	Treasury shares (EUR million)	Total (EUR million)
1 Jan. 2022	97,094	66.8	72.9	215.4	-4.8	350.3
31 Dec. 2022	97,330	66.8	72.9	215.4	-4.1	351.0
1 Jan. 2023	97,330	66.8	72.9	215.4	-4.1	351.0
31 Dec. 2023	97,445	66.8	72.9	215.4	-3.8	351.2

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

The equity reserves are described below:

Share premium reserve

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

Reserve for invested unrestricted equity

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

Treasury shares

At the beginning of the financial year 2023, HKScan held 1,621,795 treasury A shares. During the financial year The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the payment of the rewards for the Group's Restricted Share Plan 2019-2021 and Performance Share Plan 2018 for the performance period 2019-2021. On 6 March 2023 a total of 115,137 HKScan Corporation's A shares owned by the company was transferred without consideration to the participants of the share-based incentive plan in accordance to the terms and conditions of the plan. The transfer of own shares by a directed share issue without consideration is based on the Board's authorization granted by the Annual General Meeting on 30 March 2022. At the end of the financial year, the company held 1,506,658 A shares as treasury shares. At the end of the year, they had a market value of EUR 1.3 million and accounted for 1.52 per cent of all shares and 0.75 per cent of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity.

Translation differences

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

Revaluation reserve and other reserves

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

Hedging instruments reserve	2023	2022
Fair value reserve and hedging instruments reserve on 1 Jan.	20.8	6.1
Amount recognised in equity in the financial period (effective portion), commodity derivatives	-17.6	15.8
Share of deferred tax asset of changes in period	0.9	-1.1
Fair value reserve and hedging instruments reserve on 31 Dec.	4.1	20.8

Gains/losses reclassified from other comprehensive income to profit or loss amounted to EUR 15.0 (5.3) million from commodity derivatives.

Dividends

Dividend of EUR 0.00 (0.04) per share, totalling EUR 0.0 (3.9) million, was distributed in 2023. Since the reporting date, the Board of Directors has proposed that no dividend will be paid from financial year 2023.

Hybrid loan

In September 2018 the Group issued a EUR 40 million hybrid bond to strengthen the company's capital structure. After the conversions carried out in the context of the share issue in June 2019, the outstanding amount is EUR 25.9 million. A hybrid bond is treated as equity in consolidated financial statements prepared in accordance with IFRS. The coupon of the hybrid bond is 8.00 per cent per annum until the first possible redemption date. The hybrid bond does not have a specified maturity date, but the Group is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date, and subsequently, on each annual coupon interest payment date. The Group did not use the first redemption option and as result the interest rate increased. New coupon since September 19th, 2023 is 16 per cent. An interest payment obligation is set up if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately. Hybrid loan has an off-balance sheet calculational accrued interest amounting to EUR 1.2. The payment of interest is recorded from retained earnings.

22. Pension obligations

	2023	2022
Pension liability/receivable in balance sheet		
Defined benefit plans	2.5	12.4
Other long-term employee benefits	-	0.8
Pension liability (+)/receivable (-) in balance sheet	2.5	13.2

The Group's defined benefit plans consist of the pension liability for the former CEO of the parent company which is unfunded and the Swedish pension programme which is funded. Pension liability related to Swedish pension programme has been transferred to liabilities classified as held for sale. Expected contribution into former CEO plan for 2024 is EUR 0.3 million.

23. Provisions

	1 Jan. 2023	Translation difference	Increase in provisions	Exercised in financial period(-)	Reversals of provisions	31 Dec. 2023
Non-current provisions	5.1	-	-	-0.1	-5.0	0.0
Current provisions	0.2	0.0	-	-0.2	-	0.0
Total	**5.3**	**0.0**	**0.0**	**-0.3**	**-5.0**	**0.0**

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

In 2017 a rental lot restoration provision amounting to EUR 5.0 million has been recorded as part of the acquisition cost of Rauma facility into non-current provisions. The amount was based on an estimate. Provision has been capitalized as part of the building's value and it has been depreciated during the lot rental agreement. In 2023 the Group has purchased the lot and the restoration provision has been reversed. Residual value has correspondingly been removed from building value.

Legal matters

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

24. Liabilities

	2023	2022
Non-current liabilities		
Interest-bearing		
Bond	89.7	89.2
Bank loans	116.4	148.8
Pension loans	-	2.1
Non-current lease liabilities	81.2	92.0
Other liabilities	1.7	1.8
Non-current interest-bearing liabilities	**289.0**	**333.9**
Non-interest-bearing		
Other liabilities	-0.1	0.0
Non-current non-interest-bearing liabilities	**-0.1**	**0.0**
Non-current provisions	-	5.1
Deferred tax liability	3.9	23.9
Pension obligations	2.5	13.2
Non-current liabilities	**295.3**	**376.1**
Current interest-bearing liabilities		
Commercial paper	3.4	14.8
Pension loans	2.1	2.1
Bank loans	3.6	3.6
Current lease liabilities	8.4	9.7
Other liabilities	0.3	0.3
Current interest-bearing liabilities	**17.9**	**30.6**

	2023	2022
Trade and other payables		
Advances received	25.1	0.4
Trade payables	76.4	138.3
Refund liabilities	3.7	7.7
Accruals and deferred income		
Short-term interest payable	2.4	3.0
Matched staff costs	39.9	57.4
Other short-term accruals and deferred income	5.7	27.8
Derivatives	1.7	0.1
Other liabilities	5.4	7.0
Trade and other payables	**160.1**	**241.6**
Income tax liability	1.4	1.5
Current provisions	-	0.2
Current liabilities	**179.4**	**273.9**
Liabilities	**474.7**	**650.0**

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

	2023	2022
Under 6 months	-125.6	-167.0
6–12 months	-0.2	-4.4
1–5 years	-91.6	-91.4
Over 5 years	-	-
Total	**-217.3**	**-262.8**

Interest-bearing net debt reconciliation

	2023	2022
Cash and cash equivalents	29.0	17.8
Interest-bearing loan receivables	4.1	1.7
Lease liabilities due within 1 year	-10.9	-11.0
Lease liabilities due after 1 year	-92.8	-98.9
Borrowings due within one year (including overdraft)	-9.5	-20.9
Borrowings due after one year	-207.8	-241.9
Interest-bearing net debt	**-287.9**	**-353.1**

Calculation of net debt has changed in 2023 so that net debt of discontinued operations is included. Year 2022 has been restated accordingly. It is comparable to 2023 and differs from what was reported in 2022 financial statement.

	Other assets		Liabilities from financing activities				
	Cash/ bank overdraft	Interest-bearing loan receivables	Lease liabilities due within 1 year	Lease liabilities due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Interest-bearing net debt on 1 Jan 2022	27.2	4.2	-10.9	-102.5	-120.9	-107.6	-310.5
Cash flows	-9.4	-2.4	12.1	-	171.4	-205.6	-34.1
Acquisitions - leases	-	-	-2.3	-7.4	-	-	-9.6
Reclassification between items - leases	-	-	-10.0	10.0	-	-	0.0
Reclassification between items - borrowings	-	-	-	-	-71.4	71.4	-
Foreign exchange adjustments	-	-	0.2	0.9	-	-	1.1
Interest-bearing net debt on 31 Dec 2022	**17.8**	**1.7**	**-11.0**	**-98.9**	**-20.9**	**-241.9**	**-353.1**
Cash flows	14.0	2.4	12.4	-	-17.2	62.7	74.2
Acquisitions - leases	-	-	-2.7	-13.4	-	-	-16.0
Disposals - leases	-	-	0.0	2.2	-	-	2.3
Reclassification between items - leases	-	-	-10.9	10.9	-	-	0.0
Reclassification between items - borrowings	-	-	-	-	28.6	-28.6	-
Foreign exchange adjustments	-	-	0.0	0.0	-	-	0.0
Sale of Baltics	-2.8	-	1.2	6.4	-	-	4.8
Interest-bearing net debt on 31 Dec 2023	**29.0**	**4.1**	**-10.9**	**-92.8**	**-9.5**	**-207.8**	**-287.9**

25. Financial risk management

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

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

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

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

Foreign exchange risk

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

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

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

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

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

	2023	2022
Currency	Exposure	Exposure
SEK	-	89.5
PLN	25.1	12.6
DKK	0.5	6.2

The parent company's functional currency is the euro. The following net positions (USD, NZD, SEK, JPY) include sales receivables, payables, interest bearing loans and receivables, cash reserves and committed commercial flows in the most significant foreign currencies. Change in SEK exposure is due to internal loan that has been hedged with forward contracts. Due to agreed sale of business unit, exchange rate risk of the internal loan has been removed and group's net exposure has reduced. Transaction price for the business unit is in EUR. Open forward contracts exposure is closed after the end of the financial year. The reported amounts are translated into euros at the exchange rates of the reporting date:

	2023				2022			
	USD	NZD	SEK	JPY	USD	NZD	SEK	JPY
Net position before hedging	2.9	1.9	10.7	0.4	2.2	2.9	46.8	0.4
Hedging of balance sheet items	-0.9	-1.0	-56.9	-0.1	-0.9	-2.1	-43.7	-0.3
Hedging of commited items	0.0	-0.8	-1.1	-0.3	0.0	-0.9	0.0	-0.1
Open position	2.0	0.1	-47.3	0.0	1.4	-0.1	3.1	0.0

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

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

	2023				2022			
	USD	NZD	SEK	JPY	USD	NZD	SEK	JPY
Movement (+/-), %	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Effect on profit before taxes	0.2	0.0	4.3	0.0	0.1	0.0	0.3	0.0

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

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

Interest rate risk

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

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

To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at fixed or variable interest rates and use interest rate derivatives to achieve a result that is in line with the Treasury policy. The goal of the policy is to keep the fixed interest term of the loans between 12 and 48 months. On the balance sheet date the fixed interest term was 9 months.

The Group monitors and analyses its interest rate risk position on a regular basis. The Group has determined sensitivity limits for interest rate movements. The sensitivity of net financial expenses on the balance sheet date to change of one per cent in interest rates, all other things being equal, was approximately EUR -3.1 (-2.7) million for interest increase and approximately EUR 3.1 (2.7) million for interest decrease before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives on the balance sheet date.

Counterparty risk

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

Commodity risk

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

The Group uses electricity derivatives in Finland, Sweden and Denmark to level out energy costs. Electricity derivatives do not result in physical electricity delivery, but instead the difference between fixed and variable price is realised as cashflow. The price risk of electricity is analysed in five year time span so that next year's hedge ratio is between 50-100 per cent. Subsequent years are hedged with reducing hedge ratio. Electricity derivatives' nominal value is 124 GWh and 85 GWh is allocated for the next 12 months. The value changes of derivatives hedging the price of electricity supplied during the period are included in the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases. Maturity table for electricity derivatives is presented later in this note.

Sensitivity analysis has been made with expected annual consumption of continuing operations of 135 GWh. Change in electricity price and derivatives maturing in less than 12 months impact income statement and derivatives maturing after 12 months impact balance sheet. If the market price of electricity changed by +/-10 percentage points from the balance sheet date, the impact would be as follow, calculated before tax:

EUR million	2023	2022
Electricity – effect in income statement	+/- 0,3	+/- 0,3
Electricity – effect in equity (price + 10%)	-2,8	-14,8
Electricity – effect in equity (price - 10%)	-2,6	-15,8

Credit risk

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

Credit risk results from a customer's possible failure to fulfil its payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organisations in the various market areas. The creditworthiness, payment behaviour and credit limits of the clients are monitored systematically. As a main principle some type of securing is needed for all credit granted. The security can be credit insurance, a bank guarantee, or a security deposit. In addition, the Group is exposed to minor credit risk in remaining financing investments of primary production contract producers. The amount of impairment losses recognised through profit or loss in the financial period was EUR -0.4 (-1.0) million. The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 18. Purchase price receivable related to sale of Baltics operations is unsecured.

Liquidity and refinancing risk

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

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

The Group's liquidity together with funding profile and maturity structure remained satisfactory in 2023. Committed credit facilities on 31 December 2023 stood at EUR 85.0 (145.0) million and had been drawn to the amount of EUR 75.0 (100.0) million. In addition, the Group had other undrawn overdraft and other facilities of EUR 14.3 (17.2) million. The overdraft facility agreements are in force until further notice. At year end, the company's EUR 200 million commercial paper programme had been drawn to the amount of EUR 3.5 (15.0) million. Cash and cash equivalents were EUR 28.7 (17.2) million. In December, the company agreed to extend the maturity of the EUR 75.0 million credit facility, EUR 10.0 million additional credit facility and EUR 36.0 million bank loan to January 2025.

The average rate of interest for outstanding loans (including commitment fees) paid by the Group was 8.6 (4.4) per cent at the balance sheet date.

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. The EBITDA includes the share of profits from associates and joint ventures.

According to the loan terms, the net gearing ratio limit is 125 per cent for the bank loans and 130 per cent for the bond. At the end of 2023, the company's net gearing ratio was 121.0 per cent.

Until the end of the year, the covenant limit for net debt to EBITDA ratio was 5.0. At the end of year 2023, the net debt to EBITDA ratio was 3.7. From the beginning of January 2024 the covenant limit will be 4.5.

The minimum limit for the liquidity covenant is EUR 20.0 million. At the end of year 2023, the liquidity was EUR 35.5 million. From 1 January 2024, the liquidity covenant limit will be reduced to EUR 15 million.

HKScan's management has assessed the cash flow forecasts of the business over the next 12 months, which indicates that the covenants will not be breached. Further information is available under the headline Assumption of ability to continue as a going concern in the accounting policies of the financial statements. HKScan has financing agreements in place until the beginning of 2025. The company will start negotiations to prolong financing during spring 2024.

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

2023

Credit type	Size	In use	Available
Overdraft facility	14.3	-	14.3
Committed credit limit	85.0	75.0	10.0
Total	**99.3**	**75.0**	**24.3**

2022

Credit type	Size	In use	Available
Overdraft facility	17.2	-	17.2
Committed credit limit	145.0	100.0	45.0
Total	**162.2**	**100.0**	**62.2**

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

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

31 Dec. 2023
Maturity of financial liabilities

Credit type	Balance sheet 31 Dec. 2023	Cashflows sum	Cashflows					
			2024	2025	2026	2027	2028	>2028
Bond	89.7	96.4	4.5	91.9	-	-	-	-
Bank loans	120.0	130.9	13.4	115.7	1.9	-	-	-
Pension loans	2.1	2.2	2.2	-	-	-	-	-
Commercial paper programme	3.4	3.4	3.4	-	-	-	-	-
Lease liabilities	89.6	131.1	12.6	11.5	10.2	8.0	6.8	81.9
Other borrowing	2.0	2.2	0.2	0.0	0.5	1.4	-	-
Trade and other payables	160.1	160.1	160.1	-	-	-	-	-
Total	**467.0**	**526.3**	**196.4**	**219.1**	**12.6**	**9.4**	**6.8**	**81.9**

31 Dec. 2022
Maturity of financial liabilities

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

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

	2023	2023	2023	2022	2023	2022
	Positive fair value	**Negative fair value**	**Fair value net**	**Fair value net**	**Nominal value**	**Nominal value**
Interest rate derivatives	**0.2**	**-**	**0.2**	**0.3**	**20.0**	**48.5**
matured in 2023	-	-	-	0.1	-	28.5
matuers in 2024	0.1	-	0.1	0.1	10.0	10.0
matures in 2025	0.1	-	0.1	0.1	10.0	10.0
matures in 2026	-	-	-	-	-	-
matures in 2027	-	-	-	-	-	-
matures in >2027	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-	-	-	-	-
Foreign exhange derivatives	0.0	-1.7	-1.7	0.7	98.4	91.8
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	5.2	-	5.2	23.8	1.3	-1.7
matured in 2023	-	-	-	15.0	-	-0.6
matuers in 2024	3.9	-	3.9	6.1	0.9	-0.9
matures in 2025	1.3	-	1.3	2.6	0.4	-0.2
matures in 2026	-	-	-	-	-	-
matures in 2027	-	-	-	-	-	-
of which defined as cash flow hedging instruments	3.3	-	3.3	23.8	3.4	-1.7

Derivatives to which hedge accounting applies

Changes in the fair values of the effective portions after taxes of commodity derivatives, designated as hedges of cash flow amounting to EUR -14.0 (15.2) million, are recognised under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss. The ineffective portion of commodity risk hedge amounting to EUR 0.0 (0.0) million are recognised under other operating expenses in the income statement.

Capital management

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

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

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

On the balance sheet date the equity ratio is 28.8 per cent. The official financial target in respect of net gearing ratio is below 100 per cent. On the balance sheet date, the net gearing ratio was 121.0 per cent.

Net gearing ratio

	2023	**2022**
Interest-bearing liabilities	321.0	372.6
Interest-bearing loan receivables	4.0	1.6
Cash and bank	29.0	17.8
Interest-bearing net liabilities	287.9	353.1
Equity	238.0	285.5
Net gearing ratio	121.0%	123.7%

Calculation of net debt has changed in 2023 so that net debt of discontinued operations is included. Year 2022 has been restated accordingly. It is comparable to 2023 and differs from what was reported in 2022 financial statement.

26. Fair values of financial assets and liabilities

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

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

Other shares and holdings

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

Derivatives

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

Bank loans

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

Bonds

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

Finance lease liabilities

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

Trade and other receivables

The original carrying amounts of non-derivative based receivables are equal to their fair values, as discounting has no material effect taking into account the maturity of the receivables. Fixed purchase price receivable related to sale of Baltics operations is measured at amortised cost discounted with 5%.

Conditional purchase price receivable

Conditional purchase price receivable related to sale of Baltics business is based on buyers estimate on development of the business, which company's management has compared to historical development and evaluated the probability of realization including the related uncertainty. EUR 20 million of the total purchase price 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.

Trade and other payables

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

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

	31 Dec. 2023	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
Conditional purchase price recievable	10.5	-	-	10.5
Trading securities	-	-	-	-
Trading derivatives				
Interest rate swaps	0.2	-	0.2	-
Foreign exchange derivatives	0.0	-	0.0	-
Commodity derivatives	5.2	-	5.2	-
of which subject to cash flow hedging	3.3	-	3.3	-
Total	**15.9**	**0.0**	**5.4**	**10.5**
Liabilities measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading derivatives				
Interest rate swaps	-	-	-	-
Foreign exchange derivatives	-1.7	-	-1.7	-
Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	**-1.7**	**0.0**	**-1.7**	**0.0**

	31 Dec. 2022	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading securities	-	-	-	-
Trading derivatives				
Interest rate swaps	0.3	-	0.3	-
Foreign exchange derivatives	0.8	-	0.8	-
Commodity derivatives	27.5	-	27.5	-
of which subject to cash flow hedging	27.5	-	27.5	-
Total	**28.6**	**0.0**	**28.6**	**0.0**
Liabilities measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading derivatives				
Interest rate swaps	-	-	-	-
Foreign exchange derivatives	0.0	-	0.0	-
Commodity derivatives	-3.7	-	-3.7	-
of which subject to cash flow hedging	-3.7	-	-3.7	-
Total	**-3.7**	**0.0**	**-3.7**	**0.0**

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

27. Conditional assets and liabilities and purchase commitments

Commitments and contingent liabilities	2023	2022
Loans secured by mortgages	36.0	39.5
On own behalf		
Assets pledged	44.3	61.5
On behalf of others		
Guarantees	6.3	1.1
Other commitments	-	1.5
Leasing commitments		
Leasing commitments maturing in less than a year	0.2	0.2
Leasing commitments maturing in 1–5 years	-	-
Leasing commitments maturing in over 5 years	-	-
Total	**6.5**	**2.8**

The Danish tax authorities conducted an audit of energy taxes covering the period 2011–2020 in HKScan Denmark A/S, which is a subsidiary of the Group. At the end of 2020, the Danish tax authorities issued their decision, according to which the company has been obliged to repay past refunds of energy taxes amounting to 24.7 million Danish krone (ca. EUR 3.3 million) in the pending matter. Further, it cannot be excluded that in addition to the currently pending matter, the company could separately be imposed penal sanctions as a result of the tax audit. HKScan Denmark A/S has submitted an appeal concerning the decision. HKScan recorded the expense in 2020 and paid the amount to the authorities in 2021.

28. Related party transactions

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

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative of 700 Finnish meat producers. The cooperative fosters its members' meat production and marketing by exercising its power of ownership in HKScan. The HKScan Group applies pure market price principles to the acquisition of meat raw material.

Lot lease amounting to 34 (34) thousand has been paid by the Group to LSO. Group has paid EUR 30 (30) from primary production related services. In addition, the Group charged from LSO EUR 40 (40) thousand from office services and starting from 2022 EUR 27 (27) thousand from services related to LSO membership. There is EUR 5 million revolving credit facility to both directions between the parties. Related to this the Group had receivable amounting to EUR 4.1 (1.6) million at year end. The Group received interest income for the balance EUR 294 (69) thousand during the year. Interest rate for the credit facility is in line with HKScan's financing cost. The sale of animals to the Group by members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 28.3 (21.3) million. Said persons purchased animals from the Group with EUR 6.4 (5.1) million.

Information on employee benefits of management are presented in Note 4. More information on fees of the Board of Directors and management is available in the remuneration statement for 2023, which can be found on the Group's website www.hkscan.com.

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

Shares in subsidiaries	Owner %	Share of votes %
Owned by the Group's parent company		
HKScan Finland Oy, Finland	100.00	100.00
HKScan Sweden AB, Sweden	100.00	100.00
HKScan Denmark A/S, Denmark	100.00	100.00
Owned by HKScan Finland Oy		
Kivikylän Kotipalvaamo Oy, Finland	49.00*	49.00*
Lihatukku Harri Tamminen Oy, Finland	49.00*	49.00*
Paimion Teurastamo Oy, Finland	100.00	100.00
Boltsi Oy, Finland	48.00*	48.98*
Jokisen Eväät Oy, Finland	97.00	97.00
Kasviskonttori Oy, Finland	80.00	80.00
Owned by HKScan Sweden AB		
HKScan Real Estate AB, Sweden	100.00	100.00
HKScan International AB, Sweden**	100.00	100.00
HKScan Poland Sp.zo.o, Poland	100.00	100.00
Owned by HKScan Real Estate AB		
HKScan Real Estate Halmstad AB, Sweden	100.00	100.00
Owned by HKScan Denmark A/S		
Kreatina A/S, Denmark**	100.00	100.00

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

Shares and holdings in associated companies and joint ventures	Owner %	Share of votes %
Owned by HKScan Finland Oy		
Länsi-Kalkkuna Oy, Finland*	50.00	50.00
Pakastamo Oy, Finland	50.00	50.00
Honkajoki Oy, Finland*	50.00	50.00
Finnpig Oy, Finland	50.00	50.00
Oy LHP Bio-Carbon LTD, Finland	24.24	24.24
DanHatch Finland Oy, Finland	10.00	10.00
Mäkitalon Maistuvat Oy, Finland	24.90	24.90
Owned by HKScan Sweden AB		
AB Tillväxt for svensk animalieproduktion, Sweden	12.50	12.50
Svenska Köttforetagen AB, Sweden	23.52	23.52
Scandinavian Aquasystems AB, Sweden	11.15	11.15
Owned by HKScan Denmark A/S		
Farmfood A/S, Denmark	33.30	33.30

* Joint venture

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

The following transactions were carried out with related parties

	2023	2022
Sales to associates	12.7	14.9
Sales of animals to related parties	6.4	5.1
Purchases from associates	47.6	45.4
Purchases of animals from related parties	28.3	21.3

Open balances on 31 December	2023	2022
Trade and other receivables from associates	2.0	2.0
Trade and other payables to associates	3.9	3.5

29. Events after the reporting date

HKScan planning to centralise its poultry meat packaging activities from Eura to Rauma and/or Forssa

HKScan is planning to improve the efficiency of its production operations by centralising the poultry packing activities currently located in the Eura unit to the company's production units in Rauma and/or Forssa. The company started statutory negotiations in its Eura unit's poultry cutting department as well as in its Rauma and Forssa production units, which may take over packaging operations. Through the efficiency plan, HKScan aims to achieve annual savings of around EUR 1 million as from the third quarter of 2024.

Details in press release on *11 Jan 2024*.

HKScan revised its climate emissions calculation and target and got SBTi's approval for climate targets for near-term and soil-related emissions

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 in press release on *25 January 2024*.

Parent company income statement for 1 January - 31 December

(EUR)

	Note	2023	2022
Other operating income	1.	23,254,761.10	26,836,120.97
Employee costs	2.	-7,423,508.53	-9,530,303.16
Depreciation and impairment	3.	-166,168.08	-279,286.00
Other operating expenses	4.	-21,367,275.57	-19,394,550.93
EBIT		**-5,702,191.08**	**-2,368,019.12**
Financial income and expenses	5.	-76,498,063.01	-11,521,517.42
Profit/loss before appropriations and taxes		**-82,200,254.09**	**-13,889,536.54**
Appropriations	6.	15,278,213.70	-14,180.00
Income taxes	7.	-3,019,992.79	43,442.25
Profit/loss for the period		**-69,942,033.18**	**-13,860,274.29**

Parent company balance sheet 31 December

(EUR)

	Note	2023	2022
Assets			
Intangible assets	8.	446,948.00	209,466.00
Tangible assets	8.	347,597.68	1,322,370.12
Financial assets	8.	341,396,085.14	437,079,764.25
Non-current assets		**342,190,630.82**	**438,611,600.37**
Non-current receivables	9.	260,441,060.60	281,036,336.42
Deferred tax asset	9.	7,609,032.26	10,188,026.30
Current receivables	10.	31,533,621.53	11,707,812.61
Cash and cash equivalents		24,008,736.61	12,436,273.05
Current assets		**323,592,451.00**	**315,368,448.38**
Assets		**665,783,081.82**	**753,980,048.75**

	Note	2023	2022
Equity And Liabilities			
Share capital	11.	66,820,528.10	66,820,528.10
Share premium reserve	11.	73,420,363.20	73,420,363.20
Treasury shares	11.	-3,831,817.81	-4,083,425.45
RIUE	11.	216,226,777.79	216,034,039.79
Other reserves	11.	4,931,656.91	4,931,656.91
Retained earnings	11.	52,507,109.96	66,618,991.89
Profit/loss for the period	11.	-69,942,033.18	-13,860,274.29
Equity		**340,132,584.97**	**409,881,880.15**
Accumulated appropriations	12.	174.00	52,471.00
Provisions	13.	2,393,236.00	2,350,525.00
Deferred tax liability	14.	389,446.02	-
Non-current interest-bearing liabilities	14.	232,345,269.78	266,604,969.59
Non-current non-interest-bearing liabilities	14.	1,188,386.00	1,426,245.00
Current interest-bearing liabilities	15.	80,359,790.52	62,496,759.99
Current non-interest-bearing liabilities	15.	8,974,194.53	11,167,198.02
Liabilities		**323,257,086.85**	**341,695,172.60**
Equity and liabilities		**665,783,081.82**	**753,980,048.75**

Parent company cash flow statement

(EUR 1,000)

	2023	2022
EBIT	-5,702	-2,368
Adjustments to EBIT	4,411	-
Depreciation and impairment	166	279
Change in provisions	43	52
Change in net working capital	328	-483
Interest income and expenses	1,262	4,597
Dividends received	-	4,743
Taxes	-52	-30
Cash flow from operating activities	**456**	**6,790**
Purchases of shares and holdings	-177	-171
Disposals of shares in subridiary	62,398	-
Purchase of other fixed assets	-636	-1,117
Disposals of other fixed assets	1,277	1,006
Repayments of loans receivable	-6,716	-42,303
Cash flow from investing activities	**56,147**	**-42,585**
Cash flow before financing activities	**56,603**	**-35,795**
Proceed from external borrowings	35,000	139,500
Repayment of external borrowings	-80,031	-108,219
Dividends paid	-	-3,884
Cash flow from financing activities	**-45,031**	**27,397**
Change in cash and cash equivalents	**11,572**	**-8,398**
Cash and cash equivalents on 1 Jan.	12,436	20,834
Cash and cash equivalents on 31 Dec.	**24,009**	**12,436**

Notes to the parent company's financial statements

Basic information about the entity

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

HKScan Corporation comprises Group management and Group administration.

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

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

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

Accounting policies

Basis of preparation

The parent company's financial statements have been prepared in compliance with valid Finnish Accounting Standards (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2023.

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

Non-current assets

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

Transactions in foreign currency

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

Derivative contracts

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

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

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

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

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

Pension plans

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

Management retirement benefit obligations and severance payments

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

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

Income taxes

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

Leases

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

Accumulated appropriations

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

Notes to the parent company's income statement

(EUR 1,000)

1. Other operating income, total

	2023	2022
Other operating income	23,255	26,836
Other operating income, total	**23,255**	**26,836**

2. Staff costs

	2023	2022
Salaries and fees	-7,426	-6,841
Pension expenses	-1,276	-1,352
Other social expenses	1,279	-1,337
Staff costs	**-7,423**	**-9,530**
Managing directors and their deputies	577	1,841
Members of the Board of Directors	470	470
Management salaries, fees and benefits	**1,047**	**2,311**
Employees, average	53	62

3. Depreciation and impairment

	2023	2022
Depreciation according to plan on non-current assets and goodwill	-166	-279
Total depreciation and impairment	**-166**	**-279**

4. Other operating expenses

	2023	2022
Rents/leases	-1,731	-1,555
Losses on disposal of fixed assets, tangible assets total	-4,413	-
Losses on disposal of non-current assets	**-4,413**	**0**
Audit fees, ordinary audit	-165	-151
Audit fees, other expert services	-9	-23
Audit fees	**-174**	**-174**
Non-statutory staff costs	-1,003	-1,096
Energy	-120	-158
Maintenance	-44	-44
Advertising, marketing and entertainment costs	-249	-711
Service, information management and office costs	-11,322	-13,031
Other expenses	-2,311	-2,626
Total other operating expenses	**-21,367**	**-19,395**

5. Financial income and expenses

	2023	2022
Financial income		
Dividends from Group companies	-	23,715
Income from units	**-**	**23,715**
Interest income from Group companies	25,642	15,417
Interest income from others	378	119
Interest income	**26,020**	**15,536**
Other financial income from others	5,337	7,495
Other financial income	**5,337**	**7,495**
Total financial income	**31,357**	**46,746**
Financial expenses		
Interest expenses payable to Group companies	-1,500	-236
Interest expenses payable to others	-21,944	-12,513
Total other interest and financial expenses	**-23,444**	**-12,749**
Unrealised losses on fair value assessment	**-83**	**1,002**
Impairment in holdings in Group companies	-75,533	-35,957
Other financial expense from Group companies	-	-405
Impairment in holdings in associates	-8,795	-10,159
Other financial expense	**-84,328**	**-46,521**
Total financial expenses	**-107,855**	**-58,268**
Financial income and expenses, total	**-76,498**	**-11,522**

Impairment in holdings in Group companies results from the agreed sales of Swedish business in 2023 and Baltics business ion 2022. Holdings in Group companies are measured at EUR 115.5 million purchase price deducted with transaction costs. More information on the subject is in Group's note 20 Assets and liabilities of disposal group classified as held for sale and discontinued operations.

6. Appropriations

	2023	2022
Increase (-) or decrease (+) in depreciation difference	52	-14
Group contribution income	**15,226**	**-**
Total appropriations	**15,278**	**-14**

7. Direct taxes

	2023	2022
Change in deferred tax liabilities and assets	-2,968	73
Other direct taxes	-52	-30
Income tax on ordinary operations	**-3,020**	**43**

Notes to the parent company's balance sheet

(EUR 1,000)

8. Non-current assets

Intangible assets 2023	Intellectual property rights	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	4,006	661	4,667
Increase	201	-	201
Transfers between items	193	-	193
Acquisition cost on 31 Dec.	**4,400**	**661**	**5,061**
Accumulated depreciation on 1 Jan.	-3,796	-661	-4,457
Depreciation for the financial period	-157	-	-157
Accumulated depreciation on 31 Dec.	**-3,953**	**-661**	**-4,614**
Carrying amount on 31 Dec.	**447**	**0**	**447**

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

Tangible assets 2023	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	1,160	427	1,269	2,856
Decrease	-1	-	-773	-774
Transfers between items	-	-	-193	-193
Acquisition cost on 31 Dec.	**1,159**	**427**	**303**	**1,889**
Accumulated depreciation on 1 Jan.	-1,150	-384	0	-1,534
Accumulated depreciation on disposals	1	-	-	1
Depreciation for the financial period	-3	-6	-	-9
Accumulated depreciation on 31 Dec.	**-1,152**	**-390**	**0**	**-1,542**
Carrying amount on 31 Dec.	**7**	**37**	**303**	**347**

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

Financial assets 2023	Holdings in Group companies	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	436,687	70	0	323	437,080
Increase	400	-	-	176	576
Decrease	-20,657	-70	-	-	-20,727
Impairment	-75,533	-	-	-	-75,533
Carrying amount on 31 Dec.	**340,897**	**0**	**0**	**499**	**341,396**

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

Increase in holdings in Group companies comes from equity injection to Lithuanian subsidiary before the sale of Baltics subsidiaries. Decrease in holdings in Group companies comes from the sale of Baltics subsidiaries. An impairment was recorded to the value of Baltics subsidiaries in 2022 according to expected purchase price.

Impairment in holdings in Group companies results from the agreed sales of Swedish business. Holdings in Swedish Group companies in are measured at EUR 115.5 million purchase price deducted with transaction costs. More information on the subject is in Group's note 20 Assets and liabilities of disposal group classified as held for sale and discontinued operations.

Company has sold shares of Chinese joint venture Nordic Lotus Co Ltd in 2023. An impairment was recorded to the holding in 2022 to match expected future cash flow.

Intangible assets	2023	2022
Intellectual property rights	447	209
Intangible assets	**447**	**209**
Tangible assets		
Machinery and equipment	7	10
Other tangible assets	37	44
Payments on account and tangible assets in the course of construction	303	1,269
Tangible assets	**347**	**1,323**
Financial assets		
Holdings in Group companies	340,897	436,687
Holdings in associates	-	70
Other shares and holdings	499	322
Financial assets	341,396	437,080
Total non-current assets	**342,190**	**438,612**

9. Non-current receivables

	2023	2022
Non-current loan receivables	381	381
Non-current Group loan receivables	235,735	280,464
Other receivables	23,300	-
Prepayments and accrued income	1,025	191
Total	**260,441**	**281,036**
Deferred tax assets	7,609	10,188

Non-current other receivables include EUR 23.3 million purchase price receivable from the sale of Baltic operations. In addition current receivables include EUR 5 million current portion.

On 31 December 2023, the company had EUR 14.0 (14.0) million of losses, of which no deferred tax receivable has been recognized. The losses in taxation expire with the following schedule: EUR 4.7 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 9.9 million in 2028, EUR 10.0 million in 2029 and EUR 1.6 million in 2031. Utilisation of deferred tax asset from losses is based on the same assumptions that are used in group note 16.

10. Current receivables

	2023	2022
Trade receivables	73	1
Short-term receivables (from others)	1	3
Short-term prepayments from accrued income (from others)	8,174	2,732
Total	**8,248**	**2,736**
Receivables from group companies		
Trade receivables	829	1,327
Loan receivables	7,044	7,583
Other receivables	187	63
Group contribution receivables	15,226	-
Total	**23,286**	**8,973**
Total current receivables	**31,534**	**11,709**
Main items included in prepayments and accrued income		
Accrued financial items	1,206	868
Accrued interest receivables	566	1,203
Accrued staff costs	19	18
Other prepayments and accrued income	6,383	643
Total	**8,174**	**2,732**

11. Equity

Equity in 2023	Share capital	Share premium reserve	Treasury shares	Fair value reserve	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66,820	73,420	-4,083	0	216,034	4,931	52,760	409,882
Increase	-	-	-	-	193	-	-	193
Direct recognition in retained earnings	-	-	252	-	-	-	-252	0
Profit for the period	-	-	-	-	-	-	-69,942	-69,942
Equity on 31 Dec.	**66,820**	**73,420**	**-3,831**	**0**	**216,227**	**4,931**	**-17,434**	**340,133**

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

Distributable equity	2023	2022
Contingency reserve	653	653
Treasury shares	-3,832	-4,083
Reserve for invested unrestricted equity	216,227	216,034
Retained earnings	52,507	66,619
Profit/loss for the period	-69,942	-13,860
Distributable equity	**195,613**	**265,363**

12. Accumulated appropriations

	2023	2022
Depreciation difference	-	52
Total appropriations	**0**	**52**

The unrecognised deferred tax liability on depreciation difference is EUR 0.

13. Statutory provisions

	2023	2022
Provisions for pensions	2,393	2,351
Statutory provisions, total	**2,393**	**2,351**

14. Non-current liabilities

	2023	2022
Deferred tax liability	389	-
Hybrid loan	25,920	25,920
Bond	90,000	90,000
Loans from financial institutions	116,425	150,685
Other liabilities	1,188	1,426
Total	**233,922**	**268,031**
Total non-current liabilities	**233,922**	**268,031**
Interest-bearing		
Amounts owed to others	232,345	266,605
Non-current interest-bearing liabilities	**232,345**	**266,605**
Non-interest-bearing		
Amounts owed to others	1,577	1,426
Non-current non-interest-bearing liabilities	**1,577**	**1,426**
Total non-current liabilities	**233,922**	**268,031**

In 2021 the company issued EUR 90.0 million bond maturing in March 2025 with 5.0 percent coupon interest. In addition, company has issued a hybrid bond in 2018 amounting to EUR 40 million with 8 per cent coupon interest. After the conversions carried out in the context of the share issue in June 2019, the outstanding amount is EUR 25.9 million. Hybrid bond does not have specified maturity, but the company has right to redeem it on the fifth anniversary of the issue date and subsequently on each annual coupon interest payment date. New coupon since September 19th, 2023 is 16 per cent. An interest payment obligation is set up if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately.

15. Current liabilities

	2023	2022
Loans from financial institutions	9,186	20,564
Advance payments	25,000	-
Trade payables	4,124	312
Accruals and deferred income	7,080	8,435
Other liabilities	1,894	2,297
Total	**47,284**	**31,608**
Amounts owed to Group companies		
Trade payables	21	16
Accruals and deferred income	29	107
Other liabilities	42,000	41,933
Total	**42,050**	**42,056**
Total current liabilities	**89,334**	**73,664**
Interest-bearing		
Current amounts owed to Group companies	42,000	41,933
Amounts owed to others	9,186	20,564
Current interest-bearing liabilities	**51,186**	**62,497**
Non-interest-bearing		
Current amounts owed to Group companies	50	123
Amounts owed to others	38,098	11,044
Current non-interest-bearing liabilities	**38,148**	**11,167**
Total current liabilities	**89,334**	**73,664**

Bank guarantee has been taken for the received advance payment related to sale of Swedish operations.

	2023	2022
Main items (non-current and current) included in accruals and deferred income		
Accrued staff costs	1,871	2,662
Accrued interest expenses	3,515	3,328
Accrued changes in value of derivatives	1,675	95
Other accruals and deferred income	19	2,350
Total	**7,080**	**8,435**
Liabilities due in five years or more		
Liabilities due in more than five years	**0**	**0**

16. Commitments and contingent liabilities

Commitments and contingent liabilities	2023	2022
Debts secured by mortgages and shares		
Loans from financial institutions	36,000	39,500
Total	**36,000**	**39,500**
Real estate pledges and mortgages	61,265	61,500
Total	**61,265**	**61,500**
Security for debts of subsidiaries and other Group companies		
Guarantees	1,330	3,235
Total	**1,330**	**3,235**
Security for debts of others		
Guarantees	1,319	1,022
Total	**1,319**	**1,022**
Leasing and rental commitments		
Maturing in less than a year	1,735	1,722
Maturing in 1–5 years	2,647	4,160
Total	**4,382**	**5,882**
Total other contingencies	**4,382**	**5,882**

17. Derivative instruments

	2023	2023	2023	2022	2023	2022
	Positive fair value	Negative fair value	Fair value net	Fair value net	Nominal value	Nominal value
Interest rate derivatives	187	0	187	293	20,000	33,487
matured in 2023	-	-	-	84	-	13,487
matures in 2024	119	-	119	96	10,000	10,000
matures in 2025	68	-	68	112	10,000	10,000
matures in 2026	-	-	-	-	-	-
matures in 2027	-	-	-	-	-	-
matures in >2027	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-	-	-	-	-
Foreign exhange derivatives	193	-1,707	-1,514	657	89,842	83,013
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	5,198	-5,198	-	-	-	-
matured in 2023	-	-	-	-	-	-
matures in 2024	3,882	-3,882	-	-	-	-
matures in 2025	1,316	-1,316	-	-	-	-
matures in 2026	-	-	-	-	-	-
matures in 2027	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-	-	-	-	-

Nominal values of external derivatives that are eliminated due to intercompany derivatives are netted to zero in the table above. The nominal values are EUR 8,556 (8,780) thousand foreign exchange derivatives, EUR 3,358 (-1,716) thousand commodity derivatives, EUR 0 (15,000) thousand interest rate derivatives.

Fair value hierarchy

	2023	Level 1	Level 2	Level 3
Derivatives, positive fair value				
Interest rate swaps	187	-	187	-
Foreign exchange derivatives	193	-	193	-
Commodity derivatives	5,198	-	5,198	-
Total	**5,579**	**-**	**5,579**	**-**
Derivatives, negative fair value				
Interest rate swaps	-	-	-	-
Foreign exchange derivatives	-1,707	-	-1,707	-
Commodity derivatives	-5,198	-	-5,198	-
Total	**-6,905**	**-**	**-6,905**	**-**

	2022	Level 1	Level 2	Level 3
Derivatives, positive fair value				
Interest rate swaps	294	-	294	-
Foreign exchange derivatives	803	-	803	-
Commodity derivatives	23,782	-	23,782	-
Total	**24,879**	**-**	**24,879**	**-**
Derivatives, negative fair value				
Interest rate swaps	-1	-	-1	-
Foreign exchange derivatives	-147	-	147	-
Commodity derivatives	-23,782	-	-23,782	-
Total	**-23,930**	**-**	**-23,930**	**-**

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

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

Vantaa, 8 February 2024

Reijo Kiskola
Chairman of the Board

Jari Mäkilä
Deputy chairman of the Board

Harri Suutari
Member of the Board

Per Olof Nyman
Member of the Board

Terhi Tuomi
Member of the Board

Anne Koutonen
Member of the Board

Juha Ruohola
CEO

Auditor's note

A report on the audit carried out has been submitted today.
Helsinki, 8 February 2024

Ernst & Young Oy
Authorized Public Accountants

Maria Onniselkä
APA

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of HKScan Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HKScan Corporation (business identity code 0111425-3) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

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

Key Audit Matters

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

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

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

HKSCAN

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to the group's accounting policies and the note 1.* HKScan sells food products, feed, animals and minor amount of services. Revenue consists of product and service sales, which is adjusted with discounts and translation differences resulting from sales in foreign currencies. The Group fulfils its performance obligation and recognises revenue when the control over product or service has been transferred to the buyer. Revenue recognition was key audit matter due to risk related to correct timing of revenue and discounts. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others: • We assessed the compliance of the group's accounting policies over revenue recognition with applicable accounting standards. • We assessed the group's controls over timing of revenue recognition and over the calculation of discounts and credits. • We tested using analytical procedures and transaction level testing the underlying calculations of discounts and credits, the correct timing of their recognition and compliance with the contract terms. • We tested the timing of revenue with analytical procedures and testing on a transaction level either side of the balance sheet date as well as credit notes prepared after the balance sheet date. • We considered the appropriateness of the group's disclosures in respect of revenues.
Valuation of goodwill, intangible and tangible assets (excluding assets of disposal group classified as held for sale) *We refer to the group's accounting policies and the notes 5, 10, 11, 12 and 13.* At the balance sheet date, the value of tested goodwill, intangible and tangible assets amounted to 329 M€ representing 39% of the total assets and 138% of the total equity. Valuation of goodwill, intangible and tangible assets was a key audit matter because the impairment testing imposes estimates and judgment. The group management uses assumptions in respect of determining discount rate as well as future market and economic conditions such as economic growth, expected inflation rates, expected market share and revenue and profitability developments. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of goodwill, intangible and tangible assets included among others: • We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the group. Audit focused among others to those relating to the forecasted profitability, volume of replacement investments and discount rates used. • We focused on analysing by cash generating unit how the profitability has been derived from the historical performance and the budget prepared by the management. • We assessed the historical accuracy of the management's estimates. • We tested the mathematical accuracy of the calculation. • We considered the appropriateness of the group's disclosures in respect of impairment testing.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting and presentation for assets of disposal group classified as held for sale and discontinued operations *We refer to the group's accounting policies and the note 20.* In December 2023, the company signed an agreement to dispose of the shares of HKScan Sweden AB to Lantmännen ek för. Swedish business has been classified as assets held for sale and presented as discontinued operations according to IFRS standards in the financial statements for the period ending 31.12.2023. Management has measured assets of disposal group classified as held for sale according to IFRS 5 in fair value less costs to sell. Fair valuation has resulted to -17,3 M€ impairment on goodwill. Discontinued operations impact the Group's income statement by -6,9 M€ including also disposed Baltics operations. Accounting and presentation for assets of disposal group classified as held for sale and discontinued operations was a key audit matter because the accounting and presentation has significant impact on Group's balance sheet and income statement.	We performed, among others, the following audit procedures: • We assessed whether the requirements of IFRS 5 were met with regards to the classification and presentation of the businesses as assets held for sale and discontinued operations. • We analyzed the sale agreement to ensure that accounting is in line with key contract terms. • We evaluated the estimates used by management with respect of the fair value less costs to sell. • We assessed of the presentation and appropriateness of group's disclosures in respect of the assets of disposal group classified as held for sale and discontinued operations.
Valuation of deferred tax asset *We refer to the group's accounting policies and the notes 8 and 16.* Deferred tax asset arising from tax losses carried forward, deferred tax depreciation and deferred interest expenses subject to interest deduction limit can be recognized when IAS 12 Income Taxes – standard's recognition criteria are met. Valuation of deferred tax asset was a key audit matter because the management's assessment regarding the utilization of the tax losses carried forward, deferred tax depreciation and deferred interest deductions involves management's assumptions and judgement. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of deferred tax asset included among others: • We assessed the compliance of the group's accounting policies over the recording deferred tax assets with applicable accounting standards. • We evaluated the estimates made by management with respect to utilization of the tax losses carried forward, deferred tax depreciation and deferred interest deduction. • We considered the appropriateness of the group's disclosures about the deferred tax assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventory *We refer to the group's accounting policies and the note 17.* At the balance sheet date, the value of inventory amounted to 75 M€. The valuation of the inventory was a key audit matter as the amount of inventory in the financial statements is material and imposes management judgement.	We performed, among others, the following audit procedures: • We assessed the group's accounting principles related to the valuation of inventories. • We tested using analytical procedures and testing the underlying analyses and calculations prepared by the management relating to the costing of finished and semi-finished goods and determining the net realizable value. We familiarized ourselves regarding the relevant controls and processes. • We also considered the appropriateness of the group's disclosures in respect of balance sheet values and the accounting principles concerning the valuation of inventories.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other information

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

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

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

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

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

Opinions based on assignment of the Annual General Meeting

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

Helsinki, 8.2.2024

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