HKSCAN

Report of the Board of Directors and Financial Statement 2021

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Report of the Board of Directors for the financial year 2021

Group net sales and EBIT

Net sales

HKScan's net sales totalled EUR 1,815.3 (1,781.0) million. The effect of the exchange rate change of the Swedish krona on net sales was EUR 22.1 million positive.

Net sales increased as a result of sales growth in retail and, in particular, sales of the company's own branded products in higher value-added product categories. Food service sales increased from the comparison year.

In Finland, stronger sales, especially in higher value-added product categories, reduced the need for more cyclical and less profitable exports. Sweden has been able to create added value for locally produced meat. In the Baltics, net sales were lower due to pressure on sales prices caused by cheaper meat raw material imported from abroad and lower sales volumes of pork products in relation to the comparison year. Sales of meal components and poultry, on the other hand, progressed as planned. In Denmark, strategy implementation progressed well, but avian flu cases had a clear negative impact on exports outside the EU.

EBIT

The Group EBIT totalled EUR 17.9 (21.3) million. Comparable EBIT was EUR 14.5 (17.0) million. The effect of the exchange rate change of the Swedish krona on EBIT was EUR 0.7 million positive.

In the Baltics, EBIT weakened significantly. Overproduction of pork in Europe put strong downward pressure on market prices, while rapid and significant increases in feed and energy prices increased costs. In Denmark, export restrictions due to avian flu cases had a significant negative impact on EBIT, offset by strategic progress in other business areas. Exceptionally high and rapid increases in energy and other commodity prices weakened EBIT in all the home markets. Recovery in food service sales improved EBIT.

Items affecting comparability of EUR +3.3 million were recorded in the review period. The comparison period EBIT included items affecting comparability of EUR +4.4 million. Items affecting comparability are described in more detail in the reviews by business unit.

Balance sheet, cash flow and financing

At the end of the year, HKScan's balance sheet total was EUR 985.6 (975.9) million. The Group's interest-bearing debt at the end of the year was EUR 341.9 (346.4) million including IFRS 16 lease liability EUR 113.4 (35.6) million. The increase in lease liability was due to the lease liabilities generated by the rental of the property in Vantaa as agreed on in connection with the sale of the property, the extension of the logistics centre lease in Sweden and the Baltics new logistics centre which was taken into use. Net debt increased by EUR 14.9 million and totalled EUR 314.5 (299.6) million.

HKScan issued a new senior unsecured bond of EUR 90 million in March 2021. The four-year bond will mature on 24 March 2025. It carries a fixed annual interest at the rate of 5.0 per cent and has an issue price of 100.0 per cent. The company used the proceeds from the bond offering for the partial repurchase of fixed-rate unsecured senior notes due on 21 September 2022. After the repurchase, the remaining amount of notes total EUR 39.5 million.

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

HKScan's net gearing ratio was 95.2 (91.0) percent at the end of the year. The impact of the IFRS 16 lease liability on the net gearing ratio was 34.3 percentage points.

At the end of the year, the company had, in its balance sheet, a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The coupon interest of the hybrid bond is fixed at 8 percent per annum until the first redemption date. The hybrid bond is treated as equity. The hybrid bond does not have a specified maturity date but HKScan is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date in 2023, and subsequently, on each annual coupon interest payment date. In September, an interest of EUR 2.1 million was paid for the hybrid loan, treated as equity, from the retained earnings.

The Group's liquidity remained good. Committed credit facilities on 31 December 2021 stood at EUR 100.0 (100.0) million and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 75.5 (72.0) million.

Net financial expenses were EUR -14.7 (-11.0) million. The net financial expenses were higher than during the comparison period as a result of non-recurring costs related to financing arrangements.

Cash flow from operating activities was EUR 54.6 (63.7) million in. Cash flow after investments was EUR 81.2 (-21.4) million. Cash flow from investments includes the positive effect of EUR 76.1 million from the sale of the Vantaa property.

Pending processes with the authorities

The Danish tax authorities have conducted an audit of energy taxes covering the period 2011–2020 in HKScan Denmark A/S, which is a subsidiary of the Group. At the end of 2020, the Danish tax authorities issued their decision, according to which the company 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 totalled EUR 48.2 (83.5) million. The comparison year includes an investment to the plot of the Vantaa unit EUR 37.7 million. In addition, IFRS 16 increases to right-of-use assets were made to the amount of EUR 89.2 (7.2) million. These include the lease agreement for the Vantaa production unit, the extended lease agreement for the logistics centre in Sweden and the new logistics centre in the Baltics.

HKScan's investments support the company's strategic targets. The investments to be made relate to the company's transformation into a versatile food company with new products and product concepts, improving profitability by developing operational excellence through automation and technology investments and other investments improving resource efficiency. The company also carries out investments that ensure long-term continuity of operations and maintenance investments to maintain the service level of existing production units in the domestic and export markets.

Key strategic investments in 2021

Poultry

The investment in the new slaughter process of Rauma poultry unit was taken into use at the end of March. With the investment, the unit significantly improved its raw material yield, productivity and operational reliability. In addition, the investment created a good basis for further development of the entire production process and significantly reduced the use of utilities such as water and district heating.

In Denmark, the strategic shift from frozen poultry products to fresh and ready-to-eat products continued. Vinderup production unit invested in new technology that enables ready-to-eat poultry products responding to consumer needs and improves raw material yield and productivity.

Pork and beef

In Sweden, inter-unit arrangements continued in pork and beef production and investments were made to improve efficiency. The production of barbeque products was transferred from the Skara unit to Kristianstad. The investment reduced raw material waste and decreased the transport of pork, the main raw material for barbeque products, between the production units. A new cutting and packaging line for consumer packed meat was introduced in Linköping.

Processed meat products and meal components

In Sweden, an investment was made in a new packaging line for the iconic Scan Falukorv sausage, which enabled the shift to a more environmentally friendly paper-based packaging material. Automation changes in the production of grilled sausages were implemented during the first half of the year and an efficient line was in operation for the 2021 barbeque season.

In Finland, HKScan's subsidiary Kivikylän Kotipalvaamo took a new meatball production line into use in the summer. The investment made the production of meatballs more efficient and responded to growing demand.

HKScan's production unit in Poland specialises in bacon. In June, to respond to the growing demand for bacon products in all its home markets, HKScan took a new slicing and packaging line into use in Poland to increase the production unit capacity and improve productivity. In December, a new investment in additional capacity was approved to meet increased demand from export markets.

Exports of dumplings and traditional Asian dim sum products made in Latvia to Central Europe grew strongly. HKScan has invested in dumpling manufacturing capacity at its Jelgava production unit in 2020 and 2021.

Meals

In the autumn, a modern restaurant-level kitchen was completed in HKScan's Vantaa unit where chefs prepare premium-level fresh meals. Sales of the Vietävä fresh meals concept, developed by chef Kape Aihinen, will be in full speed in early 2022. New high-quality, delicious fresh meals will be sold at retail service counters and as packaged products.

The former poultry unit in Eura is becoming increasingly important as HKScan invests in growth in consumers' changing food moments. Fresh ready-to-eat salads from Mäkitalon Maistuvat Oy in the Eura unit have established their place in the Finnish food moments.

In the summer, HKScan invested in the Eura unit's new packaging line to meet highly developed sales and the production of new types of products. In June, HKScan acquired a share of 24.9 per cent in Mäkitalon Maistuvat Oy.

In July, HKScan announced to invest in a snack product line in Eura. The investment will bring the company a whole new technology for the production of snack products. The new production line is scheduled to start in the summer 2022.

Supply chain

BA new logistics centre was taken into use in August and the first orders were delivered to customers in September. The new logistic centre is located in Estonia, near Tallinn. The logistics centre serving the entire Baltic market area provides customers with faster and more flexible service. HKScan centralises the operations of its assembly centres in Rakvere and Riga in the new logistics centre. HKScan has a long-term lease agreement with Astlanda Ehitus, the company that built the logistics centre.

The new logistics centre is a model example of how environmental issues are taken into account in investments. Solar panels installed on the roof of the centre will reduce energy emissions by some 30 per cent. Carbon dioxide emissions will also be significantly reduced, as transport will be cut by about 400,000 kilometres per year with the optimised location.

(EUR million)	2021	2020
Investments		
Finland		
Gross capital expenditure on PPE	16.3	54.8
Additions in right-of-use assets	70.9	3.0
Investments total	87.1	57.8
Sweden		
Gross capital expenditure on PPE	19.6	17.4
Additions in right-of-use assets	9.1	1.7
Investments total	28.6	19.1
Baltics		
Gross capital expenditure on PPE	8.1	4.9
Additions in right-of-use assets	8.5	0.9
Investments total	16.7	5.8
Denmark		
Gross capital expenditure on PPE	4.3	6.4
Additions in right-of-use assets	0.8	1.6
Investments total	5.1	8.0
Total	**137.5**	**90.7**

Operating environment

Changes in key sales channels and product categories

The nearly two-year-long Covid-19 pandemic is continuing to have an impact on business in all HKScan's home markets. Changes can be seen in the company's key sales channels and sales development in different product categories.

Due to the pandemic and resulting restaurant, assembly and travel restrictions, consumers had shifted focus nearly entirely to home cooking during the first half of 2021, which meant that food sales were strongly centralised to retail trade, as was the case in the previous year. At the same time, demand in the food service channel remained notably low. During the third quarter of 2021, demand in the food service market began to recover and this positive development continued strongly throughout the last quarter. HKScan's food service sales developed clearly better than the market in general during the last quarter.

Despite the exceptionally high comparison figures for retail trade in 2020, HKScan's share of the development in retail sales was good during 2021. On the whole, HKScan's own sales developed more strongly than the market in general.

Due to travel and assembly restrictions, the purchase power of consumers strengthened in retail trade, which was reflected in their purchasing behaviour. Growth in the trends of consumer awareness concerning quality, responsibility and an appreciation for domestic origin increased the demand for domestic branded products and was also reflected in consumers' shift to higher quality, more convenient and ready-to-eat products.

During the past year, there was a shift in retail trade between different product categories. Over the first half of the year, the demand for familiar basic raw materials, such as minced meat and poultry meat, as well as traditional processed meat products, such as sausages, increased strongly. As the pandemic continues, consumers have been more interested in trying new food solutions that seek to make dining faster, easier, more diverse and healthier.

In the latter half of the year, ready meals, meal components and restaurant-quality ready meals increased their share of retail sales even further. The range of choices at retail service counters diversified, and completely new service counter concepts were introduced to the retail.

Consumers' approach to meals has already long been changing, but the exceptional conditions of the past year have further accelerated this development. It is becoming less common to eat main meals during the day and warm meals are being replaced by snacks. On-the-go eating has increased and food options must be available wherever people are going.

Shopping for holidays is characterised by the higher quality of products. Quality appears to be replacing quantity, as people are seeking to create special moments in their homes to compensate for events and travel. These changes in consumer behaviour offer new and interesting opportunities for HKScan, as the company diversifies its product range to meet the consumers' varied needs in evolving food moments.

The grocerant trend that combines traditional grocery stores and restaurants strengthened in all HKScan's home markets during the year. Both retail and other food industry companies have increased their range of restaurant-quality meals and concepts. This development increases competition in relation to companies that focus on home deliveries of restaurant meals. Deliveries from retail shops to consumers' homes also increased notably during the past year.

The increase in retail product selection over the past two years has decreased manufacturing batch sizes, which, in turn, reduces the life cycle of the products. Examples of fragmenting factors include the strengthening position of private labels, retail's need to differentiate, the fragmentation of consumers' purchase behaviour and the continuing reduction in the size of households. HKScan is monitoring the development and responding to it through its own product development and branding work.

Changes in the international meat market

The strong increase in the price of pork in Europe during early 2021 turned to a clear decline in June. The low price level of pork continued in Europe until the end of the year as impacted by the continued pandemic, the increased own pork production in China and the oversupply of pork within the EU. The producer and sales prices of pork declined in China from the start of the year by nearly half as a result of low demand and increased local availability. The export of pork to China is not expected to recover during the start of 2022, which will slow the recovery of the price level of pork in Europe.

In the EU, production volumes of poultry are gradually recovering from the drop caused by cases of avian flu. In 2021, less poultry meat was available than in the comparison year. The continued growth in the demand has raised the price level of poultry towards the upper end of the long-term fluctuation range. Cases of avian flu detected in several European countries are still limiting the export of poultry products outside the EU.

Export of consumer products

HKScan's long-term work and results related to the promotion of sustainable farming and animal welfare as well as the transparency and reliability of the entire food chain create a solid foundation for confidence among customers and consumers within the export markets. A strong trust and ability to meet customers' needs have strengthened HKScan's customer relationships in the export markets.

During 2021, HKScan invested particularly in increasing the export of consumer products. The share of consumer products exports value increased during 2021 by nearly 10 percentage points to approximately 20 per cent of the total value of exports, even though the Covid-19 pandemic limited sales work. The export of dumplings, bacon and other processed meat products developed particularly well.

The export of consumer products improves the utilisation rate of HKScan's capacity and balances the seasonal peaks in demand within the home markets. The gradual opening of the food service market in all HKScan's key home and export markets will improve future demand within the export markets.

Due to the challenges of global logistics, transport costs increased clearly during summer 2021. We estimate that the rise in costs will continue during the first half of 2022. HKScan has secured its transports for customer deliveries to close and remote markets.

Review by Business Unit

(EUR million)	2021	2020
NET Sales		
Finland	772.3	772.4
Sweden	700.4	662.1
Baltics	170.0	175.0
Denmark	172.7	171.5
Group total	**1,815.3**	**1,781.0**
EBIT		
Finland	12.1	10.7
Sweden	22.6	19.1
Baltics	-5.4	3.7
Denmark	0.0	1.0
Segments total	29.3	34.4
Group administration costs	-11.4	-13.2
Group total	**17.9**	**21.3**

Items affecting comparability

(EUR million)	2021	2020
Comparable EBIT	**14.5**	**17.0**
Termination of employment, Baltics [1]	-0.2	-
Termination of employment, Group Management [1]	0.2	-
Impairment of assets, Sweden [2]	-0.2	-
Impairment of assets, Finland [2]	3.1	3.1
Impairment of assets, Baltics [3]	-	-0.3
Impairment of assets, Denmark [2]	-	4.1
Impairment of associated company balances, Sweden [3]	-	0.1
Legal dispute and settlement, Denmark [3]	-	-0.7
Energy tax provision, Denmark [3]	-	-3.5
Environmental provision, Finland [4]	-	0.9
Gain on sale of tangible assets, Finland [4]	0.5	0.6
EBIT	**17.9**	**21.3**

[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"
[4] Included in the Income Statement in the item "Other operating income"

Business Unit Finland

Net sales totalled EUR 772.3 (772.4) million. Especially retail sales of own brand products of higher added value continued to clearly grow. Food service sales increased from the comparison year. Stronger home market sales, especially in meals and meal components, decreased the need for more cyclical and less profitable exports.

In Finland, EBIT improved by EUR 1.4 million to EUR 12.1 (10.7) million. Comparable EBIT improved by EUR 2.5 million to EUR 8.5 (6.0) million. EBIT improved as a result of growth in retail sales, especially in higher added-value products, food service sales and improved operational efficiency. Rapid and considerable increases in prices of energy and other production inputs had a clear negative impact on EBIT.

Strategic investments in new product categories clearly improved the outlook for the Eura production unit. HKScan made an impairment reversal of EUR 3.0 million, which was recorded in items affecting comparability. In the comparison year, EUR 4.7 million of items affecting comparability were recorded.

HKScan’s investment of approximately EUR 6 million in the Rauma poultry unit’s new slaughter process was taken into use in March. The investment has enabled the unit to significantly improve its raw material yield, productivity and operational reliability.

The collaboration between HKScan and Mäkitalon Maistuvat started in April with a sales and distribution partnership, and HKScan's product range expanded to include ready-to-eat salads.

In the autumn, a modern restaurant-level kitchen was completed in the HKScan’s Vantaa unit where chefs prepare premium-level fresh meals. In the summer, HKScan also decided to invest in a snack line in Eura. New snacks will be available in the autumn 2022.

Business Unit Sweden

Net sales totalled EUR 700.4 (662.1) million. The effect of the exchange rate change of the Swedish krona on net sales was EUR 22.1 million. Retail sales of products sold under the Scan brand increased. Net sales for pork exports increased, driven by an increase in the volume of by-products. Food service sales increased as a result of the removal of Covid-19 restrictions.

EBIT improved by EUR 3.5 million to EUR 22.6 (19.1) million. Comparable EBIT was EUR 22.9 (19.0) million. The effect of the exchange rate change on EBIT was EUR 0.7 million positive. EBIT strengthened as a result of commercial improvements in locally produced beef, growth of food service sales and improved operational efficiency.

HKScan’s product range expanded in the summer to include delicious and high-quality Scan Korvmakarna premium sausages. Plant-based balls and patties complementing the Pärsons brand product range were also launched.

Sweden’s commercial organisation was renewed at the beginning of September. The renewal will enhance the development of core business and customer relationships and drive improvements in profitability and efficiency. The organisation renewal will also promote the use of new strategic business opportunities.

HKScan continued to cooperate with Foodora during the summer barbeque season and Christmas. HKScan expanded into a new sales channel where consumers can order on-the-go meals of the Korv & Bread and Korv & Carve concepts at travel and ski destinations via a mobile app. This has increased the visibility of the Scan brand.

Business Unit Baltics

Net sales totalled EUR 170.0 (175.0) million. Net sales were clearly decreased by the declined prices and volumes of pork, particularly in industrial sales. Food service sales were down from the comparison period, but increased towards the end of the review period. Sales volumes of poultry products sold under the Tallegg brand continued to grow. Sales of meal components grew especially in retail and exports.

EBIT excluding the change in the fair value of biological assets totalled EUR -5.0 (5.7) million. Comparable EBIT excluding the change in the fair value of biological assets totalled EUR -4.8 (6.1) million. The change in the fair value of biological assets in the balance sheet was EUR -0.4 (-2.0) million.

As a relatively small market area, the Baltics is sensitive to import price pressure, and defending the market position weakened the EBIT. Exceptionally high increases in feed and energy costs could not be passed on to sales prices in the current situation of surplus pork production in Europe. On the other hand, the profitability is clearly better in the Baltic poultry business and processed meat products than in other product categories.

In September, the first orders were delivered to customers from the new logistics centre near Tallinn, Estonia. The logistics centre serving the entire Baltic market area enables faster and more flexible customer service.

In Estonia, new products of higher added value were launched under the Tallegg and Rakvere brands. Exports of dumplings and traditional Asian dim sum products made in Latvia to Central Europe showed a clear increase.

Business Unit Denmark

Net sales totalled EUR 172.7 (171.5) million. The sales focus on strategically important products increased net sales, and sales were significantly higher in ready-to-eat poultry products. Retail sales and particularly sales under the company's own Rose brand clearly increased. Export restrictions due to avian flu had a clear negative impact on net sales.

EBIT totalled EUR 0.0 (1.0) million and comparable EBIT was EUR 0.0 (1.1) million. Avian flu cases affecting the whole industry had a clear negative impact on EBIT. Exceptionally high increases in energy prices increased HKScan's costs.

In Denmark, HKScan has shifted sales from low margin frozen export products to fresh and ready-to-eat products that meet consumer needs. This has clearly improved EBIT. The strategic shift in focus towards higher added-value products will reduce the negative impact of possible animal diseases, such as avian flu, on business performance in the long term.

HKScan has a lot of potential in Denmark, for example for the sales of minced chicken meat and ready-to-eat poultry products. Sweden also shows clear potential for growth.

In an extensive customer satisfaction survey covering the Danish food industry, HKScan was ranked first in the category of companies producing fresh and frozen food products. All retail chains in Denmark responded to the survey. HKScan scored highest for reliability and responsibility.

Strategy

HKScan's three-year Turnaround programme ended at the end of 2021. During the programme, the company has risen from a deep financial crisis to a position where its financial base is significantly more stable. The Group's comparable EBIT improved cumulatively by some EUR 61 million during the Turnaround. However, the profit improvement achieved is not sufficient and Turnaround will therefore be followed by a phase in which the company's financial base will be further strengthened by focusing on improving the profitability of the core businesses before a more comprehensive implementation of the strategy.

In line with its strategy, HKScan is growing into a versatile food company. Implementing the strategy requires both new expertise and financial flexibility. It is therefore essential for the company to broaden the competences and continue to systematically develop its activities. Strong customer relationships and commercial renewal, as well as improved productivity and cost efficiency in the core business based on pork and beef products, processed meat products, meal components, meals and poultry products, will create the financial and operational basis for business expansion and diversification. It is also crucial to strengthen the consumer engagement through our well-known brands. Strengthening the consumer-oriented approach is central as understanding and responding to changes in consumer behaviour and customer interface are at the core of the company's strategy.

At the same time, HKScan is looking for new growth and actively pursuing new business opportunities within its financial resources, in line with the company's strategic target to grow into a versatile food company. On its transformation journey, the company wants to maintain its current strengths. New growth and profitability will be built systematically taking localness into account. The partnership strategy plays a significant role in this. Through partnerships, HKScan expands quickly and flexibly to new business areas. The aim is to scale up new businesses by taking advantage of the company's broad commercial and production platform. Examples of long-standing partnerships include Kivikylän and Tamminen and more recently Hes-Pro, Boltsi and Mäkitalon Maistuvat in Finland, and Gårdsfisk and Maten é klar in Sweden.

To achieve a significant food company transformation, HKScan will need a stronger balance sheet as it builds new food businesses and ways to face market changes alongside its current business strongly based on poultry, pork and beef products. To increase financial flexibility, the position of each business within the Group is continuously assessed. The completed Turnaround period will be followed by a phase in which the company's balance sheet will be actively strengthened through various means to enable a more effective food company transformation.

Advanced corporate responsibility work is as an increasingly solid basis for HKScan's business. It is the new normal in the operating environment, and its role in leading the profit and balance sheet is increasingly important. Ability to operate within the carrying capacity of the environment and nature and to build a strong social foundation for the company's operations, enables HKScan to perform well and create responsible prosperity in its home markets. HKScan continues its goal-oriented climate work through the Zero Carbon programme aiming at a carbon-neutral food chain by the end of 2040. In addition to its own production, the company will focus on climate issues in primary production and scalable ways to reduce emissions and increase carbon sinks together with the contract farmers and partners.

The key drivers of value creation in HKScan's business are growth in the core business by increasing the added value of products and strengthening the value creation capabilities of the company's own brands. In addition, the aim is to grow in meals, snacks, new food businesses and by taking advantage of new raw material bases. Strengthening in growing and in new sales channels is central. Food service channel has long been growing and evolving, which is further reinforced by the Covid-19 pandemic. This offers HKScan interesting opportunities to build new business models. Increasing productivity in all business processes is an important driver of value creation. Building responsibility as a value-creating basis for business plays a key role in creating differentiating value in the market.

Key events in 2021

HKScan started cooperation with Gårdsfisk in Sweden

HKScan and Scandinavian Aquasystems AB signed a cooperation agreement for the sale of fish products under the Gårdsfisk brand and the production of meal components made from fish in Sweden. At the same time, HKScan became a minority shareholder with a stake of slightly more than 10 per cent. Sales of Gårdsfisk fish products transferred to HKScan's Swedish organisation at the beginning of 2022.

The Gårdsfisk brand produces fish responsibly, in close cooperation with Swedish farms. HKScan's own network of contract farmers in Sweden provides a good basis for scaling up the concept.

HKScan invested in the restaurant-level fresh meals in Finland

In the autumn 2021, a modern restaurant-level kitchen was completed in HKScan's Vantaa unit where chefs prepare premium-level fresh meals. Sales of fresh meals under the Vietävä concept, developed by chef Kape Aihinen, will reach full speed in Finland in early 2022.

New logistics centre in the Baltics started operations

The first orders from HKScan's new logistics centre near Tallinn, Estonia, were delivered to customers in September 2021. Serving the entire Baltic market, the logistics centre enables faster and more flexible customer service.

Denmark raising added value in line with the strategy

In Denmark, HKScan's strong focus on adding value in poultry products resulted in a clear retail sales increase in 2021. HKScan has successfully shifted sales from low-margin frozen export products to fresh and ready-to-eat poultry products. A strategic shift in sales focus towards products with higher added value has partly reduced the negative effects of avian flu on Danish unit's business profitability.

HKScan acquired a minority share in Mäkitalon Maistuvat Oy and strengthened in plant-based meals

In June 2021, HKScan acquired 24.9 per cent of Mäkitalon Maistuvat Oy. The collaboration between HKScan and Mäkitalon Maistuvat started in April 2021 with a sales and distribution partnership. Sales of ready-to-eat salads sold under the Mäkitalon Farmi brand have grown rapidly.

HKScan invested in snacks in Finland

In the summer 2021, HKScan decided to invest in new manufacturing technology that will enable strengthening in the growing snack product category. The snack product line will be built in the HKScan's Eura production unit. New snacks will be available in Finland in the autumn 2022.

HKScan implemented a significant investment to improve the Rauma poultry unit's productivity

HKScan's investment of some EUR 6 million in Rauma poultry unit's new slaughter process was completed in March 2021. The investment enables the unit to significantly improve its raw material yield, productivity and operational reliability, and will create a good basis for further development of the entire production process. HKScan's investment responds to the strong growth in demand for Kariniemen poultry products.

HKScan expanded its financing base

HKScan issued a new senior unsecured bond of EUR 90 million in March 2021. The four-year bond will mature on 24 March 2025. The company used the proceeds from the bond offering for the partial repurchase of fixed-rate unsecured senior notes due on 21 September 2022. In connection with the Vantaa real estate transaction, HKScan repaid in full the EUR 74.3 million bank loan maturing in 2022.

HKScan sold the land and buildings of its Vantaa property

In February, HKScan sold the land and buildings of its Vantaa property to a real estate investor, Sagax Finland Asset Management Oy. The transaction price was EUR 76.1 million. With the lease signed in connection with the transaction, HKScan can continue and develop its business on a long-term basis in Vantaa for the following 20 years. The agreement also includes an option for additional years.

Report on non-financial information

HKScan is a Northern European food company that makes tasty, healthy and responsibly produced food for consumers' various food moments. The company's strategic target is to grow into a versatile food company. HKScan's home markets are Finland, Sweden, the Baltics and Denmark. The company's well-known brands include HK, Kariniemen, Via, Scan, Pärsons, Rakvere, Tallegg and Rose.

Advanced responsibility work is the basis of HKScan's strategy. The company's business aims to create comprehensive, responsible prosperity within the boundaries of a strong social foundation and environmental ceiling. The Group's responsibility programme defines the targets and activities of its responsibility work. The focus of the responsibility programme is on nature and people, with relevant themes defined on the basis of the materiality assessment.

HKScan's responsibility work will be described in more detail in the Annual and Responsibility Report 2021, which is based on the GRI Standards framework and will be published in week 10/2022.

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 requires all its suppliers and subcontractors to commit to compliance with its Supplier Guidelines.

HKScan's operations are guided by, for instance, Group-level policies on corporate governance, information security, data privacy, disclosure, remuneration, risk management, environment, work health and safety, food safety and quality as well as animal welfare. In addition to these, the company has a number of internal policies and guidelines relating to ethical conduct.

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. In addition, 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 well-being (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 corporate responsibility programme.

External recognitions

HKScan's systematic development of responsibility work has been recognised by independent international sustainability rating companies. HKScan clearly improved its results in annual ESG (Environment, Social, Governance) ratings. In the ESG ratings of Sustainalytics and ISS (Institutional Shareholder Services), HKScan was ranked within the top fifth among hundreds of international food companies. In the Sustainalytics assessment, HKScan was ranked in the top 10 per cent among producers of packaged food.

At the end of 2021, HKScan was added to the Nasdaq OMX Sustainability Finland index, which includes a number of Finland's leading companies in terms of sustainability. The company has been a Nasdaq Transparency Partner for several years in recognition of its transparent responsibility reporting.

The Financial Times published a listing of Europe's Climate Leaders in May 2021. The list included 300 European companies that have reduced climate emissions from their own production the most in relation to net sales between 2014 and 2019. HKScan was the only food company on the list in the Baltic Sea region.

EU taxonomy

The EU taxonomy is the EU's sustainable finance classification system defining sustainable economic activities with regard to the environment. The introduction of the taxonomy regulation will be carried out in stages. In the first phase, the EU Commission has published technical criteria for climate change mitigation and adaptation for the sectors with the greatest climate impact.

HKScan has started to prepare for reporting in line with the EU Taxonomy Regulation. In line with the EU Commission's guidance, the company reports for 2021 the activities eligible for the taxonomy classification system in terms of net sales, investments and operating expenditure. HKScan will monitor the development of the EU taxonomy and from 2022 will also report on the alignment of its activities for the taxonomy classification system.

Net sales
HKScan's net sales of EUR 1,815.3 million consist almost entirely of sales of food products manufactured by the company, for which there is no industry classification (NACE) in the EU taxonomy. The company therefore has no taxonomy-eligible net sales. Set in proportion to net sales, a significant part of the company's costs arises from the procurement of animal raw material from contract farmers and HKScan's own farms in Estonia. The EU taxonomy criteria for "Agriculture, forestry and fishing/ Livestock production" is under preparation and its final content and impact on HKScan's reporting under the Taxonomy Regulation is still uncertain.

Investments and operating expenses
HKScan has no taxonomy-eligible net sales and therefore no taxonomy-eligible investments or operating expenses.

Environment

In early 2021, HKScan published its Zero Carbon climate plan with a goal of carbon-neutral food chain by the end of 2040. For its own production (scope 1 and 2), the company's target is carbon-neutrality by the end of 2025. Mitigating climate change and responding to it play an important role in the company's business and its development. Climate change affects the entire food chain and the attitudes and choices of consumers and customers.

In 2021, the company committed to setting climate targets in line with the Science Based Targets initiative (SBTi). Science-based climate targets, validated by a panel of experts, will be integrated into HKScan's Zero Carbon climate plan. The targets will support the company's journey towards carbon-neutral food chain.

During 2021, HKScan promoted its Zero Carbon climate plan across the food chain: in its production units, in primary production, in logistics and in packaging development. The company focused its climate work primarily on measures with the greatest impact. HKScan prepared Zero Carbon plans for each of its production units, defining the actions towards the carbon neutrality in the company's own production by the end of 2025.

HKScan examined and piloted new solutions to reduce the climate impact in primary production together with its contract farmers and other partners on 80 pilot farms in Finland, Sweden and Denmark. In Finland, carbon sequestration measurements carried out in the summer set a target of 500 kg CO_2e per hectare per year for carbon sequestration in fields. The company also examined the optimisation of fertilising using satellite technology. In addition, farm-specific carbon footprints were calculated in Finland, Sweden and the Baltics. The company scaled up climate-friendly farming practices to wider use through training and webinars in Finland and Sweden.

HKScan reduced the climate impact of logistics through better optimised driving routes and the use of biogas trucks in product transports. The new logistics centre in the Baltics, opened in August, uses solar energy and significantly reduces transport kilometres.

In all home markets, HKScan made its packaging more responsible by promoting recyclability, reducing plastic and increasing the use of renewable packaging materials. In Finland and the Baltics, plastic was reduced by replacing boxes with bag packs. In Sweden, the packaging of the popular Scan Falukorv was modified to suit cardboard recycling and in Denmark, recycled material from plastic bottles is used for box packs.

The effectiveness and impact of the 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 2021, no significant environmental deviations occurred. The environmental risks of HKScan's production units have been identified as part of the ISO 14001 environmental management system, and the most significant risks are related to wastewater and possible chemical leaks. Environmental risks are controlled and managed on a unit-level basis through, for example, preventive maintenance and monitoring equipment. Personnel are trained in environmental matters and encouraged to make environmental observations and to report any deviations observed.

HKScan describes risks related to climate change in more detail in its Annual and Responsibility Report in line with the Task Force on Climate-Related Financial Disclosure (TCFD) model. Exceptional weather conditions affect the availability and prices of the company's key raw materials and energy prices.

Social and HR matters

At the end of 2021, HKScan had a total of 7,061 (6,998) employees. The company made investments supporting growth and ensured its service level during the pandemic. This resulted in increased personnel in all the home markets.

In 2021, HKScan's salaries and remunerations, including social costs, totalled EUR 333.5 (315.6) million.

	1-12/2021	1-12/2020
Personnel on average*	**6,892**	**6,741**
Finland	2,755	2,684
Sweden**	1,945	1,899
The Baltics	1,538	1,528
Denmark	655	629
Women / men %	40 / 60	40 / 60
Women / men of supervisors %	36 / 64	35 / 65

* Reporting of personnel figures revised from 1 January 2021; figures include persons employed by HKScan converted to full-time equivalents (FTE). Comparative figures updated accordingly.
** Including personnel in Poland.

HKScan works in a goal-oriented way towards zero accidents at work and promotes a safety culture in many ways through its Safety First programme. In 2021, the accident frequency remained at the 2020 level. However, absences due to accidents decreased significantly, as the number of more serious accidents clearly decreased. In the autumn, the company published new safe working guidelines for all the personnel.

Employees were encouraged to report their safety observations. Safety observations, near miss cases and accidents are systematically dealt with and corrective actions are specifically targeted at root causes. Safety culture is also promoted through careful risk assessments and process management.

HKScan promotes wellbeing at work with its Group-wide programme Better Together, which aims to promote responsible management, personnel commitment, workplace wellbeing and performance. The action plans for workplace wellbeing have been prepared at production unit and country level. During 2021, there was a particular focus on themes arising from the personnel survey Voice, such as promoting mental wellbeing and working against inappropriate behaviour.

At the end of 2021, HKScan prepared a hybrid working model, combining face-to-face and remote work. The model applies to the whole Group and was launched at the end of the year, taking into account the pandemic situation.

Risks related to HKScan's personnel include the availability of skilled and committed personnel, work safety and the attractiveness of the food industry and HKScan as an employer. During the Covid-19 pandemic, disruption of production due to personnel becoming ill is a significant risk for the company, which is reduced by the expansion of the vaccination coverage. 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 employees and has in place guidelines related to inappropriate treatment as well as Fair Way whistleblowing channel. Risks are reduced by developing cooperation, employee competence and well-being at work and pandemic-related contingency measures. Work safety risks are managed through the systematic promotion of work safety.

HKScan works together with meat producers to further develop production and responsibility and to ensure the competitiveness of local food production. In 2021, the company continued its Next Generation programme developing competence of young farmers in Finland and in Sweden.

Human rights and measures against bribery and corruption

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 does not accept corruption or bribery.

Online training on HKScan's Code of Conduct was extended to the whole personnel. The training strengthens employees' competence in human rights and the principles against corruption and bribery, for example.

HKScan obliges all its suppliers of goods and services to commit to and sign the company's Supplier Guidelines. Suppliers commit to comply with the company's principles on human rights, anti-corruption and anti-bribery. In 2021, HKScan started to prepare the principles of responsible procurement.

HKScan's stakeholders can use the company's anonymised Fair Way whistleblowing channel to report suspicions of unethical conduct. In 2021, the company received 11 (9) reports of suspected negligence or misconduct through the Fair Way channel. The reports mainly concerned suspicions of inappropriate behaviour and the interpretation of and compliance with guidelines. These were resolved through HR processes and were used as a basis to revise internal guidelines.

HKScan's risks concerning human rights are related to inappropriate 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 and other internal control processes. Potential risks related to human rights and corruption in the supply chain are managed through procurement risk assessment, standard requirements and by requiring a commitment to the Supplier Guidelines.

The realisation of the principles is monitored in an internal audit. In 2021, no deviations from the human rights, bribery and corruption principles were detected. HKScan has not carried out a human rights impact assessment but will conduct it during 2022.

Healthiness and safety of products

HKScan's strategic target is to grow into a versatile food company with tasty products made from trusted and safe raw materials. Through its activities, the company promotes healthy diet built on varied and balanced choices. HKScan's long-term work to develop the healthiness of products is based on nutritional recommendations and the company has defined its own criteria for healthier alternatives. A large part of products are healthy alternatives in their own categories and meet the criteria of the Heart Symbol in Finland as well as the Keyhole criteria in Sweden and Denmark.

HKScan ensures product safety through systematic work from procurement to the customer. All HKScan's production plants are certified in accordance with the Global Food Safety Initiative (GFSI) standards (FSSC 22000, IFS or BRC).

The company performs systematic food safety risk management in all stages of the value chain. Risk assessment in the production units is based on the HACCP (Hazard Analysis Critical Control Point) process, which is verified annually by several internal and external audits. HKScan also requires its raw material suppliers and subcontractors to have food safety management systems in place and monitors their implementation. The company regularly organises food safety training for its personnel and partners and encourages them to make food safety observations and to react to deviations.

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 risks related to them, HKScan Group has created a separate risk assessment model covering the whole chain.

Animal welfare

HKScan is committed to promoting animal welfare with its contract farmers in Finland, Sweden, the Baltics and Denmark and on the company's own farms in Estonia. 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 seen in the very low use of antibiotics on the company's contracted and owned farms. In HKScan's food chain, antibiotics are not used as preventive measure or to promote growth.

On a Finnish poultry farm, HKScan developed animal welfare monitoring using cameras and artificial intelligence, which enabled more accurate monitoring of animal behaviour and testing of new stimuli. In Denmark, HKScan launched its product concept focusing on animal welfare. Retailers and consumers have welcomed the product range sold under the Rose brand and the company aims to expand the range.

Animal diseases that spread easily, such as African swine fever and avian flu, are a risk to the company's business. There are national programmes for the prevention of animal diseases. Risks related to animal diseases are managed by continuously monitoring the animal disease situation and by working closely together with authorities, veterinarians and farmers. At the farm-level, guidelines for animal disease control and high hygiene standards are followed. HKScan's production units have contingency plans in place for animal disease situations.

Key targets and results

Target	Corporate Governance	Results 2021
NATURE		
Environment		
Carbon-neutral food chain • own production (scope 1 and 2) by the end of 2025 • primary production and other external impacts (scope 3) by the end of 2040	Action plan towards carbon neutrality	• Climate impacts of own production (scope 1 and 2) 58,000 (55,000)* tCO_2e,carbon intensity 0.09 (0.09)* tCO_2e / sold product tonne • Climate impacts of the entire food chain (scope 1-3) 2.4 (2.4)* $MtCO_2e$, carbon intensity 3.8 (3.9)* tCO_2e /sold product tonne • Energy use 0.97 (0.94)* MWh / sold product tonne
100% of raw materials from contract production in line with HKScan's sustainable farming operating model by the end of 2030	Work in the Agrofood Ecosystem project to promote the responsibility in primary production	Agrofood Ecosystem network involves 80 pilot farms; scaling up of sustainable farming practices started
Water consumption -25% /sold product tonne by the end of 2030 (vs. 2019)	Promoting water efficiency in production units	• Water consumption 6.79 (6.82)* m^3 / sold product tonne • Water consumption +2.1%* / sold product tonne vs. 2019
Packaging, targets 2025 • 100% recyclable packaging • 20% less plastic / sold product tonne (vs. 2019)	Operations in line with the packaging strategy	• 70% of packaging recyclable • Amount of packaging plastic 9,900 t • Packaging data management system renewed to cover collected data more comprehensively 2021
Animal welfare		
• Zero animal welfare breaches in own production • Continuous improvement of key animal welfare aspects	Systematic development of animal welfare together with farmers	• 0 (1) animal welfare breaches in own production • Continuous development activities to promote animal health and welfare
PEOPLE		
Social and HR matters		
Determined work towards zero accidents	Safety First programme to promote safety at work	Accidents at work leading to at least one day's absence 21.2 (21.1) /million working hours
Continuous promotion of wellbeing at work, eNPS over 10	Better Together programme for promotion of well-being at work	• Personnel satisfaction eNPS -3 (5, comparison figure not incl. the Baltics) • Absences 6.6 (6.2)% of working hours
Promoting the continuity of primary production in home markets	Next Generation programme to develop young farmers' competence	• 70 young farmers in Next Generation programme in Finland and in Sweden • Cooperation with schools and universities in the Baltics
Human rights and measures against bribery and corruption		
• 100% of raw materials procured in line with the responsible procurement principles 2025 • 100% of personnel completed the Code of Conduct training	• Supplier Guidelines • Personnel training on the compliance of HKScan's policies	• 100% of the raw material suppliers committed to Supplier Guidelines (excl. animal procurement) • Development of responsible procurement principles started • 74% of personnel completed the Code of Conduct training
Healthiness and safety of products		
• Annually, 60% of new and renewed products healthier alternatives in their own categories • 100% certified production units • Zero recalls	• Nutritional recommendations considered in the product development • Compliance with product safety standards • Compliance with product safety processes	• 35 (44)% of new and renewed products healthier alternatives in their own categories • All HKScan's production units certified according to GFSI approved standard • 6 (1) product recalls

The results of HKScan's responsibility work will be reported in more detail in the Annual and Responsibility Report 2021, which is based on the GRI Standards framework and will be published in week 10/2022.
* Subsidiaries Kivikylän and Tamminen have been added to reporting of environmental figures retroactively from 2019.
The environmental figures related to tonnes of products sold do not include HKScan's own farms in Estonia. A revision of the figures will be completed in the Annual and Responsibility Report 2021.

Group Management

At the beginning of January 2021, Jouni T. Laine began as EVP for HKScan's new Food Solutions unit and a member of the Group Executive Team. He joined HKScan from the CEO position at the Clewer Group, part of Salmela-Yhtiöt.

Anne Mere, EVP Business Unit Baltics and a member of the Group Executive Team, left her position on 13 August 2021. In the same connection, Juha Ruohola, a Group Executive Team member, was appointed as the new EVP Business Unit Baltics. He continues to be responsible for HKScan's Polish business, the Group's biotech business and meat balance.

Mika Koskinen, the Group Executive Team member responsible for the Group's strategic business development and investments took over responsibility for the Group's exports and imports, which were until 13 August 2021 the responsibility of Juha Ruohola.

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

The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the Group's share-based incentive plan 2018, payment of the rewards for the performance period 2018-2020. On 7 May 2021, a total of 141,936 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 8 April 2021.

At the end of December, the company held 1,858,064 (2,000,000) A shares as treasury shares, corresponding to 1.88% of the company's total number of shares and 0.9% of the total number of votes.

The calculational market value of HKScan's shares at the end of December stood at EUR 161.2 (190.0) million. The market value of the Series A shares was EUR 152.2 (179.4) million and the calculational market value of unlisted Series K shares was EUR 9.0 (10.6) million.

A total of 32,515,203 (27,000,172) of the company's shares were traded with a total value of EUR 67,774,266 (54,911,336). In the review period, the highest price quoted was EUR 2.52 (2.85) and the lowest EUR 1.57 (1.60). The average price was EUR 2.08 (2.03). At the end of December, the closing price was EUR 1.66 (1.96).

At the end of 2021, the shareholders maintained by Euroclear Finland Ltd included 15 422 (15 333) shareholders. Nominee-registered foreign shareholders held 15.2 (15.5) per cent of the company's shares.

At the end of 2021, 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 446 158 A Shares, corresponding to 0.5 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 2021

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-100	3,857	25.01	183,551	0.19
101-500	5,035	32.65	1,460,595	1.48
501-1,000	2,455	15.92	1,963,882	1.98
1,001-5,000	3,103	20.12	7,175,874	7.25
5,001-10,000	509	3.30	3,776,846	3.82
10,001-50,000	382	2.48	7,535,772	7.62
50,001-100,000	29	0.19	2,018,152	2.04
100,001-500,000	34	0.22	7,741,672	7.82
500,001-	17	0.11	66,302,707	67.01
On common accounts	0	0.00	127,730	0.13
On waiting list	1	0.01	665,000	0.67
Total	**15,422**	**100**	**98,951,781**	**100**

Shares by share series 31 December 2021

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 31 December 2021

	Share of owners %	Share of shares %	Share of votes %
Corporates	3.48	41.95	65.23
Finance and insurance companies	0.12	5.81	2.85
Public entities	0.03	11.44	5.62
Households	95.71	24.88	12.21
Non-profit organisations	0.35	3.64	1.79
Abroad	0.30	11.47	11.90
Other	0.01	0.81	0.40
All sectors, total	**100**	**100**	**100**

20 largest shareholders on 31 December 2021

		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	Keskinäinen työeläkevakuutusyhtiö Varma	4,846,806		4.90	2.40
4	Apteekkien Eläkekassa	3,581,889		3.62	1.78
5	Maa- ja metsätaloustuottajain Keskusliitto MTK ry	2,711,414		2.74	1.35
6	Keskinäinen Työeläkevakuutusyhtiö Elo	2,392,830		2.42	1.19
7	HKScan Oyj	1,858,064		1.88	0.92
8	Oy Etra Invest Ab	1,500,000		1.52	0.74
9	Jocer Oy Ab	1,175,000		1.19	0.58
10	Suhonen Jyrki	1,105,951		1.12	0.55
11	Etola Group Oy	1,000,000		1.01	0.50
12	Sinituote Oy	750,000		0.76	0.37
13	Pivosto Oy	582,190		0.59	0.29
14	Petter ja Margit Forsströmin säätiö Karl ja Olivia Forsströmin muistolle	522,000		0.53	0.26
15	Sun Marianne Oy	508,200		0.51	0.25
16	Sijoitusrahasto Aktia Capital	500,000		0.51	0.25
17	Valtion Eläkerahasto	500,000		0.51	0.25
18	Ab 2011 Fruitgum Company Oy	500,000		0.51	0.25
19	Gripenberg Jarl kuolinpesä	420,000		0.42	0.21
20	J & K Hämäläinen Oy	414,504		0.42	0.21
	Other shareholders	**36,729,299**	**0**	**37.12**	**18.22**
	Total	**93,551,781**	**5,400,000**	**100**	**100**

Source: Euroclear Finland

Annual General Meeting 2021

HKScan Corporation's Annual General Meeting was held on 8 April 2021 in Turku, Finland, under special arrangements due to the Covid-19 pandemic. The AGM adopted the parent company's and consolidated financial statements for the financial period 1 January–31 December 2020 and discharged the members of the Board of Directors and the CEO from liability for the year 2020. The AGM resolved that a dividend of EUR 0.03 be paid for each share for the year 2020.

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

Share-based long-term incentive plan

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

At the time of commencement of the PSP 2018–2020 plan, approximately 30 individuals were eligible to participate in it. Part of the shares earned based on the achievement of performance targets were paid out in spring 2021, in line with the original PSP payment schedule.

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

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

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

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

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

Short-term business risks

Price increase in production inputs and raw materials

As the economy in the euro area grows and the deficit spending continues, general inflationary pressure continues to rise. Additionally, the price of energy has been strongly rising in Europe. This continues to create cost pressures in packaging materials and other production inputs. The significant price increase for feed grains, caused by the weak grain harvest in Europe, has led, with delay, to a continuing rise in meat raw material prices. The situation poses a considerable risk for HKScan’s profitability, if the company is unable to increase its production efficiency and the sales prices of its products to offset the increase in costs. If, in particular, the market price of pork does not rise fast enough and the extremely poor profitability situation of the farmers continues, the risk may be the weakened availability of local meat raw material and an increase in the credit losses related to the feed trading services.

Covid-19 pandemic

The prolonged Covid-19 pandemic continues to be a significant uncertainty factor for HKScan’s business. The pandemic situation within HKScan’s home markets can change rapidly and the market-specific risks also change with the situations. At HKScan, the development of the pandemic is being monitored closely and any necessary reactions are being taken. The company's primary aim is to safeguard the health and safety of its personnel and to ensure disturbance-free activities throughout the entire food chain. Disruption of production due to personnel becoming ill is a significant risk for the company. In addition to strict hygiene practices and compliance with guidelines issued by the authorities, the company has implemented numerous contingency measures of its own in response to the pandemic. These will continue until the company can assess their gradual elimination in accordance with the pandemic situation in its different market areas.

Other business risks

In the food industry's long production chain, food safety is essential. However, the possibility of animal diseases cannot be fully excluded. Furthermore, the impact of possible international or regional food scandals on consumption behaviour cannot either be excluded.

African Swine Fever has increased strong price fluctuations within the international meat market.This has also affected HKScan’s home markets. New cases of avian flu detected in Denmark and several other European countries further weaken the export possibilities for poultry products outside the EU and have increased supply within Europe. On the other hand, avian flu has also led to a significant decrease in poultry production in certain European countries. This situation causes, in part, unpredicted price fluctuations, the effects of which also extend to HKScan's home markets.

The international meat raw material market is more global than before, and, as a result, changes within international trade relations between major meat import and export countries may locally cause large price fluctuations.

The discussion related to climate change may affect the consumer demand for meat products.Unexpected actions taken by pressure groups may also impact business and consumer demand. Cyber attacks are an increasing risk and, in the worst- case scenario, they may significantly harm the company's activities. In addition, HKScan's potential involvement in juridical proceedings may pose risks.

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

The weakened global logistics chains may pose a risk in terms of the realisation of the company's investments within their planned timetable. Delivery times for machinery and equipment have lengthened and prices have risen. Corresponding scheduling and costs pressures have also been recognised in the building of production facilities. As part of its planning process, HKScan particularly considers the possible impacts that the cost and scheduling risks may have on the realisation of its investments.

Unstable geopolitical situation may have a negative impact on HKScan's business and its development, especially in the Baltics.

Events after the reporting period

HKScan to start Finnish poultry meat exports to South Korea

On 21 January 2022, HKScan announced that its Rauma unit had received an export approval for Finnish poultry meat from the South Korean authorities. Exports of poultry meat from Finland to South Korea will start as soon as possible. The export licence for poultry meat is an important step for HKScan's exports, as the Rauma unit has invested in growth in recent years, also with a view to exports.

The volume of exports is estimated at 3-5 million kilos for the first years. Products exported to South Korea will be chicken legs, wings and feet. Finnish poultry meat is responsibly produced and antibiotic-free. In addition, the animal disease situation is excellent in Finland and animal welfare and environmentalefficiency of production are taken into account at all stages.

HKScan plans to streamline its operating model

On 3 February 2022, HKScan announced that the company is planning to streamline the operating model between the Group functions and Business Units. In the future, HKScan's Group functions are planned to focus more closely on the Group's key strategic development projects and leadership as well as activities that ensure good corporate governance of a listed company. Operational business will be more clearly focused on the Business Units.

Plans to streamline the operating model of HKScan's Group functions and the Business Unit Finland will be discussed in Finland in statutory negotiations, which may lead to an estimated 20 job reductions or changes in the employment contracts.
The statutory negotiations do not concern blue-collar workers or HKScan's businesses in Sweden, the Baltics, Denmark and Poland. The aim is to complete the negotiations during March 2022.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity is EUR 282.5 (290.9) million, including the reserve for invested unrestricted equity of EUR 215.4 (215.1) million and the profit for the financial year 2021 of EUR -5.8 million. The Board of Directors proposes to the Annual General Meeting that the company pays a dividend of EUR 0.04 per share, i.e. a total of EUR 3.9 million. The remaining distributable assets will be retained in equity.

Outlook for 2022

HKScan estimates that the Group's comparable EBIT in 2022 will improve compared to 2021.

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

Annual General Meeting 2022

HKScan's Annual General Meeting is planned to be held in Turku on Wednesday, 30 March 2022. The invitation will be published later.

Key figures

Financial indicators	2021	2020	2019	2018	2017
Net sales, EUR million	1,815.3	1,781.0	1,744.4	1,715.4	1,808.1
Operating profit/loss (EBIT), EUR million**	17.9	21.3	-23.2	-48.3	-40.3
% of net sales**	1.0	1.2	-1.3	-2.8	-2.2
Comparable operating profit/loss, EUR million**	14.5	17.0	-2.2	-46.3	-17.6
% of net sales**	0.8	1.0	-0.1	-2.7	-1.0
Profit/loss before taxes, EUR million**	6.6	12.3	-34.5	-58.5	-45.5
% of net sales**	0.4	0.7	-2.0	-3.4	-2.5
Return on equity (ROE), %	-0.4	1.5	-11.5	-15.2	-10.4
Return on capital employed before taxes (ROCE), %**	3.6	3.9	-3.1	-6.7	-6.3
Equity ratio, %**	33.5	33.7	34.8	33.3	36.9
Net gearing ratio, %**	95.2	91.0	84.8	103.3	59.3
Gross capital expenditure on PPE, EUR million	48.2	83.5	31.7	41.0	125.5
Additions in right-of-use assets, EUR million**	89.2	7,2	11.3	11.2	-
Investments total, EUR million**	137.5	90.7	43.0	52.2	125.5
% of net sales**	7.6	5.1	2.5	3.0	6.9
R&D expenses. EUR million	6.6	4.9	5.8	8.6	6.5
% of net sales	0.4	0.3	0.3	0.5	0.4
Employees, average	6,892	6,741	6,684	6,874	7,037

Per share data	2021	2020	2019	2018	2017
Earnings per share (EPS), undiluted, EUR**	-0.06	-0.01	-0.52	-1.00	-0.79
Earnings per share (EPS), diluted, EUR**	-0.06	-0.01	-0.52	-1.00	-0.79
Comparable earnings per share, EUR**	-0.10	-0.05	-0.26	-0.96	-0.37
Equity per share, EUR**	3.17	3.19	3.18	5.73	6.23
Dividend paid per share, EUR	0.04*	0.03	0.00	0.00	0.09
Dividend payout ratio, undiluted, %	-63.4*	-584.3	0.0	0.0	-11.4
Dividend payout ratio, diluted, %	-63.4*	-584.3	0.0	0.0	-11.4
Effective dividend yield, %	2.4*	1.5	0.0	0.0	2.9
Price-to-earnings ratio (P/E)					
undiluted**	-26.3	-381.8	-5.3	-1.4	-4.0
diluted**	-26.3	-381.8	-5.3	-1.4	-4,0
Lowest trading price, EUR	1.57	1.60	1.48	1.29	2.96
Highest trading price, EUR	2.52	2.85	2.88	3.23	3.60
Middle price during the period, EUR	2.08	2.03	2.05	2.40	3.24
Share price at the end of the year, EUR	1.66	1.96	2.76	1.42	3.13
Market capitalisation, EUR million	161.2	190.0	267.6	76.7	169.1
Trading volume (1 000)	32,515	27,000	26,948	11,400	10,426
% of the average volume	33.5	27.8	33.7	21.1	19.3
Adjusted number of outstanding shares (1 000)					
average during financial period	97,046	96,952	79,943	54,030	54,018
at the end of financial period	97,094	96,952	96,952	54,034	54,018
fully diluted	97,094	96,952	96,952	54,034	54,018

* Based on the Board of Directors' proposal.
** Year 2017 is not IFRS 16 restated.

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.

Indicator	Calculation	
Return on equity (%)	Profit / Total equity (average)	x 100
Return on capital employed (ROCE) before tax (%)	Profit before tax + interest and other financial expenses / Balance sheet total – non-interest-bearing liabilities (average)	x 100
Equity ratio (%)	Total equity / Balance sheet total – advances received	x 100
Gearing ratio (%)	Interest-bearing liabilities / Total equity	x 100
Net gearing ratio (%)	Net interest-bearing liabilities / Total equity	x 100
Earnings per share*	Profit for the period attributable to equity holders of the parent / Average number of outstanding shares during period	
Equity per share	Equity attributable to holders of the parent / Number of outstanding shares at end of period	
Dividend per share	Dividend distribution / Number of outstanding shares at end of period	
Dividend payout ratio (%)	Dividend per share / Earnings per share	x 100
Effective dividend yield (%)	Dividend per share / Closing price on the last trading day of the financial year	x 100
P/E ratio	Closing price on the last trading day of the financial year / 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*	Profit for the period attributable to equity holders of the parent - items affecting comparability / Average number of outstanding shares during period	
Interest-bearing net debt	Interest-bearing debt – cash and bank	

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

Financial statements 2021

Consolidated income statement for 1 Jan. – 31 Dec.

(EUR million)	Note	2021	2020
Net sales	1.	1,815.3	1,781.0
Other operating income	2.	8.7	7.2
Materials and services	3.	-1,219.9	-1,215.5
Employee benefits expenses	4.	-333.5	-315.6
Depreciation and amortisation	5.,13.	-60.2	-56.7
Other operating expenses	6.	-192.5	-179.1
EBIT		**17.9**	**21.3**
Financial income	7.	2.7	2.2
Financial expenses	7.,13.	-17.4	-13.2
Share of associates' and joint ventures' results		3.4	1.9
Profit/loss before taxes		**6.6**	**12.3**
Income tax	8.	-7.8	-7.5
Profit/loss for the period		**-1.2**	**4.8**
Profit/loss for the period attributable to:			
Equity holders of the parent		-4.5	1.2
Non-controlling interests		3.2	3.6
Total		**-1.2**	**4.8**
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	-0.06	-0.01
EPS, diluted, continuing operations, EUR/share	9.	-0.06	-0.01

The notes 1–28 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income 1 Jan. –31 Dec.

(EUR million)	2021	2020
Profit/loss for the period	-1.2	4.8
OTHER COMPREHENSIVE INCOME (after taxes):		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	-2.0	2.8
Cash flow hedging	7.4	-1.7
Items that will not be reclassified to profit or loss		
Actuarial gains or losses	2.9	-0.3
Total other comprehensive income	**8.3**	**0.8**
Total comprehensive income for the period	**7.1**	**5.6**
Total comprehensive income for the period attributable to		
Equity holders of the parent	3.9	1.9
Non-controlling interests	3.2	3.6
Total	**7.1**	**5.6**

The notes 1–28 form an integral part of the consolidated financial statements.

Consolidated balance sheet 31 December

(EUR million)	Note	31 Dec. 2021	31 Dec. 2020
Intangible assets	10.	72.9	76.2
Goodwill	11.	71.3	71.8
Tangible assets	12.,13.	459.7	458.7
Shares in associates and joint ventures	14.	26.4	21.6
Other receivables	15.	7.3	6.2
Other shares and holdings	15.	12.1	12.2
Deferred tax asset	16.	36.3	40.9
Non-current assets		**686.0**	**687.7**
Inventories	17.	131.1	119.0
Trade receivables	18.	117.4	105.3
Other receivables	18.	23.9	17.1
Income tax receivable	18.	0.0	0.0
Cash and bank	19.	27.2	46.8
Current assets		**299.6**	**288.2**
Assets		**985.6**	**975.9**
Share capital	20.	66.8	66.8
Share premium reserve	20.	72.9	72.9
Treasury shares	20.	-4.8	-4.8
Hybrid loan	20.	25.9	25.9
Fair value reserve and other reserves	20.	232.4	224.9
Translation differences	20.	-12.6	-10.6
Retained earnings	20.	-72.4	-66.4
Equity attributable to equity holders of the parent		308.3	308.8
Non-controlling interests		22.1	20.3
Equity		**330.3**	**329.1**
Deferred tax liability	16.	20.1	19.0
Non-current interest-bearing liabilities	13.,23.	210.1	249.2
Non-current non-interest-bearing liabilities	23.	0.2	1.8
Non-current provisions	22.	5.2	5.2
Pension obligations	21.	38.1	43.1
Non-current liabilities		**273.6**	**318.3**
Current interest-bearing liabilities	13.,23.	131.8	97.2
Trade and other payables	23.	240.7	219.4
Refund liabilities	23.	6.8	7.4
Income tax liability	23.	2.2	1.0
Current provisions	22.	0.1	3.5
Current liabilities		**381.7**	**328.5**
Equity and liabilities		**985.6**	**975.9**

The notes 1–28 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(EUR million)	2021	2020
Profit/Loss for the period	-1.2	4.8
Adjustments	76.3	73.9
Cash flow before change in net working capital	75.1	78.7
Change in net working capital	0.2	-7.9
Other changes	-3.0	6.6
Interest paid	-14.3	-12.1
Other financial expenses paid	-8.5	-10.1
Interest received	2.1	1.8
Other financial income received	4.3	7.1
Dividends received	1.2	1.0
Income taxes paid	-2.5	-1.4
Cash flow from operating activities (A)	**54.6**	**63.7**
Total investments	-51.0	-83.6
Total sales of assets	77.5	1.7
Acquisition of subsidiary, net of cash acquired	-	0.1
Loan receivables, borrowings and repayments	0.0	-3.3
Cash flow from investing activities (B)	**26.5**	**-85.1**
Hybrid loan	-2.1	-2.1
Proceeds from external borrowings	92.8	48.7
Repayment of external borrowings	-175.4	-5.7
Payment of lease liabilities	-11.3	-10.3
Dividends paid	-4.4	-0.7
Cash flow from financing activities (C)	**-100.3**	**30.0**
Net cash flow (A+B+C)	**-19.2**	**8.6**
Cash and cash equivalents, end balance	27.2	46.8
Cash and cash equivalents, opening balance	46.8	37.5
Effect of changes in exchange rates	-0.4	0.6
Change	**-19.2**	**8.6**

The notes 1–28 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-con-trolling interests	Total
EQUITY ON 1 Jan. 2021	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**
Result for the financial period	-	-	-	-	-	-	-	-	-4.5	-4.5	3.2	-1.2
Other comprehensive income (+) / expense (-)												
Translation difference	-	-	-	-	-	-	-2.0	-	-	-2.0	-	-2.0
Cash flow hedging	-	-	7.4	-	-	-	-	-	-	7.4	-	7.4
Actuarial gains or losses	-	-	-	-	-	-	-	-	2.9	2.9	-	2.9
Total other comprehensive income / expense	-	-	7.4	-	-	-	-2.0	-	2.9	8.3	-	8.3
Total comprehensive income for the period	-	-	**7.4**	**-**	**-**	**-**	**-2.0**	**-**	**-1.5**	**3.9**	**3.2**	**7.1**
Direct recognitions	-	-	-	-	-	0.0	-	-	0.5	0.5	-	0.5
Dividend distribution	-	-	-	-	-	-	-	-	-2.9	-2.9	-1.4	-4.3
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 31 Dec. 2021	**66.8**	**72.9**	**6.6**	**215.4**	**25.9**	**10.4**	**-12.6**	**-4.8**	**-72.4**	**308.3**	**22.1**	**330.3**
EQUITY ON 1 Jan. 2020	**66.8**	**72.9**	**1.0**	**215.4**	**25.9**	**10.3**	**-13.4**	**-4.8**	**-66.2**	**307.9**	**17.2**	**325.1**
Result for the financial period	-	-	-	-	-	-	-	-	1.2	1.2	3.6	4.8
Other comprehensive income (+) / expense (-)												
Translation difference	-	-	-	-	-	-	2.8	-	-	2.8	-	2.8
Cash flow hedging	-	-	-1.7	-	-	-	-	-	-	-1.7	-	-1.7
Actuarial gains or losses	-	-	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Total other comprehensive income / expense	-	-	-1.7	-	-	-	2.8	-	-0.3	0.8	-	0.8
Total comprehensive income for the period	**-**	**-**	**-1.7**	**-**	**-**	**-**	**2.8**	**-**	**0.8**	**1.9**	**3.6**	**5.6**
Direct recognitions	-	-	-	-	-	0.0	-	-	1.1	1.0	-	1.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-0.7	-0.7
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	0.1	0.1
Hybrid loan	-	-	-	-		-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 31 Dec. 2020	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**

The notes 1–28 form an integral part of the consolidated financial statements.

Notes to the financial statements for 2021

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, Estonia, Latvia, Lithuania, Poland, Denmark, Russia, Germany and China. 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 9 February 2022. 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.

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 2021. '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 and biological assets, 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the accounting policies under critical accounting estimates and judgements.

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 2020 except for the adoption of new standards.

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 2021 that affect Group's accounting policies or any of the disclosures.

Comparability with previous years

The years 2021 and 2020 are comparable with each other.

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. The Group's associates have not had any such items during the 2020 – 2021 financial periods.

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 27, '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	2–10 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 and are included in other operating expenses in the income statement.

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.

Biological assets

Biological assets, which in the case of the HKScan Group means living animals, are recognised on the balance sheet at fair values less estimated sales-related expenses. The Group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

Biological assets are included in inventories on the balance sheet and changes in the fair value are included in material costs in the income statement. Animals producing slaughter animals are included in fixed assets.

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 IFRS2, 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.

The deferred tax liability relating to the retained earnings of the Baltic Group companies has not been recognised, as the assets are used to safeguard the foreign companies' own investment needs. The parent company has control over the dividend distribution policy of the Baltic subsidiaries, and there are no plans to distribute said earnings within the foreseeable future.

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. They are stated at the lower of carrying amount and fair value less costs to sell.

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 other comprehensive income statement.

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 19. '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.

Measurement to fair value of assets acquired in business combinations

Where possible, Management has used available market values as the basis of determining the fair value of the net assets acquired in a business combination. When this is not possible, measurement is principally based on the historic return from the asset item and its intended use in business operations. Measuring the intangible right at fair value has required the Management to make estimations on the future cash flows. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require Management`s estimates and assumptions about the future use of assets and the effect on the company's financial position. Changes in the emphasis and direction of business operations may result in changes to the original measurement in the future.

In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

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.

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.

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. Also, biological assets' fair value includes Management's judgement.

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 Sweden, Finland, Denmark and the Baltics.

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 current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Year 2021	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Unallocated	Group total
Income statement information									
Net sales	700.4	772.3	172.7	170.0	1,815.3	-	-	-	1,815.3
EBIT	22.6	12.1	0.0	-5.4	29.3	-11.4	-	-	17.9
Share of associates' results	0.3	3.1	0.1	-	3.4	-	-	-	3.4
Financial income and expenses								-14.7	-14.7
Income taxes								-7.8	-7.8
Result for the period									**-1.2**
BALANCE SHEET INFORMATION									
Segment assets	287.1	430.0	62.9	145.6	925.6	39.7	-61.8	-	903.5
Shares in associates	5.4	16.1	4.4	-	25.9	0.5	-	-	26.4
Unallocated assets	-	-	-	-	-	-	-	55.7	55.7
Total assets	**292.4**	**446.1**	**67.3**	**145.6**	**951.5**	**40.2**	**-61.8**	**55.7**	**985.6**
Segment liabilities	146.6	187.1	21.4	34.3	389.4	14.5	-5.7	-	398.2
Unallocated liabilities	-	-	-	-	-	-	-	257.1	257.1
Total liabilities	**146.6**	**187.1**	**21.4**	**34.3**	**389.4**	**14.5**	**-5.7**	**257.1**	**655.3**

Other information									
Sales, goods	700.3	769.0	172.7	169.6	1,811.6	-	-	-	1,811.6
Sales, services	0.1	3.3	-	0.4	3.7	-	-	-	3.7
Investments	28.6	85.0	5.1	16.7	135.4	2.1	-	-	137.5
Depreciation and amortisation	-13.6	-33.1	-4.8	-10.3	-61.8	-1.3	-	-	-63.1
Impairment	-0.2	3.1	-	-	2.9	-	-	-	2.9
Goodwill	29.2	19.8	-	22.2	71.3	-	-	-	71.3
Cash flow before debt service	7.0	99.5	-2.2	-6.9	97.3	-0.9	-	-	96.4

Cash flow before debt service reconciliation Group total	
Cash flow from operating activities	54.6
Financial items (-)	15.2
Cash flow from investing activities	26.5
Loan receivables Borrowings and repayments (-)	0.0
Cash flow before debt service	**96.4**

Year 2020	Swedish operations	Finnish operations	Danish operations	Baltic operations	Business segments, total	Group administration	Eliminations	Unallocated	Group total
Income statement information									
Net sales	662.1	772.4	171.5	175.0	1,781.0	-	-	-	1,781.0
EBIT	19.1	10.7	1.0	3.7	34.4	-13.2	-	-	21.3
Share of associates' results	0.2	1.2	0.5	-	1.9	-	-	-	1.9
Financial income and expenses								-11.0	-11.0
Income taxes								-7.5	-7.5
Result for the period									**4.8**

Balance sheet information									
Segment assets	268.0	430.8	63.2	136.7	898.7	61.4	-65.1	-	894.9
Shares in associates	2.6	13.7	4.4	-	20.6	1.0	-	-	21.6
Unallocated assets	-	-	-	-	-	-	-	59.4	59.4
Total assets	**270.6**	**444.4**	**67.5**	**136.7**	**919.3**	**62.3**	**-65.1**	**59.4**	**975.9**
Segment liabilities	134.5	111.6	24.4	22.7	293.1	16.4	-5.1	-	304.4
Unallocated liabilities	-	-	-	-	-	-	-	342.4	342.4
Total liabilities	**134.5**	**111.6**	**24.4**	**22.7**	**293.1**	**16.4**	**-5.1**	**342.4**	**646.8**
OTHER INFORMATION									
Sales, goods	662.1	769.1	171.5	174.6	1,777.4	-	-	-	1,777.4
Sales, services	0.0	3.2	-	0.4	3.6	-	-	-	3.6
Investoinnit	19.1	56.2	8.0	5.8	89.1	1.6	-	-	90.7
Depreciation and amortisation	-12.9	-34.1	-4.9	-10.6	-62.6	-1.4	-	-	-63.9
Impairment	-	3,1	4.1	-	7.2	-	-	-	7.2
Goodwill	29.9	19.8	-	22.2	71.8	-	-	-	71.8
Cash flow before debt service	13.6	-28.3	-3.7	10.3	-8.1	2.5	-	-	-5.7

Cash flow before debt service reconciliation to Group total	
Cash flow from operating activities	63.7
Financial items (-)	12.3
Cash flow from investing activities	-85.1
Loan receivables Borrowings and repayments (-)	3.3
Cash flow before debt service	**-5.7**

2. Other operating income

	2021	2020
Rental income	1.4	1.3
Gain on disposal of non-current assets	1.5	1.0
Exchange rate gains related to foreign exchange derivatives	0.6	0.8
Insurance compensation	-	0.0
Government grants	1.1	0.2
Other operating income	4.1	3.9
Other operating income	**8.7**	**7.2**

3. Materials and services

	2021	2020
Purchases during the financial period	-1,069.2	-1,051.4
Increase/decrease in inventories	-4,6	-18.4
Work performed for own use and capitalised	0,0	0.0
Materials and supplies	**-1,073.7**	**-1,069.7**
External services	-146.2	-145.8
Materials and services	**-1,219.9**	**-1,215.5**

4. Employee benefit expenses

	2021	2020
Salaries and fees	-258.4	-245.0
Share-based payments	-0.7	-1.2
Pension expenses, defined contribution plans	-29.3	-27.3
Pension expenses, defined benefit plans	-1.9	-1.9
Total pension expenses	-31.3	-29.3
Other social expenses	-43.1	-40.1
Employee benefit expenses	**-333.5**	**-315.6**
Key management personnel compensation:		
Short-term employee benefits	-3.6	-3.8
Post-employment benefits	-0.5	-0.5
Termination benefits	-0.2	-
Share-based payments	-0.2	-
Key management salaries, fees and benefits	**-4.5**	**-4.2**
Average number of employees during financial year (FTE)		
Clerical employees	1,170	1,139
Workers	5,722	5,602
Total	**6,892**	**6,741**

Members of Board of Directors:	Salaries and fees	Post-emplyment benefits
Reijo Kiskola, Chairman	0.118	-
Jari Mäkilä, Debuty Chairman	0.057	-
Per Olof Nyman	0.052	-
Harri Suutari	0.053	-
Terhi Tuomi	0.050	-
Anne Leskelä	0.057	-
Carl-Peter Thorwid	0.033	-
Ilkka Uusitalo	0.034	-
Total	**0.455**	**-**
CEO		
Tero Hemmillä	0.863	0.134

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 2018-2020

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.

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.

RSP 2018-2020

The potential share rewards under RSP 2018-2020 will be paid partly in the Company's A series shares and partly in cash in spring 2021. 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 2018 – 2020 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.

The plan is directed to approximately 11 people. The rewards to be paid on basis of the performance period are a maximum approximate total of 44 200 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 plan exceeds three times its start value, the exceeding value of the reward will be cut and will not be paid.

The cumulative ROCE was not positive and thus, there was no payout from RSP 2018–2020.

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 1322 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.

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. 2021

Instrument	PSP 2019-2021 (2 tranche)	RSP 2019-2021 (2 tranche)	PSP 2019-2021 (1tranche)	RSP 2019-2021 (1tranche)	PSP 2018-2020	RSP 2018-2020	TOT / WA
Initial amount, pcs	661,100	440,750	661,100	440,750	910,400	44,200	3,158,300
Initial allocation date	26.6.2019	26.6.2019	26.6.2019	26.6.2019	5.3.2018	5.3.2018	
Vesting date / payment approximately	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	31.3.2021	
Maximum contractual life, yrs	6.0	6.0	6.0	6.0	7.0	3.0	5.7
Remaining contractual life, yrs	4.4	4.4	4.4	4.4	4.4	0.0	4.4
Vesting conditions	Operative Cash flow, Employment precondition, in addition TSR and profitability for 2024-2025 payments	ROCE, Employment precondition, in addition TSR, profitability for 2024-2025 payments	Operative Cash flow, Employment precondition, in addition TSR and profitability for 2024-2025 payments	ROCE, Employment precondition, in addition TSR, profitability for 2024-2025 payments	2018: EBIT (50%), EPS (50%); 2019-2020 Operative Cash flow, TSR and profitability for 2024-2025 payments, Employment precondition	ROCE, Employment precondition	
Number of persons at the end of the reporting year	9	7	9	7	30	0	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2021	PSP 2019-2021 (2 tranche)	RSP 2019-2021 (2 tranche)	PSP 2019-2021 (1 tranche)	RSP 2019-2021 (1 tranche)	PSP 2018-2020	RSP 2018-2020	Total
1 Jan. 2021							
Outstanding at the beginning of the reporting period, pcs	649,950	433,300	649,950	433,300	690,339	39,200	2,896,039
Changes during the period							
Granted	108,500	0	108,500	0	0	0	217,000
Forfeited	100,735	67,135	100,735	67,135	63,950	0	399,690
Excercised	0	0	0	0	232,627	0	232,627
Expired	91,536	0	91,536	0	165,285	39,200	387,557
31 Dec. 2021							
Outstanding at the end of the period	566,179	366,165	566,179	366,165	228,477	0	2,093,165

Fair value determination

Based on IFRS2 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, euros	2.29
Share price at reporting period end, euros	1.66
Maturity, years	3.5
Expected dividends, euros	0.00
Risk-free interest rate %	-0.6 %
Expected volatility %, monthly observation over corresponding maturity	35.4 %
Fair value at grant, € / share	1.28

Effect of share-based incentives on the result and financial position during the period	
Expenses for the financial year, share-based payments, euros	706,961
Expenses for the financial year, share-based payments, equity-settled, euros	708,869
Liabilities arising from share-based payments 31 Dec. 2021, euros	87,729
Estimated amount of cash to be paid to the tax authorities under the plans which have not yet been delivered	1,412,838

5. Depreciation and impairment

	2021	2020
Depreciation according to plan	-50.1	-53.8
Depreciation expense of right-of-use assets	-13.0	-10.1
Impairment	2.9	7.2
Total	**-60.2**	**-56.7**

In 2021 a reversal of impairment loss amounting to EUR 3.0 million was recorded to Eura factory due to increased utilisation and improved outlook.

In 2019 an impairment loss amounting to EUR 6.9 million was recorded to Rauma factory slaughtering line that was planned to be replaced. In 2020 a reversal of impairment loss amounting to EUR 3.1 million was recorded as the plans have been specified.

In 2019 an impairment loss amounting to EUR 4.5 million was recorded to buildings in Denmark segment due to impairment testing. In 2020 a reversal of impairment loss amounting to EUR 4.1 million was recorded as result impairment testing reflecting improved profitability development.

6. Other operating expenses

	2021	2020
Rents/leases	-2.2	-1.7
Losses on disposal of non-current assets	0.0	-0.1
R&D costs	-6.6	-4.9
Non-statutory staff costs	-10.5	-10.7
Energy	-44.8	-38.8
Maintenance	-38.9	-39.6
Advertising, marketing and entertainment costs	-18.3	-13.7
Service, information management and office costs	-27.2	-28.0
Exchange rate losses related to foreign exchange derivatives	-0.5	-1.5
Other expenses	-43.7	-39.9
Total other operating expenses	**-192.5**	**-179.1**

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.

	2021	2020
Audit fees	-0.5	-0.5
Tax consultation	-0.1	0.0
Other fees	0.0	-0.1
Audit fees, total	**-0.6**	**-0.6**

Ernst & Young Oy was paid from non-audit services to entities of HKScan in total 97 thousand euros during the financial year 2021.

7. Financial income and expenses

Financial income	2021	2020
Dividend income	0.6	0.4
Interest income		
Interest income from loans and receivables	2.1	1.8
Other financial income	0.0	0.0
Total	**2.7**	**2.2**

Financial expenses		
Interest expenses		
Interest expenses from other liabilities at amortised cost	-7.9	-8.6
Interest expenses from interest derivatives	-2.4	-2.7
Interest expenses from lease liabilities	-4.2	-1.2
Other financial expenses		
Change in fair value of interest rate derivatives	2.5	2.2
Other financial expenses	-5.2	-2.9
Exchange gains and losses from loans and other receivables	-0.2	-0.1
Total	**-17.4**	**-13.2**
Total financial income and expenses	**-14.7**	**-11.0**

8. Income taxes

Income taxes	2021	2020
Income tax on ordinary operations	-3.8	-2.4
Tax for previous financial periods	0.0	0.0
Change in deferred tax liabilities and assets	-4.0	-5.1
Income tax on ordinary operations	**-7.8**	**-7.5**

Cumulative tax rate reconciliation		
Accounting profit/loss before taxes	6.6	12.3
Deferred tax at parent company's tax rate	-1.3	-2.5
Effect of different tax rates applied to foreign subsidiaries	-2.4	-0.3
Share of associates' results	0.7	0.4
Tax-exempt income	0.1	0.1
Non-deductible expenses	-0.1	-0.1
Unrecognised tax on the losses for the financial period	-4.8	-5.7
Tax for previous financial periods	0.0	0.0
Adjustments concerning previous financial periods	-	0.6
Tax expenses in the income statement	**-7.8**	**-7.5**

9. Earnings per share

	2021	2020
Profit for the period attributable to equity holders of the parent	-4.5	1.2
Hybrid loan calculational interest (after taxes)	-1.7	-1.7
Total	**-6.1**	**-0.5**
Weighted average number of outstanding shares in thousands	97,046	96,952
Weighted average number of outstanding shares adjusted for dilution effect	97,046	96,952
Undiluted earnings per share (EUR/share)	-0.06	-0.01
Earnings per share adjusted for dilution effect (EUR/share)	-0.06	-0.01

Notes to the balance sheet

10. Intangible assets

	2021	2020
Opening balance, cumulative acq cost	113.7	98.9
Translation differences	-1.3	2.4
Additions	1.5	5.4
Disposals	-0.9	-0.2
Reclassification between items	1.6	7.1
Closing balance, cumulative acq cost	114.7	113.7
Opening balance, cumulative depreciations	-37.5	-33.2
Translation differences	0.1	-0.2
Accumulated depreciation on disposals and reclassifications	0.2	0.1
Depreciation for the financial period	-4.6	-4.3
Closing balance, cumulative depreciations	-41.7	-37.5
Intangible assets on 31 December	**72.9**	**76.2**

The trademarks included in the Swedish business operations, carrying amount EUR 53.2 (54.4) million, are tested for impairment each year. The Group has estimated that their useful life is unlimited. These are well known trademarks with a long history, high business and profitability impact and it is expected to be so also in the future. An impairment test is made on the segment level and it covers all the segment's assets, see detailed description in note 11. Remaining balance includes IT-software, other trademarks and connection fees.

11. Goodwill

	2021	2020
Opening balance	71.8	70.7
Translation differences	-0.6	1.2
Additions	0.1	-
Disposals	0.0	-
Closing balance	**71.3**	**71.8**

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 four CGUs.

Specification of goodwill	2021	2020
Finland	19.8	19.8
Sweden	29.2	29.9
Denmark	-	-
Baltics	22.2	22.2
Total	**71.3**	**71.8**

In addition to goodwill, trademarks related to Swedish business operations, carrying amount EUR 53.2 (54.4) million, have unlimited useful life. These are tested for impairment each year.

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 Sweden, Finland, Denmark and the Baltics as the main cash generating units. Goodwill is monitored by the Management at CGU level.

In impairment testing all the CGU's assets are tested against the recoverable amounts in the future. The recoverable amounts of the CGUs' are based on value-in-use calculations. The cash flow estimates employed are based on management's financial plans. The cash flow for terminal period is extrapolated using a cautious growth factor (1.5 per cent in Baltics and others 0.5 per cent). The growth factors of the CGUs for the period following the forecast period do not exceed the long-term historical growth of the CGUs.

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The higher risk related in the Danish and Baltic operations are reflected in the discount factor of the CGU. In Denmark the share of exports is big and avian flu blocks exports outside EU. Potential future avian flu cases will have significant negative impact on the profitability of HKScan's Danish operations. Baltics have own primary production, so the profitability of the market is impacted by the price of import meat from Central Europe.
The anticipated impact of the Covid-19 and the animal diseases have been incorporated in the management's financial plans. The uncertainty related to the long-term impact of the pandemic, pork price sensitivity and animal diseases on the market has been incorporated in the discount rates. The interest rates used before taxes are 8.3 (9.0) per cent in Sweden, 6.9 (7.6) per cent in Finland, 9.0 (10.3) per cent in Denmark and 7.9 (7.3) per cent in the Baltic countries.

The sensitivity of each CGU to impairment is tested by varying the discount rate and future cash flow. Based on the sensitivity analyses conducted, an increase of 1 percentage point in WACC would result in impairment amounting to EUR 16 million in Finland, EUR 5 million in Denmark and EUR 12 million in the Baltics. If EBITDA in testing would be 10 % smaller, impairment loss amounting to EUR 30 million in Finland, EUR 13 million in Denmark and EUR 27 million in the Baltics would have to be booked. Following discount rate increases in percentage points would not cause any impairment, provided that other factors remained unchanged: Sweden 4.0, Finland 0.6, Denmark 0.0, the Baltics 0.2. Recoverable amounts in testing exceeded the assets values by EUR 36 million in Finland, EUR 0 million in Denmark and EUR 5 million in the Baltics.

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

	2020	2021	2022	terminal	terminal year
Sweden	28.7	32.2	36.3	36.3	2022->
Finland	35.4	38.5	39.8	39.8	2022->
Denmark	5.0	3.0	2.6	9.6	2025->
Baltics	12.8	7.0	10.8	19.9	2025->

As far as Management is aware, reasonable changes in assumptions used in respect of other factors do not necessitate impairment for the goodwill of Sweden or Finland. Sudden, and other than reasonably possible changes in the business environment of cash generating unit, may result in an increase in capital costs or in a situation where a cash generating unit is forced to assess clearly lower cash flows. Recognition of an impairment loss is possible in such situations.

No impairment has been booked based on impairment testing in 2021. In 2020 an impairment testing performed resulted in recognition of reversal of impairment amounting to EUR 4.1 million in Denmark. The reversal of impairment was done to buildings which had an impairment amounting to EUR 4.5 million recorded in the previous year.

12. Tangible assets

Tangible assets 2021	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	48.4	531.8	790.8	20.4	20.5	1,411,8
Translation differences	0.0	-1.6	-4.2	0.0	-0.3	-6.1
Additions	-	1.1	10.1	1.0	34.4	46.6
Disposals	-37.8	-104.9	-12.8	-2.1	0.0	-157.6
Impairment losses	-	-	-	-	-0.2	-0.2
Reclassification between items	-	0.7	27.3	0.4	-30.0	-1.6
Closing balance, cumulative acq cost	10.5	427.1	811.2	19.7	24.4	1,292.9
Opening balance, cumulative depreciations	0.0	-337.7	-630.7	-18.1	-	-986.5
Translation differences	-	1.4	3.1	0.0	-	4.6
Accumulated depreciation on disposals and reclassifications	-	67.3	12.7	1.5	-	81.5
Depreciation for the financial period	-	-11.7	-33.0	-0.8	-	-45.5
Impairment charge reversals	-	3.0	0.1	-	-	3.1
Closing balance, cumulative depreciations	0.0	-277.6	-647.8	-17.5	-	-942.8
Tangible assets on 31 Dec. 2021	**10.5**	**149.5**	**163.4**	**2.2**	**24.4**	**350.1**
Right-of-use assets (Note 13)	2.2	92.1	15.3	-	-	109.5
Tangible assets total on 31 Dec. 2021	**12.7**	**241.6**	**178.7**	**2.2**	**24.4**	**459.7**

Tangible assets 2020	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	529.9	764.2	20.3	19.6	1,344.5
Translation differences	0.1	2.4	7.3	0.0	0.5	10.3
Additions	37.8	1.3	4.4	0.9	33.7	78.1
Disposals	-0.1	-6.0	-6.9	-0.9	0.0	-13.9
Reclassification between items	0.1	4.2	21.7	0.1	-33.2	-7.1
Closing balance, cumulative acq cost	48.4	531.8	790.8	20.4	20.5	1,411.8
Opening balance, cumulative depreciations	0.0	-332.0	-600.4	-17.4	-	-949.8
Translation differences	-	-2.6	-5.7	0.0	-	-8.2
Accumulated depreciation on disposals and reclassifications	-	6.4	7.2	0.2	-	13.8
Depreciation for the financial period	-	-13.6	-35.0	-0.9	-	-49.5
Impairment charge reversals	-	4.1	3.1	-	-	7.2
Closing balance, cumulative depreciations	0.0	-337.7	-630.7	-18.1	-	-986.5
Tangible assets on 31 Dec. 2020	**48.4**	**194.1**	**160.1**	**2.3**	**20.5**	**425.3**
Right-of-use assets (Note 13)	2.2	15.6	15.6	-	-	33.3
Tangible assets total on 31 Dec. 2020	**50.5**	**209.7**	**175.6**	**2.3**	**20.5**	**458.7**

Other property, plant and equipment include EUR 0.9 (1.0) million biological assets. These are animals producing slaughter animals and they have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

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 -2.2 (-1.7) million has been recognised in other operating expenses from short term and items of low value leases.

In 2021 the increase in buildings and structures is due to Vantaa property sale and leaseback and opening of the new logistics center in Estonia. The disposal of land and water in 2020 was due to acquisition of Vantaa plot.

	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2021	2.2	15.6	15.6	33.3	35.6
Translation differences	-	-0.1	-0.1	-0.2	-0.2
Additions	0.1	84.1	5.3	89.4	89.3
Depreciation for the financial period	-0.1	-7.5	-5.4	-13.0	-
Reclassification between items	-	-	-	-	0.0
Payments	-	-	-	-	-11.3
Closing balance on 31 Dec. 2021	**2.2**	**92.1**	**15.3**	**109.5**	**113.4**

	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2020	10.0	18.7	15.7	44.3	46.3
Translation differences	-	0.2	0.1	0.3	0.3
Additions	0.3	2.0	4.9	7.2	7.2
Disposals	-7.7	-0.2	-	-8.0	-7.9
Depreciation for the financial period	-0.4	-4.6	-5.1	-10.1	-
Reclassification between items	-	-	-	-	0.0
Other changes	-	-0.4	0.0	-0.4	-
Payments	-	-	-	-	-10.3
Closing balance on 31 Dec. 2020	**2.2**	**15.6**	**15.6**	**33.3**	**35.6**

	2021	2020
Depreciation expense of right-of-use assets	-13.0	-10.1
Interest expense on lease liabilities	-4.2	-1.2
Total amounts recognised in profit or loss	**-17.2**	**-11.3**

Maturity of lease liabilities is disclosed in note 24 regarding interest bearing loans.

14. Shares in associates and joint ventures

	2021	2020
Opening balance	21.6	20.8
Translation differences	-0.2	0.1
Additions	2.6	0.0
Disposals, business disposals	-0.4	-0.6
Closing balance	23.7	20.3
Share of associates' and joint ventures' results	3.4	1.9
Dividend from associates and joint ventures	-0.7	-0.7
Shares in associates on 31 Dec.	**26.4**	**21.6**
Effect on the Group's earnings:		
Associates	0.2	0.9
Joint ventures	3.2	1.0
Total	**3.4**	**1.9**
Book value in the Group's balance sheet:		
Associates	12.0	9.9
Joint ventures	14.4	11.6
Total	**26.4**	**21.6**

Associated companies and joint ventures consolidated in the Group's financial statements are listed in note 27. The Group has no single material associated companies or joint ventures. 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.

15. Financial assets and liabilities

Financial instruments by category 2021

	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	-	5.7	-	-	-	5.7	-	-
Other shares and holdings	-	-	12.1	-	-	12.1	12.1	3
Trade and other receivables *	-	127.4	-	-	-	127.4	-	-
Derivative financial instruments	-	-	-	7.4	-	7.4	7.4	2
Cash and bank	-	27.2	-	-	-	27.2	-	-
Total	**0.0**	**160.3**	**12.1**	**7.4**	**0.0**	**179.8**	**-**	**-**

*) Trade and other receivables balance sheet amount of EUR 141.3 million euros includes derivative financial instruments amounting to EUR 5.7 million euros and prepayments and other items that are not financial instruments amounting to EUR 8.2 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	-	-	-	-	210.1	210.1	-	-
Non-current non-interest bearing liabilities	-	-	-	-	0.0	0.0	-	-
Current interest-bearing liabilities	-	-	-	-	131.8	131.8	-	-
Derivative financial instruments *	1.4	-	-	-	-	1.4	1.4	2
Trade and other payables *	-	-	-	-	246.1	246.1	-	-
Total	**1.4**	**0.0**	**0.0**	**0.0**	**588.0**	**589.4**	**-**	**-**

*) * Trade and other payables balance sheet amount of EUR 247.5 million euros includes derivative financial instruments amounting to EUR 1.3 million euros and advance payments that are not financial instruments amounting to EUR 0.2 million euros.

Financial instruments by category 2020

	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	-	3.2	-	-	-	3.2	-	-
Other shares and holdings	-	-	11.7	-	-	11.7	11.7	3.0
Trade and other receivables *	-	118.2	-	-	-	118.2	-	-
Derivative financial instruments	-	-	-	0.6	-	0.6	0.6	2
Cash and bank	-	37.5	-	-	-	37.5	-	-
Total	**0.0**	**158.9**	**11.7**	**0.6**	**0.0**	**171.2**	**-**	**-**

*) Trade and other receivables balance sheet amount of EUR 122.4 million euros includes derivative financial instruments amounting to EUR -0.1 million euros and prepayments and other items that are not financial instruments amounting to EUR 6.0 million euros.

Liabilities as per balance sheet								
Non-current interest-bearing liabilities	-	-	-	-	262.7	262.7	-	-
Non-current non-interest bearing liabilities	-	-	-	-	-0.1	-0.1	-	-
Current interest-bearing liabilities	-	-	-	-	50.6	50.6	-	-
Derivative financial instruments *	6.4	-	-	-	-	6.4	6.4	2
Trade and other payables *	-	-	-	-	224.8	224.8	-	-
Total	**6.4**	**0.0**	**0.0**	**0.0**	**538.0**	**544.4**	**-**	**-**

*) Trade and other payables balance sheet amount of EUR 226.8 million euros includes derivative financial instruments amounting to EUR 3.6 million euros and advance payments that are not financial instruments amounting to EUR 0.5 million euros.

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. Change in value between year is due to translation difference. 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 129.5 million bonds that have balance sheet value of EUR 128.6 million have market value of EUR 129.5 million at the end of 2021.

16. Deferred tax assets and liabilities

Specification of deferred tax assets

	1 Jan. 2021	Translation difference	Recognised in income statment	Recognised in equity	31 Dec. 2021
Pension benefits	8.6	-0.1	-0.1	-0.8	7.7
Other timing differences	1.9	0.0	-0.6	-	1.3
Postponed tax depreciations	9.9	-	-	-	9.9
Non-deductible interest expense	4.5	-	-	-	4.5
Adopted losses	15.8	-	-1.9	-	13.9
Arising from hedge accounting	0.1	0.0	-	-1.2	-1.0
Total	**40.9**	**-0.2**	**-2.6**	**-2.0**	**36.3**

Specification of deferred tax liabilities

	1 Jan. 2021	Translation difference	Recognised in income statment	Recognised in equity	31 Dec. 2021
Depreciation difference	5.1	-0.1	1.5	-	6.5
Other timing differences	1.1	0.0	-0.1	-	1.0
Arising from consolidation	12.8	-0.2	0.0	-	12.6
Total	**19.0**	**-0.3**	**1.4**	**-**	**20.1**

Specification of deferred tax assets

	1 Jan. 2020	Translation difference	Recognised in income statment	Recognised in equity	31 Dec. 2020
Pension benefits	8.3	0.3	0.0	0.1	8.6
Other timing differences	2.7	0.0	-0.9	-	1.9
Postponed tax depreciations	9.9	-	-	-	9.9
Non-deductible interest expense	4.5	-	-	-	4.5
Adopted losses	18.2	-	-2.4	-	15.8
Arising from hedge accounting	-0.2	0.0	-	0.3	0.1
Total	**43.4**	**0.3**	**-3.2**	**0.4**	**40.9**

Specification of deferred tax liabilities

	1 Jan. 2020	Translation difference	Recognised in income statment	Recognised in equity	31 Dec. 2020
Depreciation difference	3.0	0.1	2.0	-	5.1
Other timing differences	1.2	0.0	-0.1	-	1.1
Arising from consolidation	12.4	0.5	0.0	-	12.8
Total	**16.6**	**0.6**	**1.9**	**-**	**19.0**

Out of the total EUR 36.3 million, EUR 28.2 million of the deferred tax asset arise from adopted losses, postponed depreciations and non-deductible interest expenses in Group's operations in Finland. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma unit ramp up and are therefore temporary in nature.

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

Deferred tax assets are assumed to be used during current decade. Consideration is based on management's plans for the near future. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2026 and beyond. Covid-19 has only minor impact on the expected period of use. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and 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.

In 2021, the company was able to utilize some of the tax losses as a result of improved operational result and deferring tax depreciation. As a result, EUR 2.0 (2.3) million deferred tax asset was used and recognized as a tax expense in 2021. Unrecognized Finnish deferred tax asset at the end of 2021 was EUR 20.7 million. The losses in taxation in Finland expire with the following schedule: EUR 11.5 million in 2023, EUR 10.2 million in 2024, EUR 5.5 million in 2025, EUR 17.8 million in 2027, EUR 27.2 million in 2028, EUR 10.1 million in 2029 and EUR 1.6 million in 2031.

Deferred tax liability has not been recognized in respect of retained profits of subsidiaries, amounting to EUR 7.3 (19.3) million, as the assets have been used to safeguard the foreign companies' own investment needs.

On 31 December 2021, the Group had EUR 33.1 (31.5) million of unrecognized deferred tax asset.

17. Inventories

	2021	2020
Materials and supplies	72.2	59.8
Unfinished products	5.4	4.6
Finished products	46.0	47.5
Other inventories	0.4	0.5
Prepayments for inventories	1.0	1.5
Biological assets	6.0	5.2
Total inventories	**131.1**	**119.0**

Fair value hierarchy level of the biological assets is 2. There were no transfers between any levels during the year. Fair value of live animals is derived from the quoted market price for slaughtered animals by using historical yield. The change in the fair value of the biological assets amounted to EUR -0.4 (-2.0) million.

18. Trade and other current receivables

	2021	2020
Trade receivables from associates	1.6	0.8
Other receivables from associates	-	0.4
Current receivables from associates	1.6	1.1
Trade receivables	115.8	104.5
Loan receivables	0.2	0.0
Other receivables	8.1	9.2
Current receivables from others	124.0	113.7
Current derivative receivables	5.7	-0.1
Interest receivables	1.7	1.6
Other prepayments and accrued income	8.2	6.0
Current prepayments and accrued income	9.9	7.6
Trade and other receivables	141.3	122.4
Tax receivables (income taxes)	-	-
Total current receivables	**141.3**	**122.4**

Age breakdown of trade receivables and items recognised as impairment losses

	2021	Expected loss rate	Impairment losses	Net 2021
Unmatured	114.2	0.01% - 0.1%	-0.11	114.1
Matured:				
Under 30 days	3.2	0.01% - 0,1%	0.0	3.2
30-60 days	0.1	20% - 35%	0.0	0.1
61-90 days	0.0	35% - 50%	0.0	0.0
over 90 days*	0.4	50% - 100%	-0.3	0.0
Total	**117.9**		**-0.5**	**117.4**

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

	2020	Expected loss rate	Impairment losses	Net 2020
Unmatured	101.4	0.01% - 0.1%	-0.10	101. 3
Matured:				
Under 30 days	3.6	0.01% - 0.1%	0.0	3.6
30-60 days	0.2	20% - 35%	-0.1	0.2
61-90 days	0.0	35% - 50%	0.0	0.0
over 90 days*	0.6	50% - 100%	-0.4	0.2
Total	**105.9**		**-0.6**	**105.3**

* 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.

Covid-19 pandemic has not significantly impacted realised or expected credit losses.

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

	2021	2020
Opening loss allowance at 1 Jan.	0.6	1.0
Receivables written off during the year as uncollectible	0.0	-0.3
Increase in loss allowance recognised in profit or loss during the year	0.5	0.6
Unused amount reversed	-0.6	-0.7
Closing loss allowance at 31 Dec.	0.5	0.6

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:

	2021	2020
Cash and bank	27.2	46.8
Short-term money market investments	-	-
Other financial instruments	-	-
Total cash and cash equivalents	**27.2**	**46.8**

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

20. 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 milion)	Share premium reserve (EUR milion)	RIUE (EUR million)	Treasury shares (EUR million)	Total (EUR million)
1 Jan. 2020	96,952	66.8	72.9	215.4	-4.8	350.3
31 Dec. 2020	96,952	66.8	72.9	215.4	-4.8	350.3
1 Jan. 2021	96,952	66.8	72.9	215.4	-4.8	350.3
31 Dec. 2021	97,094	66.8	72.9	215.4	-4.8	350.3

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 recognised 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 an express decision to that effect.

Treasury shares

At the beginning of the financial year 2021, HKScan held 2,000,000 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 Group's share-based incentive plan 2018, payment of the rewards for the performance period 2018-2020. On 7 May 2021 a total of 141,936 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 8 April 2021. At the end of the financial year, the company held 1,858,064 A shares as treasury shares. At the end of the year, they had a market value of EUR 3.1 million and accounted for 1.88 per cent of all shares and 0.9 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 revaluation reserve includes EUR 0.6 million (EUR 0.6 million) other than hedging instrument related items. The following is an itemisation of events in the hedging instruments reserve during the financial period.

Hedging instruments reserve	2021	2020
Fair value reserve and hedging instruments reserve on 1 Jan.	-1.3	0.4
Amount recognised in equity in the financial period (effective portion), commodity derivatives	7.9	-1.9
Share of deferred tax asset of changes in period	-0.5	0.1
Fair value reserve and hedging instruments reserve on 31 Dec.	6.1	-1.3

Gains/losses reclassified from other comprehensive income to profit or loss amounted to EUR -0.9 (0.2) million from commodity derivatives.

Dividends

Dividend of EUR 0.03 (0.00) per share, totaling EUR 2.9 (0.0) million, was distributed in 2021. Since the reporting date, the Board of Directors has proposed that a dividend of EUR 0.04 per share, totalling EUR 3.9 million will be paid from financial year 2021.

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. 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. 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 0.6. The payment of interest is recorded from retained earnings.

21. Pension obligations

	2021	2020
Pension liability/receivable in balance sheet		
Defined benefit plans	37.4	42.2
Other long-term employee benefits	0.8	0.9
Pension liability (+)/receivable (-) in balance sheet	**38.1**	**43.1**

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. The company's pension commitment in respect of the defined benefit relating to the former CEO was EUR 2.3 million on 31 December 2021. The remaining pension liability relates to the Swedish pension programme. Through its defined benefit plans the Group is exposed to a number of risks such as changes in discount rate, salary increases, inflation and life expectancy. Expected contribution into the plans for 2022 is EUR 1.6 million.

The defined benefit plan in Sweden is the ITP2 plan and it is based on final salary. HKScan has a pension foundation in Sweden to secure obligations relating to retirement pensions for white-collar workers in accordance with the ITP2 plan. Only new white-collar employees born before, or in 1979 have the possibility to choose the ITP2 solution. Pension foundation has employer and employee representatives in the board. The plan assets are invested in various funds in accordance with a distribution that is determined by the foundation's Board of Directors. Swedish companies can secure new pension obligations through pension insurance, balance-sheet provisions or pension-fund contributions. A credit insurance policy must be taken out for the value of the obligations. Special pension tax is applicable for the pension plan in Sweden.

Summary of provision for post-employment benefits, defined benefit plans	**2021**	**2020**
Obligations	-102.9	-108.3
Fair value of plan assets	74.8	76.5
Special pension tax	-6.8	-7.7
Net provision for funded post-employment benefits	**-35.1**	**-39.7**
Provision for unfunded post-employment benefits	-2.3	-2.5
Total provision for post-employment benefits, defined benefit plans	**-37.4**	**-42.2**

Pension costs in the income statement	**2021**	**2020**
Current year service costs	-1.1	-1.0
Interest costs	-1.2	-1.6
Interest income	0.8	1.0
Early retirement pensions	-	0.0
Special pension tax	-0.3	-0.3
Pension costs for defined benefit plans	**-1.9**	**-1.9**
Pension costs for defined contribution plans	-29.3	-27.3
Total pension costs for the period	**-31.3**	**-29.3**

Pension costs in other comprehensive income	2021	2020
Changes in actuarial assumptions	3.0	-0.3
Special pension tax	0.7	-0.1
Income tax effect	-0.8	0.1
Total pension costs in other comprehensive income after taxes	**3.0**	**-0.3**

The following information is about the funded defined benefit plan the Group has in Sweden:

Obligations	2021	2020
Obligations opening balance	-108.3	-104.5
Current year service costs	-1.1	-1.0
Interest costs	-1.2	-1.6
Early retirements	-	0.0
Remeasurements:		
Effect of changes in financial assumptions	0.4	-3.0
Effect of experience adjustments	-0.5	0.7
Exchange rate translation	2.3	-4.3
Benefits paid	5.4	5.2
Obligations closing balance	**-102.9**	**-108.3**

Fair value of plan assets	2021	2020
Plan assets opening balance	76.5	74.3
Interest income	0.8	1.0
Remeasurements (experience adjustments)	3.1	2.0
Exchange rate translation	-1.6	3.1
Settlement paid	-3.9	-3.8
Plan assets closing balance	**74.8**	**76.5**

Assumptions applied for actuarial calculations, %	2021	2020
Discount rate	1.65	1.00
Expected salary increase	2.45	1.80
Inflation	2.15	1.5
Personnel turnover rate	4	4
Life expentancy	DUS 14	DUS 14

Plan assets by category %	2021	2020
Interest funds	66	69
Equity instrument funds	27	24
Property funds	7	7

Sensitivity analysis 2021, effect on obligation (+decrease/-increase), EUR million	Change	Used value	Change
Discount rate	-0.50%	1.65%	0.50%
	-7.7	-102.9	6.8
Salary increase	-0.50%	2.45%	0.50%
	0.9	-102.9	-1.1
Inflation	-0.50%	1.50%	0.50%
	6.1	-102.9	-6.8
Life expectancy	-1 year	DUS 14	1 year
	4.7	-102.9	-4.8

Average duration of the obligation is 14 years.

22. Provisions

	1 Jan. 2021	Translation difference	Increase in provisions	Exercised in financial period(-)	Reversals of provisions	31 Dec. 2021
Non-current provisions	5.2	-	-	0.0	-0.1	5.2
Current provisions	3.5	0.0	-	-3.4	-	0.1
Total	**8.7**	**0.0**	**0.0**	**-3.5**	**-0.1**	**5.2**

	1 Jan. 2020	Translation difference	Increase in provisions	Exercised in financial period(-)	Reversals of provisions	31 Dec. 2020
Non-current provisions	6.2	-	-	-0.1	-0.9	5.2
Current provisions	1.7	-	3.3	-1.5	-	3.5
Total	**7.9**	**0,0**	**3.3**	**-1.6**	**-0.9**	**8.7**

In 2020 a current provision amounting to EUR 3.3 million has been recorded due to decision by the Danish tax authorities, according to which the company should repay past refunds of energy taxes. 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 appealed the decision issued to it. The recorded amount has been paid to the authorities in 2021.
In 2017 a 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 is based on an estimate. Provision has been capitalized as part of the building's value and it is depreciated during the lot rental agreement.

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.

23. Liabilities

	2021	2020
Non-current liabilities		
Interest-bearing		
Bond	89.2	124.2
Bank loans	12.5	90.6
Pension loans	4.3	6.4
Non-current lease liabilities	102.5	26.4
Other liabilities	1.6	1.6
Non-current interest-bearing liabilities	**210.1**	**249.2**
Non-interest-bearing		
Other liabilities	0.0	0.0
Derivatives	0.1	1.8
Non-current non-interest-bearing liabilities	**0.2**	**1.8**
Non-current provisions	5.2	5.2
Deferred tax liability	20.1	19.0
Pension obligations	38.1	43.1
Non-current liabilities	**273.6**	**318.3**
Current interest-bearing liabilities		
Bond	39.3	-
Commercial paper	75.2	71.6
Pension loans	2.1	2.1
Bank loans	3.6	13.6
Current lease liabilities	10.9	9.2
Other liabilities	0.6	0.6
Current interest-bearing liabilities	**131.8**	**97.2**

	2021	2020
Trade and other payables		
Advances received	0.2	0.5
Trade payables	140.5	117.6
Refund liabilities	6.8	7.4
Accruals and deferred income		
Short-term interest payable	2.0	2.0
Matched staff costs	60.3	61.0
Other short-term accruals and deferred income	27.2	25.5
Derivatives	1.3	3.6
Other liabilities	9.4	9.2
Trade and other payables	**247.5**	**226.8**
Income tax liability	2.2	1.0
Current provisions	0.1	3.5
Current liabilities	**381.6**	**328.4**
Liabilities	**655.2**	**646.8**

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

	31 Dec. 2021	31 Dec. 2020
Under 6 months	-91.4	-184.4
6–12 months	-39.5	-0.2
1–5 years	-95.7	-126.2
Over 5 years	-1.9	-
Total	**-228.5**	**-310.8**

Interest-bearing net debt reconciliation

	2021	2020
Cash and cash equivalents	27.2	46.8
Liquid investments	0.2	0.0
Lease liabilities due within 1 year	-10.9	-9.2
Lease liabilities due after 1 year	-102.5	-26.4
Borrowings due within one year (including overdraft)	-120.9	-87.9
Borrowings due after one year	-107.6	-222.8
Interest-bearing net debt	**-314.5**	**-299.6**

	Other assets		Liabilities from financing activities				
	Cash / bank overdraft	Liquid investments	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. 2020	37.5	0.0	-9.8	-36.5	-40.8	-226,3	-275.8
Cash flows	9.3	-	10.3	-	-47.1	3,4	-24.2
Acquisitions - leases	-	-	-2.5	-4.7	-	-	-7.2
Disposals - leases	-	-	1.2	6.7	-	-	7.9
Other changes - leases	-	-	-0.2	0.2	-	-	0.0
Reclassification between items - leases	-	-	-8.1	8.1	-	-	0.0
Foreign exchange adjustments	-	-	-0.1	-0.2	-	-	-0.3
Interest-bearing net debt on 31 Dec. 2020	**46.8**	**0.0**	**-9.2**	**-26.4**	**-87.9**	**-222.8**	**-299.6**
Cash flows	-19.5	0.2	11.3	-	-76.0	158.3	74.2
Acquisitions - leases	-	-	-3.4	-85.9	-	-	-89.3
Reclassification between items - leases	-	-	-9.7	9.7	-	-	0.0
Reclassification between items - borrowings	-	-	-	-	43.1	-43.1	-
Foreign exchange adjustments	-	-	0.1	0.2	-	-	0.2
Interest-bearing net debt on 31 Dec. 2021	**27.2**	**0.2**	**-10.9**	**-102.5**	**-120.9**	**-107.6**	**-314.5**

24. 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, Denmark and the Baltic countries. 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.

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

Net investments

	2021	2020
Currency	Exposure	Exposure
SEK	93.9	87.8
PLN	9.8	6.9
DKK	6.4	-5.1

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. The reported amounts are translated into euros at the exchange rates of the reporting date:

	2021				2020			
	USD	NZD	SEK	JPY	USD	NZD	SEK	JPY
Net position before hedging	1.9	2.6	26.3	0.1	0.9	5,6	16.8	0.6
Hedging of balance sheet items	-1.0	-1.4	-23.9	-0.1	-0.1	-3,6	-14.0	-0.3
Hedging of commited items	-0.4	-0.9	-2.2	0.0	-0.3	-2,3	-1.5	-0.4
Open position	0.4	0.4	0.3	0.0	0.5	-0,2	1.3	-0.1

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.

	2021				2020			
	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	0.0	0.0	0.0	0.0	0.0	0.0	0.1	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 19 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 -0.8 (-0.8) million for interest increase and approximately EUR -1.0 (-1.3) 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.

Comodity 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, Denmark and Estonia 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. Acquired electricity derivatives' nominal value is 451 GWh and 197 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 254 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	2021	2020
Electricity – effect in income statement	+/- 0.4	+/- 0.2
Electricity – effect in equity (price + 10%)	-4.8	1.2
Electricity – effect in equity (price - 10%)	-5.8	0.4

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 -0.5 (-0.6) 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.

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 good in 2021. Committed credit facilities on 31 December 2021 stood at EUR 100.0 (100.0) million and had been drawn to the amount of EUR 0.0 (10.0) million. In addition, the Group had other undrawn overdraft and other facilities of EUR 17.4 (17.5) 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 75.5 (72.0) million. Similar to previous year, cash and cash equivalents were above the normal level amounting EUR 27.2 (46.8) million.

The average rate of interest for outstanding loans (including commitment fees) paid by the Group was 3.7 (3.0) per cent at the balance sheet date.

The company's current bank loan agreements are subject to the net gearing ratio financial covenant 125%. Financiers are provided with quarterly reports on the observance of the financial loan covenant. Outstanding unsecured bonds maturing in September 2022 and March 2025 have the net gearing ratio covenant level of 130%. If the Group is in breach of the covenant, the creditor may demand accelerated loan repayment. Management monitors the fulfillment of the loan covenant on a regular basis. Breaches of covenants could result in a default of an essential part of loans. Due to successful share issue and improved financial result risks for breaching loan agreement covenants have significantly reduced.

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

2021

Credit type	Size	In use	Available
Overdraft facility	17.4	0.0	17.4
Committed credit limit	100.0	0.0	100.0
Total	**117.4**	**0.0**	**117.4**

2020

Credit type	Size	In use	Available
Overdraft facility	17.5	0.0	17.5
Committed credit limit	100.0	10.0	90.0
Total	**117.5**	**10.0**	**107.5**

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 December 2021
Maturity of financial liabilities

			Cashflows					
Credit type	**Balance sheet 31 Dec. 2021**	**Cashflows sum**	**2022**	**2023**	**2024**	**2025**	**2026**	**>2026**
Bond	128.6	145.4	45.1	4.5	4.5	91.3	-	-
Bank loans	16.3	16.7	3.8	3.7	3.7	3.7	1.8	-
Pension loans	6.4	6.5	2.2	2.2	2.2	-	-	-
Commercial paper programme	75.2	75.2	75.2	-	-	-	-	-
Lease liabilities	113.4	159.8	15.6	13.6	12.0	11.0	10.3	97.3
Other borrowing	2.0	2.3	0.5	0.2	0.3	0.4	0.4	0.4
Trade and other payables	245.8	245.8	245.8	-	-	-	-	-
Total	**587.7**	**651.6**	**388.0**	**24.2**	**22.7**	**106.4**	**12.5**	**97.7**

31 December 2020
Maturity of financial liabilities

			Cashflows					
Credit type	**Balance sheet 31 Dec. 2020**	**Cashflows sum**	**2021**	**2022**	**2023**	**2024**	**2025**	**>2025**
Bond	124,2	130,8	3.3	127.5	-	-	-	-
Bank loans	104,2	108,9	16.3	79.7	3.7	3.7	3.7	1.8
Pension loans	8,6	8,7	2.2	2.2	2.2	2.2	-	-
Commercial paper programme	71,6	72,0	72.0	-	-	-	-	-
Lease liabilities	35,6	40,8	9.9	8.6	5.6	3.6	2.5	10.6
Other borrowing	2,2	2,4	0.6	0.5	0.4	0.4	0.4	-
Trade and other payables	222,7	222,7	222.7	-	-	-	-	-
Total	**569,1**	**586,3**	**327.1**	**218.4**	**12.0**	**9.9**	**6.6**	**12.4**

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.

	2021	2021	2021	2020	2021	2020
	Positive fair value	**Negative fair value**	**Fair value net**	**Fair value net**	**Nominal value**	**Nominal value**
Interest rate derivatives	**-**	**-1.1**	**-1.1**	**-3.5**	**74.1**	**99.9**
matured in 2021	-	-	-	-0.9	-	25.0
matures in 2022	-	-0.5	-0.5	-1.4	44.5	44.9
matures in 2023	-	-0.6	-0.6	-1.3	29.6	29.9
matuers in 2024	-	-	-	-	-	-
matures in 2025	-	-	-	-	-	-
matures in >2025	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-	-	-	-	-
Foreign exhange derivatives	0.4	-0.2	0.2	-0.3	72.7	59.2
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	7.0	-	7.0	-1.5	13.0	13.4
matured in 2021	-	-	-	-1.0	-	5.8
matures in 2022	5.3	-	5.3	-0.6	5.7	4.6
matures in 2023	1.3	-	1.3	0.0	5.0	2.4
matuers in 2024	0.3	-	0.3	0.0	1.7	0.7
matures in 2025	0.0	-	0.0	-	0.6	-
of which defined as cash flow hedging instruments	7.0	-	7.0	-1.5	13.0	13.4

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 7.3 (-1.7) 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.

On the balance sheet date the equity ratio is 33.5 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 95.2 per cent.

Net gearing ratio

	2021	2020
Interest-bearing liabilities	341.9	346.4
Interest-bearing short-term receivables	0.0	0.0
Cash and bank	27.2	46.8
Interest-bearing net liabilities	314.5	299.6
Equity	330.5	329.1
Net gearing ratio	95.2%	91.0%

25. 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.

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. 2021	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading securities	-	-	-	-
Trading derivatives				
Interest rate swaps	-	-	-	-
Foreign exchange derivatives	0.4	-	0.4	-
Commodity derivatives	7.0	-	7.0	-
of which subject to cash flow hedging	7.0	-	7.0	-
Total	**7.4**	**0.0**	**7.4**	**0.0**
Liabilities measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading derivatives				
Interest rate swaps	-1.1	-	-1.1	-
Foreign exchange derivatives	-0.2	-	-0.2	-
Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	**-1.3**	**0.0**	**-1.3**	**0.0**

	31 Dec. 2020	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading securities	-	-	-	-
Trading derivatives				
Interest rate swaps	-	-	-	-
Foreign exchange derivatives	0.2	-	0.2	-
Commodity derivatives	0.3	-	0.3	-
of which subject to cash flow hedging	0.3	-	0.3	-
Total	**0.5**	**0.0**	**0.5**	**0.0**
Liabilities measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading derivatives				
Interest rate swaps	-3.5	-	-3.5	-
Foreign exchange derivatives	-0.6	-	-0.6	-
Commodity derivatives	-1.8	-	-1.8	-
of which subject to cash flow hedging	-1.8	-	-1.8	-
Total	**-5.9**	**0.0**	**-5.9**	**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.

26. Conditional assets and liabilities and purchase commitments

Commitments and contingent liabilities	2021	2020
Loans secured by mortgages	-	84.3
On own behalf		
Mortgages given	-	37.7
Assets pledged	-	-
On behalf of others		
Guarantees	4.6	6.2
Other commitments	1.7	1.9
Leasing commitments		
Leasing commitments maturing in less than a year	0.2	0.2
Leasing commitments maturing in 1–5 years	0.0	0.0
Leasing commitments maturing in over 5 years	0.0	0.0
Total	**6.5**	**46.0**

In 2020 a current provision amounting to EUR 3.3 million has been recorded due to decision by the Danish tax authorities, according to which the company should repay past refunds of energy taxes. 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 appealed the decision issued to it.

27. 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 900 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.

In April 2020 the Group acquired from LSO Osuuskunta a lot of land in Vantaa housing the Group's factory and logistics centre. The purchase price of the land including taxes was EUR 37.7 million. The purchase price corresponds to the offer LSO received from a third party. Lot lease amounting to EUR 0.0 (0.4) million has been paid by the Group to LSO. In addition, the Group charged from LSO EUR 40 (60) thousand from office services. Service agreement between the parties have been changed so that starting from year 2022 LSO will charge HKScan from primary production related services. There is EUR 5 million revolving credit facility to both directions between the parties. Related to this the Group had receivable amounting to EUR 4.2 (4.2) million at year end. The Group received interest income for the balance EUR 21 (20) thousand during the year. Starting from year 2022 the agreed interest is 3,85 per cent. 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 18.0 (17.1) million. Said persons purchased animals from the Group with EUR 4.3 (4.4) 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 2021, 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
AS HKScan Estonia, Estonia	100.00	100.00
UAB HKScan Lietuva, Lithuania	100.00	100.00
AS HKScan Latvia, Latvia	99.87	99.87
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
Owned by AS HKScan Estonia		
Rakvere Farmid AS, Estonia	100.00	100.00
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
Samfod S.A., Belgium**	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 the Group's parent company		
Nordic Lotus Food Co. Ltd, China*	17.50	17.50
HKScan Finland Oy:n omistamat		
Länsi-Kalkkuna Oy, Suomi*	50.00	50.00
Pakastamo Oy, Suomi	50.00	50.00
Honkajoki Oy, Suomi*	50.00	50.00
Finnpig Oy, Suomi	50.00	50.00
Oy LHP Bio-Carbon LTD, Suomi	24.24	24.24
DanHatch Finland Oy, Suomi	10.00	10.00
Mäkitalon Maistuvat Oy, Suomi	24.90	24.90
Owned by HKScan Sweden AB		
Industrislakt Syd AB, Sweden	50.00	50.00
AB Tillväxt for svensk animalieproduktion, Sweden	20.00	20.00
Svenska Köttforetagen Holding AB, Sweden	23.52	23.52
Scandinavian Aquasystems AB, Sweden	11.15	11.15
Owned by HKScan Denmark A/S		
Tican-Rose GmbH, Germany	50.00	50.00
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

	2021	2020
Sales to associates	9.8	9.6
Sales of animals to related parties	4.3	4.4
Purchases from associates	37.0	34.0
Purchases of animals from related parties	18.0	17.1

Open balances on 31 Dec.	2021	2020
Trade and other receivables from associates	1.7	1.2
Trade and other payables to associates	3.4	2.6

28. Events after the reporting date

HKScan to start Finnish poultry meat exports to South Korea

On 21 January 2022, HKScan announced that its Rauma unit had received an export approval for Finnish poultry meat from the South Korean authorities.
Exports of poultry meat from Finland to South Korea will start as soon as possible. The export licence for poultry meat is an important step for HKScan's exports, as the Rauma unit has invested in growth in recent years, also with a view to exports. The volume of exports is estimated at 3-5 million kilos for the first years.
Products exported to South Korea will be chicken legs, wings and feet. Finnish poultry meat is responsibly produced and antibiotic-free. In addition, the animal disease situation is excellent in Finland and animal welfare and environmental efficiency of production are taken into account at all stages.

HKScan plans to streamline its operating model

On 3 February 2022, HKScan announced that the company is planning to streamline the operating model between the Group functions and Business Units. In the future, HKScan's Group functions are planned to focus more closely on the Group's key strategic development projects and leadership as well as activities that ensure good corporate governance of a listed company. Operational business will be more clearly focused on the Business Units.

Plans to streamline the operating model of HKScan's Group functions and the Business Unit Finland will be discussed in Finland in statutory negotiations, which may lead to an estimated 20 job reductions or changes in the employment contracts. The statutory negotiations do not concern blue-collar workers or HKScan's businesses in Sweden, the Baltics, Denmark and Poland. The aim is to complete the negotiations during March 2022.

Parent company income statement for 1 Jan. - 31 Dec.

(EUR)

	Liite	2021	2020
Other operating income	1.	29,424,742.14	28,979,452.28
Employee costs	2.	-11,139,125.77	-10,822,872.45
Depreciation and impairment	3.	-325,039.00	-397,166.09
Other operating expenses	4.	-19,104,130.50	-20,413,654.89
EBIT		**-1,143,553.13**	**-2,654,241.15**
Financial income and expenses	5.	-4,346,565.79	19,676,704.78
Profit/loss before appropriations and taxes		**-5,490,118.92**	**17,022,463.63**
Appropriations	6.	18,722.00	19,665.00
Income taxes	7.	-361,181.26	-822,253.50
Profit/loss for the period		**-5,832,578.18**	**16,219,875.13**

Parent company balance sheet 31 Dec.

(EUR)

	Liite	2021	2020
ASSETS			
Intangible assets	8.	466,692.00	650,566.00
Tangible assets	8.	1,233,757.74	969,897.46
Financial assets	8.	448,271,241.04	448,658,619.90
Non-current assets		**449,971,690.78**	**450,279,083.36**
Non-current receivables	9.	248,390,369.90	325,526,971.96
Deferred tax asset	9.	10,114,272.44	10,453,904.71
Current receivables	10.	12,962,247.56	11,850,152.01
Cash and cash equivalents		20 834 197.21	43,082,372.19
Current assets		**292,301,087.11**	**390,913,400.87**
Assets		**742,272,777.89**	**841,192,484.23**
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.	-4,762,908.54	-4,762,908.54
RIUE	11.	215,386,544.79	215,121,053.79
Other reserves	11.	4,931,656.91	4,899,963.05
Retained earnings	11.	77,024,252.60	63,712,930.90
Profit/loss for the period	11.	-5,832,578.18	16,219,875.13
Equity		**426,987,858.88**	**435,431,805.63**

Accumulated appropriations	12.	38,291.00	57,013.00
Provisions	13.	2,298,129.00	2,492,263.00
Non-current interest-bearing liabilities	14.	132,864,674.05	248,364,378.97
Non-current non-interest-bearing liabilities	14.	2,530,694.76	2,974,318.49
Current interest-bearing liabilities	15.	166,800,554.71	138,669,118.49
Current non-interest-bearing liabilities	15.	10,752,575.49	13,203,586.65
Liabilities		**312,948,499.01**	**403,211,402.60**
Equity and liabilities		**742,272,777.89**	**841,192,484.23**

Parent company cash flow statement

(EUR 1000)

	2021	2020
EBIT	-1,144	-2,654
Adjustments to EBIT	0	-71
Depreciation and impairment	325	397
Change in provisions	-194	-152
Change in net working capital	-445	-457
Interest income and expenses	-240	3,455
Dividends received	9,875	14,203
Taxes	-22	-30
Cash flow from operating activities	**8,156**	**14,692**
Purchases of shares and holdings	-104	-48
Purchase of other fixed assets	-1,743	-1,555
Disposals of other fixed assets	1,338	5,621
Repayments of loans receivable	61,375	-50,051
Cash flow from investing activities	**60,866**	**-46,033**
Cash flow before financing activities	**69,022**	**-31,341**
Proceed from external borrowings	92,800	46,700
Repayment of external borrowings	-181,141	-4,896
Dividends paid	-2,929	-
Cash flow from financing activities	**-91,270**	**41,804**
Change in cash and cash equivalents	**-22,248**	**10,463**
Cash and cash equivalents on 1 Jan.	43,082	32,619
Cash and cash equivalents on 31 Dec.	**20,834**	**43,082**

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 2021.

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

Foreign currency denominated transactions are recognised at the exchange rates valid on the transaction date. 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 1000)

1. Other operating income, total

	2021	2020
Other operating income	29,425	28,979
Other operating income, total	**29,425**	**28,979**

2. Staff costs

	2021	2020
Salaries and fees	-9,150	-9,230
Pension expenses	-1,516	-1,194
Other social expenses	-473	-399
Staff costs	**-11,139**	**-10,823**
Managing directors and their deputies	863	967
Members of the Board of Directors	455	438
Management salaries, fees and benefits	**1,318**	**1,405**
Employees, average	90	84

3. Depreciation and impairment

	2021	2020
Depreciation according to plan on non-current assets and goodwill	-325	-397
Total depreciation and impairment	**-325**	**-397**

4. Other operating expenses

	2021	2020
Rents/leases	-1,207	-1,174
Losses on disposal of fixed assets, tangible assets total	-69	-
Losses on disposal of non-current assets	**-69**	**0**
Audit fees, ordinary audit	-104	-90
Audit fees, other expert services	-76	-1
Audit fees	**-180**	**-91**
Non-statutory staff costs	-1,070	-1,121
Energy	-114	-85
Maintenance	-67	-41
Advertising, marketing and entertainment costs	-481	-73
Service, information management and office costs	-14,071	-14,811
Other expenses	-1,845	-3,018
Total other operating expenses	**-19,104**	**-20,414**

5. Financial income and expenses

	2021	2020
Financial income		
Dividends from Group companies	9,875	14,203
Income from units	**9,875**	**14,203**
Interest income from Group companies	14,127	17,354
Interest income from others	103	17
Interest income	**14,230**	**17,371**
Other financial income from others	2,881	4,865
Other financial income	**2,881**	**4,865**
Total financial income	**26,986**	**36,439**
Financial expenses		
Interest expenses payable to Group companies	-134	-106
Interest expenses payable to others	-10,357	-11,465
Total other interest and financial expenses	**-10,491**	**-11,571**
Unrealised losses on fair value assessment	**1,570**	**1,602**
Other financial expense from Group companies	-15,000	-
Other financial expense from others	-7,412	-6,793
Other financial expense	**-22,412**	**-6,793**
Total financial expenses	**-31,333**	**-16,762**
Financial income and expenses, total	**-4,347**	**19,677**

Other financial expense from Group companies amounting to EUR 15 million in year 2021 is debt forgiveness to Danish subsidiary to strengthen subsidiary's balance sheet.

6. Appropriations

	2021	2020
Increase (-) or decrease (+) in depreciation difference	19	20
Total appropriations	**19**	**20**

7. Direct taxes

	2021	2020
Change in deferred tax liabilities and assets	-340	-792
Other direct taxes	-21	-30
Income tax on ordinary operations	**-361**	**-822**

Notes to the parent company's balance sheet

(EUR 1000)

8. Non-current assets

Intangible assets 2021	Intellectual property rights	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	3,890	661	4,551
Increase	113	-	113
Acquisition cost on 31 Dec.	**4,003**	**661**	**4,664**
Accumulated depreciation on 1 Jan.	-3,239	-661	-3,900
Depreciation for the financial period	-297	-	-297
Accumulated depreciation on 31 Dec.	**-3,536**	**-661**	**-4,197**
Carrying amount on 31 Dec.	**467**	**0**	**467**

Intangible assets 2020	Intellectual property rights	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	3,881	661	4,542
Transfers between items	9	-	9
Acquisition cost on 31 Dec.	**3,890**	**661**	**4,551**
Accumulated depreciation on 1 Jan	-2 909	-620	-3 529
Depreciation for the financial period	-330	-41	-371
Accumulated depreciation on 31 Dec.	**-3,239**	**-661**	**-3,900**
Carrying amount on 31 Dec.	**651**	**0**	**651**

Tangible assets 2021	Machinery and equipment	Other tagible assets	Pre-payments	Total
Tangible assets 2021	1,173	413	884	2 470
Acquisition cost on 1 Jan.	-	14	277	291
Increase	-11	-	-	-11
Decrease	**1,162**	**427**	**1,161**	**2,750**
Acquisition cost on 31 Dec.				
	-1,128	-371	0	-1,499
Accumulated depreciation on 1 Jan.	11	-	-	11
Accumulated depreciation on disposals	-22	-6	-	-28
Depreciation for the financial period	**-1,139**	**-377**	**0**	**-1,516**
Accumulated depreciation on 31 Dec.	**23**	**50**	**1,161**	**1,234**
Carrying amount on 31 Dec.				

Tangible assets 2020	Machinery and equipment	Other tagible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	1,166	381	5,005	6,552
Increase	-	-	1,554	1,554
Decrease	-7	-	-5,621	-5 628
Transfers between items	14	32	-54	-8
Acquisition cost on 31 Dec.	**1,173**	**413**	**884**	**2,470**
Accumulated depreciation on 1 Jan.	-1,113	-367	0	-1,480
Accumulated depreciation on disposals	7	-	-	7
Depreciation for the financial period	-22	-4	-	-26
Accumulated depreciation on 31 Dec.	**-1,128**	**-371**	**0**	**-1,499**
Carrying amount on 31 Dec.	**45**	**42**	**884**	**971**

Financial assets 2021	Holdings in Group companies	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	447,644	950	0	64	448,658
Increase	-	-	-	88	88
Decrease	-	-475	-	-	-475
Carrying amount on 31 Dec.	**447,644**	**475**	**0**	**152**	**448,271**

Financial assets 2020	Holdings in Group companies	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	447,709	950	0	16	448,675
Increase	-	-	-	48	48
Decrease	-65	-	-	-	-65
Carrying amount on 31 Dec.	**447,644**	**950**	**0**	**64**	**448,658**

There is in China a joint venture company Nordic Lotus Co. Ltd owned by parent company. That company's equity was EUR 0.2 million in 2021 and profit/loss for the period was EUR -1.8 million. Ownership is 17.5 per cent.

Intangible assets	2021	2020
Intellectual property rights	467	651
Intangible assets	**467**	**651**
Tangible assets		
Machinery and equipment	23	45
Other tangible assets	50	41
Payments on account and tangible assets in the course of construction	1,161	884
Tangible assets	**1,234**	**970**
Financial assets		
Holdings in Group companies	447,644	447,645
Holdings in associates	475	950
Other shares and holdings	152	64
Financial assets	448,271	448,659
Total non-current assets	**449,972**	**450,280**

9. Non-current receivables

	2021	2020
Non-current loan receivables	421	457
Non-current Group loan receivables	247,970	325,070
Total	**248,391**	**325,527**
Deferred tax assets	10,114	10,454

On 31 December 2021, the company had EUR 14.0 (12.4) million of losses, of which no deferred tax receivable has been recognized. The losses in taxation expire with the following schedule: EUR 11.5 million in 2023, EUR 5.0 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

	2021	2020
Trade receivables	1	4
Short-term receivables (from others)	-	4
Short-term prepayments from accrued income (from others)	2,987	2,367
Total	**2,988**	**2,375**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	144	312
Loan receivables	9,595	8,710
Other receivables	235	453
Total	**9,974**	**9,475**
Total current receivables	**12,962**	**11,850**
MAIN ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Accrued financial items	423	218
Accrued interest receivables	1,391	1,274
Accrued staff costs	16	14
Other prepayments and accrued income	1,157	861
Total	**2,987**	**2,367**

11. Equity

Equity in 2021	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	215,121	4,899	79,934	435,432
Increase	-	-	-	-	266	32	-	298
Dividend distribution	-	-	-	-	-	-	-2,909	-2,909
Profit for the period	-	-	-	-	-	-	-5,833	-5,833
Equity on 31 Dec.	**66,820**	**73,420**	**-4,762**	**0**	**215,387**	**4,931**	**71,192**	**426,988**

Equity in 2020	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	215,121	4,899	63,714	419,212
Profit for the period	-	-	-	-	-	-	16,220	16,220
Equity on 31 Dec.	**66,820**	**73,420**	**-4762**	**0**	**215,121**	**4,899**	**79,934**	**435,432**

Distributable equity	2021	2020
Contingency reserve	653	621
Treasury shares	-4,763	-4,763
Reserve for invested unrestricted equity	215,387	215,121
Retained earnings	77,024	63,713
Profit/loss for the period	-5,833	16,220
Distributable equity	**282,468**	**290,912**

12. Accumulated appropriations

	2021	2020
Depreciation difference	38	57
Total appropriations	**38**	**57**

The unrecognised deferred tax liability on depreciation difference is EUR 49,000.

13. Statutory provisions

	2021	2020
Provisions for pensions	2,298	2,492
Statutory provisions, total	**2,298**	**2,492**

14. Non-current liabilities

	2021	2020
Hybrid loan	25,920	25,920
Bond	90,000	125,440
Loans from financial institutions	16,944	97,005
Other liabilities	2,531	2,974
Total	**135,395**	**251,339**
Total non-current liabilities	**135,395**	**251,339**
Interest-bearing		
Amounts owed to others	132,865	248,365
Non-current interest-bearing liabilities	**132,864**	**248,365**
Non-interest-bearing		
Amounts owed to others	2,531	2,974
Non-current non-interest-bearing liabilities	**2,531**	**2,974**
Total non-current liabilities	**135,395**	**251,339**

The company has EUR 39.5 million bond maturing in September 2022 with 2.625 percent coupon interest. 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.

15. Current liabilities

	2021	2020
Bond	39,516	-
Loans from financial institutions	80,927	87,387
Trade payables	2,284	2,827
Accruals and deferred income	5,511	7,800
Other liabilities	2,638	2,503
Total	**130,876**	**100,517**
Amounts owed to group companies		
Trade payables	72	32
Accruals and deferred income	248	42
Other liabilities	46,358	51,282
Total	**46,678**	**51,356**
Total current liabilities	**177,554**	**151,873**
Interest-bearing		
Current amounts owed to Group companies	46,358	51,282
Amounts owed to others	120,443	87,387
Current interest-bearing liabilities	**166,801**	**138,669**
Non-interest-bearing		
Current amounts owed to Group companies	320	74
Amounts owed to others	10,433	13,130
Current non-interest-bearing liabilities	**10,753**	**13,204**
Total current liabilities	**177,554**	**151,873**

	2021	2020
Main items (non-current and current) included in accruals and deferred income		
Accrued staff costs	1,902	2,186
Accrued interest expenses	2,497	2,503
Accrued changes in value of derivatives	908	2,201
Other accruals and deferred income	204	910
Total	**5,511**	**7,800**
Liabilities due in five years or more		
Loans from financial institutions	-	1,808
Liabilities due in more than five years	**0**	**1,808**

16. Commitments and contingent liabilities

Commitments and contingent liabilities	2021	2020
Debts secured by mortgages and shares		
Loans from financial institutions	-	84,300
Total	**0**	**84,300**
Security for debts of subsidiaries and other group companies		
Guarantees	2,958	3,028
Total	**2,958**	**3,028**
Security for debts of others		
Guarantees	1,102	1,303
Total	**1,102**	**1,303**
Leasing and rental commitments		
Maturing in less than a year	1,224	1,098
Maturing in 1–5 years	4,268	3,865
Maturing in more than five years	-	949
Total	**5,492**	**5,912**
Total other contingencies	**5,492**	**5,912**

17. Derivative instruments

	2021	2021	2021	2020	2021	2020
	Positive fair value	Negative fair value	Fair value net	Fair value net	Nominal value	Nominal value
Interest rate derivatives	424	-1,101	-678	-2,220	39,634	64,949
matured in 2021	-	-	-	-850	-	25,000
matures in 2022	45	-456	-411	-850	25,000	25,000
matures in 2023	379	-646	-267	-520	14,634	14,949
matures in 2024	-	-	-	-	-	-
matures in 2025	-	-	-	-	-	-
matures in >2025	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-	-	-	-	-
Foreign exhange derivatives	429	-389	40	42	56,788	40,484
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	6,985	-6,985	-	-	-	-
matured in 2021	-	-	-	-	-	-
matures in 2022	5,302	-5,302	-	-	-	-
matures in 2023	1,304	-1,304	-	-	-	-
matures in 2024	331	-331	-	-	-	-
matures in 2025	48	-48	-	-	-	-
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 15,932 (18,756) thousand foreign exchange derivatives, EUR 13,023 (13,379) thousand commodity derivatives, EUR 34,512 (34,932) thousand interest rate derivatives.

Fair value hierarchy

	31 Dec. 2021	Level 1	Level 2	Level 3
Derivatives, positive fair value				
Interest rate swaps	424	-	424	-
Foreign exchange derivatives	429	-	429	-
Commodity derivatives	6,985	-	6,985	-
Total	**7,837**	**-**	**7,837**	**-**
Derivatives, negative fair value				
Interest rate swaps	-1,101	-	-1,101	-
Foreign exchange derivatives	-389	-	-389	-
Commodity derivatives	-6,985	-	-6,985	-
Total	**-8,475**	**-**	**-8,475**	**-**

	31 Dec. 2020	Level 1	Level 2	Level 3
Derivatives, negative fair value				
Interest rate swaps	1,322	-	1,322	-
Foreign exchange derivatives	625	-	625	-
Commodity derivatives	1,614	-	1,614	-
Total	**3,561**	**-**	**3,561**	**-**
Derivatives, negative fair value				
Interest rate swaps	-3,543	-	-3,543	-
Foreign exchange derivatives	-583	-	-583	-
Commodity derivatives	-1,614	-	-1,614	-
Total	**-5,739**	**-**	**-5,739**	**-**

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 observablefor 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, 9 February 2022

Reijo Kiskola
Chairman of the Board, CEO

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 Leskelä
Member of the Board

Tero Hemmilä
CEO

Auditor's note

A report on the audit carried out has been submitted today.
Vantaa, 9 February 2022

Ernst & Young Oy
Authorized Public Accountants

Erkka Talvinko
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 2021. 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 a summary of significant accounting policies, 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 International Financial Reporting Standards (IFRS) 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 8 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.

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 *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 604 M€ representing 61% of the total assets and 183% 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
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.
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 131 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. The valuation of finished and semi-finished goods is based on cost accounting imposing estimates.	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 International Financial Reporting Standards (IFRS) 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 four 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, 9.2.2022

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