Interim Report Q3 2022

HKScan's Interim Report 1 January - 30 September 2022

HKScan's net sales growth continued, but profitability weakened by sharply higher energy prices

July-September 2022

- HKScan's net sales increased by 16.6 per cent to EUR 520.8 (446.8) million. Increased costs due to high inflation were increasingly passed on to sales prices. Net sales increased in all sales channels and in all HKScan's home markets. Especially food service sales showed a clear increase.
- The Group's EBIT totalled EUR 2.7 (7.6) million.
- The Group's comparable EBIT was EUR 3.8 (7.7) million. The company clearly improved the balance between high cost inflation and sales prices, but the sharp rise in energy and logistics costs in the review period had a significant negative impact on comparable EBIT.
- Cash flow from operating activities was EUR -6.2 (-15.6) million.

January-September 2022

- HKScan's net sales increased by 10.6 per cent to EUR 1,463.7 (1,323.6) million.
- The Group's EBIT totalled EUR -20.5 (10.2) million. The goodwill write-down carried out in the second quarter in the Baltics amounted to EUR -15.6 million. In Finland, EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability.
- The Group's comparable EBIT was EUR -3.2 (7.2) million. Due to a structural delay in pricing, HKScan's sales price increases and operational efficiency improvements did not fully compensate for the strong cost inflation of the early part of the year, but the situation balanced out gradually towards the summer. During the third quarter, the sharp rise in energy and logistics costs were the main drivers of the deviations in the Group's comparable EBIT.
- Cash flow from operating activities was EUR -18.2 (12.5) million. In addition to EBIT below the comparison period, cash flow was weakened by a strong increase in working capital and especially in inventory value, mainly due to cost inflation.
- Interest-bearing net debt was EUR 362.5 (333.3) million and net gearing 114.8 (102.5) per cent.

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

Outlook for 2022

The Board of Directors of HKScan Corporation decided to lower the company's financial guidance for 2022 on 29 September 2022.

The updated guidance for 2022

HKScan's comparable EBIT is expected to decrease from the comparison year, but remain positive. It has been decided to lower the financial guidance due to the significantly changed situation on the energy market. The uncertainty in the energy market affects all of HKScan's home markets and will impact the Group's EBIT despite hedging measures.

The previous guidance for 2022 published on 10 February 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.

Key figures, net sales

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	520.8	446.8	1 463.7	1 323.6	1 815.3
Finland	221.8	188.9	617.9	562.5	772.3
Sweden	186.9	170.8	536.3	503.6	700.4
Denmark	59.2	44.0	166.0	131.6	172.7
Baltics	52.9	43.2	143.6	125.8	170.0

Key figures, EBIT

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
EBIT	2.7	7.6	-20.5*	10.2	17.9
- % of net sales	0.5	1.7	-1.4	0.8	1.0
Comparable EBIT	3.8	7.7	-3.2	7.2	14.5
- % of net sales	0.7	1.7	-0.2	0.5	0.8
Comparable EBIT, Finland	1.9	3.1	2.1	3.3	8.5
- % of net sales	0.8	1.6	0.3	0.6	1.1
Comparable EBIT, Sweden	7.2	6.9	12.3	14.2	22.9
- % of net sales	3.9	4.1	2.3	2.8	3.3
Comparable EBIT, Denmark	0.2	0.1	0.9	-1.0	0.0
- % of net sales	0.3	0.2	0.6	-0.8	0.0
Comparable EBIT, Baltics	-4.0	-0.9	-11.1	-0.7	-5.1
- % of net sales	-7.5	-2.1	-7.7	-0.5	-3.0

Key figures, other

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
EBITDA	17.3	23.5	39.0	54.5	78.1
Profit before taxes	0.8	5.4	-24.7	1.5	6.6
- % of net sales	0.1	1.2	-1.7	0.1	0.4
Profit for the period	-0.9	3.6	-27.9	-2.1	-1.2
- % of net sales	-0.2	0.8	-1.9	-0.2	-0.1
EPS, EUR	-0.02	0.03	-0.32	-0.06	-0.06
Comparable EPS, EUR	-0.01	0.03	-0.14	-0.09	-0.10
Cash flow from operating activities	-6.2	-15.6	-18.2	12.5	54.6
Cash flow after investing activities	-12.1	-23.9	-35.5	59.9**	81.2**
Return on capital employed (ROCE) before taxes, %			-0.5	5.1	3.6
Interest-bearing net debt			362.5	333.3	314.5
Net gearing, %			114.8	102.5	95.2

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

HKScan's interim CEO Juha Ruohola

HKScan's third quarter was twofold in the operating environment characterised by exceptionally high cost inflation. On the positive side, the company's net sales increased by more than 16 per cent due to sales price increases, an improved sales mix and sales volume growth. Despite the growth, the company's comparable EBIT was clearly below the comparison period mainly due to the historically strong rise in energy prices. The negative impact of the exceptionally high third-quarter increase in energy and logistics costs on the company's EBIT could not be offset by sales price increases and cost savings during the period.

Due to high inflation and a sharp rise in production costs caused by the unstable geopolitical situation in Europe, HKScan's operational focus is now on short-term measures to improve profitability. We are doing everything possible to minimise the negative impacts on the company's performance and to ensure the targeted profit improvement. During the coming winter, we will focus on the overall cost management, increasing productivity in our production, commercial activities and on passing on still strong cost increases to sales prices.

We covered sharply increased costs by raising sales prices in all our home markets. Sales price increases have been unavoidable due to sharp increases in meat raw material prices and production costs. Food service sales showed a clear increase in value and volume. Retail sales decreased slightly in volume, but increased clearly in value. HKScan was able to respond well to the change in consumer behaviour, as the company also has a strong position in basic foods with its familiar consumer brands.

The third quarter was twofold for our business units as well. Sweden and Denmark continued their strong performance and improved their comparable EBIT. In Finland, the comparable EBIT was positive, but the sharp rise in energy prices exceeded all forecasts and weakened the EBIT. In the Baltics, the loss deepened from the comparison period, driven mainly by a strong increase in energy and feed prices. In the Baltics, retail sales volume in our own branded products was at the comparison period's level despite the clear increase in sales prices and very high inflation.

The unstable geopolitical situation is strengthening demand for domestic raw materials and familiar products. Food prices will continue to rise, affecting both retail selections and consumer demand. Particularly the industry and retail sector will be required to react quickly to cost changes. This will support continuity in the production and availability of food based on domestic raw materials.

The effective use of the potential of our core business and the development of a sustainable, local food chain are crucial to HKScan's success. Profit improvement in these economically challenging times and in a rapidly changing operating environment requires commitment, competence and drive from us all at HKScan - and I am sure we have it.

Key events in July-September 2022

Tero Hemmilä left his position as HKScan's CEO, Juha Ruohola started as interim CEO

The Board of Directors of HKScan Corporation and CEO Tero Hemmilä jointly agreed that Hemmilä will leave his position as HKScan's CEO on 29 September 2022. HKScan's Board of Directors appointed Juha Ruohola as interim CEO of the company as of 29 September 2022. As a member of the Group Executive Team, Juha Ruohola has been responsible for the Business Unit Baltics, the Polish business, the Group's meat balance and for exports and imports.

Reijo Kiskola, Chairman of HKScan's Board of Directors, in the stock exchange release on 29 September 2022:
"At HKScan, urgent measures are needed to improve the profitability of the core business and to strengthen the balance sheet in a rapidly changing operating environment. In the longer term, the strategic change from a meat company into a versatile food company opens up new opportunities for growth."

Energy saving programme launched and preparing for exceptional situations continues

Uncertainty and significant price volatility in the energy market concern all HKScan's home markets. HKScan continues to prepare for possible exceptional situations and secures the energy supply to its production units by increasing the flexibility of its energy solutions. In August, a Group-wide energy saving programme was launched, which has led to clear improvements in energy efficiency. By analysing energy consumption data for each production unit and equipment, numerous measures have been identified to reduce energy consumption. HKScan is also implementing investments to improve energy efficiency during the autumn and winter.

Via Kasvimaa products renewing the offering of fresh vegetable products

After the review period, Kasviskonttori Oy, a joint venture founded by HKScan and Vihannes-Laitila in April 2022, launched Via Kasvimaa products in Finland in early October. These are ready-to-use and ready-to-cook vegetable products that renew the offering of fresh vegetable products and add value to vegetables. Via Kasvimaa products meet growing consumer demand and on top of that, the use of vegetables as part of a varied diet becomes easier. Via Kasvimaa products made from fresh, trusted raw materials complement HKScan's product portfolio consisting of a wide variety of meat products, snacks and meals. The new products are made at HKScan's production unit in Eura.

HKScan improving profitability of its Finnish poultry business

HKScan's statutory negotiations in the Rauma and Eura production units of its Finnish poultry business ended in July. The measures are aimed at improving the profitability, competitiveness and cost-efficiency of the poultry business by increasing production efficiency, reorganising operations and renewing ways of working. As a result of the statutory negotiations, 55 jobs will be reduced at HKScan's Rauma unit and substantial changes in the terms of employment will affect over 100 jobs. The changes aim at annual savings of more than EUR 3 million for 2023.

HKScan's development investment in Forssa improving competitiveness and cost-efficiency

HKScan will carry out an investment of more than EUR 5 million in the meat packing and shipping departments of its Forssa production unit in Finland to improve the unit's cost-efficiency and competitiveness. The statutory negotiations conducted during the review period were concluded with an agreement between the parties. A total of 23 jobs will be reduced at the Forssa unit and changes in employment will affect nearly 100 jobs. The investment will include reorganisation of operations, personnel adjustments and renewal of ways of working. With the investment and related development activities, HKScan aims to achieve total annual savings of more than EUR 2 million, which are expected to realise after completion of the investment in 2024 at the latest.

Strategy

HKScan's long-term strategic target is to grow into a versatile food company. In the current exceptional and rapidly changing operating environment, the company is focusing on improving the profitability of its core business and strengthening its financial base. Versatile and responsibly produced meat products are HKScan's core business.

HKScan needs a stronger balance sheet to complete a more significant food company transformation as the company builds new food businesses and ways to face market changes. To increase financial flexibility, the position of each business within the Group is continuously assessed. Within its financial resources to promote its strategy, HKScan is looking for new growth and pursuing new business opportunities.

The key drivers of value creation in HKScan's business are growth in the core business by increasing the added value of products and strengthening the value creation capabilities of the company's own brands. The aim is also to grow in meals and snacks and in new food businesses. Strengthening in growing and in new sales channels is central. Increasing productivity in all business processes is an important driver of value creation. Building responsibility as a value-creating basis for business plays a key role in creating differentiating value in the market.

Food that does good

HKScan improved its results in independent annual ESG ratings (Environment, Social, Governance). In the ISS (Institutional Shareholder Services) ESG assessment published in July, HKScan ranked in the top 20 per cent of international food companies. In September, Sustainalytics rated HKScan in the top 8 per cent of nearly 600 international food companies in terms of responsibility risk management. Among packaged food producers, HKScan was ranked in the top 4 per cent in the same assessment.

<u>Zero Carbon</u>

HKScan Group continues its determined Zero Carbon climate work with a goal of a carbon-neutral food chain by the end of 2040. HKScan is committed to setting climate goals in line with the SBT (Science Based Targets) initiative. In the summer, the company reported on its climate impact for the first time to CDP, a global non-profit organisation dedicated to assessing the environmental performance of companies. The information gathered by CDP is used by many of HKScan's stakeholders, primarily investors and customers.

HKScan extended the use of its farm climate impact monitoring Zero Carbon tool from Finnish poultry farms to pig farms. Using the tool, HKScan obtains information on the climate impact of its contract farmers and allows farms to target their climate actions on the most impactful issues. The Zero Carbon tool enables the monitoring of the effectiveness of measures and the reduction of emissions.

<u>Safety First</u>

HKScan makes goal-oriented work towards zero accidents at work through its Safety First programme, with a particular focus on promoting a proactive safety culture. In January-September, the emphasis was on increasing safety awareness and observation. Personnel made 85 per cent more safety observations than in the comparison period, leading to safer practices, processes and working environment. At the same time, the accident frequency rate fell by some 30 per cent from the comparison period.

Group net sales and EBIT

July-September

Net sales

HKScan's net sales increased by 16.6 per cent to EUR 520.8 (446.8) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 7.8 million. Strong cost inflation continued during the review period, and the rise in raw material and own production costs were gradually passed on to sales prices, which clearly increased net sales.

Food service sales continued to show clear growth in both value and volume but at a slower pace than at the beginning of the year. Sales of meal components grew particularly well in the food service channel. Retail sales grew considerably as sales prices increased. HKScan's retail sales volumes increased in Denmark and were at the comparison period's level in Sweden and the Baltics. In Finland, retail sales volumes were below the comparison period.

EBIT

HKScan's EBIT was EUR 2.7 (7.6) million. Comparable EBIT was EUR 3.8 (7.7) million. The negative impact of the exchange rate change of the Swedish krona on EBIT was EUR 0.3 million.

An item affecting comparability of EUR -1.0 million was recorded in the review period. The comparison period's EBIT included an item of EUR -0.1 million affecting comparability. Items affecting comparability are described in more detail in the Tables section of this report.

Cost inflation remained high in all of HKScan's home markets during the review period. The company gradually increased the sales prices of its products to cover the increased costs of meat producers and its own production. During the review period, the costs of energy, particularly electricity, and logistics rose sharply, which had a negative impact on the company's EBIT.

Sweden and Denmark improved their comparable EBIT. In Finland, the comparable EBIT was positive, but below the comparison period. Comparable EBIT in the Baltics decreased from the comparison period and was clearly negative.

January-September

Net sales

HKScan's net sales increased by 10.6 per cent to EUR 1,463.7 (1,323.6) million. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 19.6 million. Sales volumes increased slightly and particularly volumes of food service sales increased clearly. Gradual increases in sales prices contributed to the increase in net sales.

EBIT

HKScan's EBIT was EUR -20.5 (10.2) million. Comparable EBIT was EUR -3.2 (7.2) million. The negative impact of the exchange rate change of the Swedish krona on EBIT was EUR 0.5 million.

Items affecting comparability in the review period amounted to EUR -17.3 million. The goodwill write-down in the Baltics amounted to EUR -15.6 million in the second quarter. EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability. Items affecting comparability are described in more detail in the Tables section of this report.

The main reasons for the EBIT decline were the sharp rise in energy costs in July-September, the significant increase in the prices of other inputs and the proactive producer price increases to secure the availability of meat raw material. HKScan's costs increased significantly and exceptionally rapidly, and the sales price increases implemented were not sufficient.

In the Finnish poultry business, the depreciation period for machinery and equipment at the Rauma production unit has been extended from ten years to fifteen years due to re-evaluation of economic lifetime from the beginning of 2022. This has a positive annual impact of some EUR 3 million on the performance of the poultry business.

Balance sheet, cash flow and financing

At the end of September, HKScan's balance sheet total was EUR 1,003.7 (953.7) million. The Group's interest-bearing debt at the end of September was EUR 368.8 (342.8) million including IFRS 16 lease liability EUR 107.7 (114.1) million. The company's net debt increased by EUR 29.2 million to EUR 362.5 (333.3) million from the comparison period. HKScan's net gearing ratio was 114.9 (102.5) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 34.1 percentage points.

At the end of September 2022, the company had, in its balance sheet, a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The coupon interest of the hybrid bond is fixed at 8 per cent per annum until the first redemption date. The hybrid bond is treated as equity. The hybrid bond does not have a specified maturity date, but HKScan is entitled to redeem the hybrid bond for the first time on the fifth anniversary of the issue date in 2023, and subsequently, on each annual coupon interest payment date.

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

The Group's liquidity position is satisfactory. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 21.5 (74.0) million. Committed credit facilities at the end of September 2022 stood at EUR 100.0 (100.0) million and had been drawn to the amount of EUR 90.0 (0.0) million. After the review period, in early October, the company agreed on an increase of EUR 45.0 million in credit facilities.

Net financial expenses were EUR -4.2 (-3.2) million in July-September and EUR -10.3 (-11.5) million in January-September.

Cash flow from operating activities in July-September was EUR -6.2 (-15.6) million as working capital commitments were EUR 14.9 million lower than in the comparison period. Cash flow from operating activities in January-September was EUR -18.2 (12.5) million. The change was mainly due to the strong increase in working capital in the first quarter. Cash flow after investments in July-September improved to EUR -12.1 (-23.9) million, but was still negative. In January-September, cash flow after investments was EUR -35.5 (59.9) million. Cash flow after investments for January-September in the comparison period was exceptional as it included the sale of the Vantaa property for EUR 76.1 million.

Disputes and pending legal proceedings

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

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

Investments

HKScan's investments totalled EUR 7.3 (8.4) million in July-September. Investments for January-September were EUR 21.7 (29.7) million. IFRS 16 increases to right-of-use assets totalled EUR 1.4 (8.4) million in July-September and EUR 4.1 (86.8) million in January-September. The comparison period's January-September investments include the lease agreement for the Vantaa production unit and the extended lease agreement for the logistics centre in Sweden. In addition, the comparison period's July-September investments include the new logistics centre in the Baltics.

HKScan's most significant investments completed during the review period were related to improving production efficiency in Sweden. In Linköping, the level of production automation in the handling of finished product packaging was increased. In Skara, the level of automation was also increased and the operating environment for product packaging was improved. In Finland, a strategic investment in the multifunctional snack products line was taken into operation. During the review period, progress was also made in the planning and implementation of investments related to the exceptional energy situation in all the home markets.

Operating environment

Changes in consumer behaviour

In July-September, retail sales saw a slight decline in volume whereas food service sales increased. Inflation weakened consumer purchasing power, which was reflected in consumer behaviour. In retail, a shift was seen within product categories from higher value-added products to more affordable products. There was also a shift between product categories. At the same time, sales of meals, meal components and snacks continued to grow. There were significant differences between markets and consumption was polarised even within markets. The importance of promotions and campaigns was highlighted in all the home markets.

Changes in the international meat market

Rising energy prices widely affect the entire value chain in Europe. Demand for poultry meat in Europe continued to grow and is expected to do so despite the rise in consumer prices. Beef consumption is expected to decrease by one per cent, which further increases demand for poultry products. However, higher beef prices are not expected to increase beef production in EU countries as input costs for production, such as energy, feed and fertilisers, remain high.

In the EU, pork production is on the decline and is expected to fall by almost five per cent this year. Pork exports from the EU have fallen by a quarter from last year especially as China increases its self-suffiency. Pork prices are expected to remain high, but profitability of production remains weak due to high input prices.

Export

Exports of consumer products continued on a good growth path during the review period. The opening of the food service market increases demand for meat in HKScan's export markets. In a challenging global logistics chain, HKScan has been able to secure its shipments to export customers in local and long-distance markets, but export freight costs are high.

Business Unit Finland

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	221.8	188.9	617.9	562.5	772.3
EBIT	1.9	3.1	1.8	6.3	12.1
- EBIT margin, %	0.8	1.6	0.3	1.1	1.6
Comparable EBIT	1.9	3.1	2.1	3.3	8.5
- EBIT margin, %	0.8	1.6	0.3	0.6	1.1

July-September

In Finland, net sales totalled EUR 221.8 (188.9) million. Net sales increased largely due to price increases following cost increases. Food service sales continued to grow, with the strongest growth in strategically important meal components. Retail sales volumes were below the comparison period.

EBIT was EUR 1.9 (3.1) million. Comparable EBIT was EUR 1.9 (3.1) million. During the review period, the cost of electricity in particular rose exceptionally sharply, which weakened the comparable EBIT despite hedging measures for the price of exchange electricity, as the regional price difference and the price difference between night and daytime electricity increased significantly. Exceptionally high inflation could be gradually passed on to sales prices during the review period.

HKScan continued to grow in meals and snacks in line with its strategy and expanded into new raw materials. After the review period, Kasviskonttori Oy launched Via Kasvimaa products at the beginning of October, renewing the offering of fresh vegetables and increasing their added value. In September, HKScan launched Via Pizzas produced on a new multifunctional snack line at the production unit in Eura.

HKScan's goal is to clearly improve the cost efficiency and competitiveness of production. During the review period, HKScan conducted statutory negotiations in the Rauma and Eura production units of its Finnish poultry business and in the Forssa unit of its meat business. In Forssa, a significant production development investment will be carried out. The measures are aimed at achieving a clear improvement in profitability.

January-September

In Finland, net sales increased to EUR 617.9 (562.5) million due to prices increases. Sales in meals increased and meal components showed strong sales growth. Sales volumes were slightly up from the comparison period level. Volumes clearly increased in food service sales and decreased in retail.

EBIT was EUR 1.8 (6.3) million. Comparable EBIT was EUR 2.1 (3.3) million. The review period's EBIT included a negative item of EUR 0.2 million affecting comparability. EBIT for the comparison period included a positive item of EUR 3.0 million affecting comparability.

Sales pricing could not yet respond to the strong cost inflation during the first quarter. The situation was corrected in the second and third quarters, but the exceptionally sharp rise in electricity price in July-September decreased EBIT.

In April, HKScan and Vihannes-Laitila founded a joint venture, Kasviskonttori Oy, specialising in fresh vegetable products. The joint venture is a natural part of HKScan's strategy to expand into new raw materials and product categories.

In January, HKScan's Rauma unit received an export approval for Finnish poultry products from the South Korean authorities. South Korea has become an important export country for HKScan's poultry products.

Business Unit Sweden

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	186.9	170.8	536.3	503.6	700.4
EBIT	7.2	6.9	12.3	14.2	22.6
- EBIT margin, %	3.9	4.1	2.3	2.8	3.2
Comparable EBIT	7.2	6.9	12.3	14.2	22.9
- EBIT margin, %	3.9	4.1	2.3	2.8	3.3

July-September

In Sweden, net sales increased to EUR 186.9 (170.8) million. Sweden's net sales clearly increased at comparable exchange rates. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 7.8 million. Exceptionally high cost inflation could be passed on to sales prices. Recovery in food service sales increased net sales.

HKScan maintained its market position and sales volumes were at the comparison period level. In addition to food service sales growth, retail sales of products sold under the Scan brand were at the comparison period level. Domestic meat continued to be highly valued.

EBIT improved to EUR 7.2 (6.9) million. There were no items affecting comparability during the review period and comparison period. The effect of the exchange rate change on EBIT was EUR -0.3 million. In the review period, the effects of strong cost inflation could be balanced by an increase in sales prices. Production efficiency improvements progressed as planned.

HKScan's plant-based Scan products, launched in the spring, have quickly gained a good foothold in the market. Plant-based alternatives to the popular Scan classics respond to the growing consumer demand for local plant-based food.

HKScan increased its cattle procurement in northern Sweden by deepening cooperation with a local partner. The cooperation will secure HKScan's long-term animal sourcing in northern Sweden.

HKScan deepened its cooperation with a local retail customer with the aim of developing consumer demand for Swedish pork and pork products. The long-term and high-volume cooperation also includes responsibility initiatives related to nature and the farming community.

January-September

Net sales increased to EUR 536.3 (503.6) million. Exceptionally high cost inflation could be gradually passed on to sales prices. Sweden's net sales clearly increased at comparable exchange rates. The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 19.6 million. Food service sales continued to show clear growth.

EBIT was EUR 12.3 (14.2) million. There were no items affecting comparability during the review period and comparison period. The effect of the exchange rate change on EBIT was EUR -0.5 million. In the early part of the year, sales pricing could not yet respond to the strong cost inflation, but the situation was corrected during the second and third quarters.

HKScan's collaboration with Scandinavian Aquasystems AB on Gårdsfisk fish products expanded. The sale of Gårdsfisk products transferred to HKScan in March.

Business Unit Denmark

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	59.2	44.0	166.0	131.6	172.7
EBIT	0.2	0.1	0.9	-1.0	0.0
- EBIT margin, %	0.3	0.2	0.6	-0.8	0.0
Comparable EBIT	0.2	0.1	0.9	-1.0	0.0
- EBIT margin, %	0.3	0.2	0.6	-0.8	0.0

July-September

In Denmark, net sales totalled EUR 59.2 (44.0) million. In Denmark, demand for poultry products remained strong, sales volumes increased clearly and retail sales of the Rose brand increased. Sales for Danish poultry products in the Swedish retail continued to grow strongly. Food service sales to Sweden grew clearly and increased in Denmark. Sales prices were increased during the review period to cover cost inflation.

Denmark's EBIT was EUR 0.2 (0.1) million. There were no items affecting comparability during the review period and comparison period. The improved EBIT was driven by the continued strong progress of the strategy and improved operational efficiency. Sales growth in poultry products with higher added value continued.

The Rose brand, well-known in Denmark for its high-quality, responsible poultry products, celebrated its 70th anniversary in September. HKScan is executing its strategy and increases the sales of value-added fresh and ready-to-eat products.

HKScan was nominated for the Best Employee Culture Award by a local business forum. HKScan was shortlisted for its successful safety work, its appreciation of diversity and its inclusive employee culture. The winner of the award will be announced in November.

January-September

Net sales increased by over EUR 34 million to EUR 166.0 (131.6) million. Demand increased in all channels, with food service sales in particular showing a clear increase. Sales of Danish poultry products also increased clearly in Sweden.

EBIT improved by EUR 1.9 million to EUR 0.9 (-1.0) million. There were no items affecting comparability during the review period and comparison period. The impact of exceptionally high cost inflation could be passed on to sales prices. The positive EBIT development is also due to strategic focus on sales channel choices and increasing added value through improved sales mix and to determined efforts to improve production efficiency.

The geopolitical situation highlights the importance of local supply chains. As a reliable European producer of poultry products, HKScan sees new opportunities in the current operating environment as demand for poultry products continues to grow.

Business Unit Baltics

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	52.9	43.2	143.6	125.8	170.0
EBIT excluding biological asset revaluation	-3.6	-0.2	-27.9	-0.9	-5.0
Biological asset revaluation	-0.4	-1.0	1.3	0.0	-0.4
EBIT	-4.0	-1.1	-26.6	-0.9	-5.4
- EBIT margin, %	-7.5	-2.6	-18.6	-0.7	-3.2
Comparable EBIT excluding biological asset revaluation	-3.6	0.1	-12.3	-0.7	-4.8
Biological asset revaluation	-0.4	-1.0	1.3	0.0	-0.4
Comparable EBIT	-4.0	-0.9	-11.1	-0.7	-5.1
- EBIT margin, %	-7.5	-2.1	-7.7	-0.5	-3.0

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

July-September

In the Baltics, net sales for the review period totalled EUR 52.9 (43.2) million. Exceptionally high cost inflation could be partly passed on to sales prices. The volume of retail sales slightly increased. Volumes of food service sales increased, but growth levelled off from the early part of the year. Despite strong sales price increases and weakening consumer purchasing power, HKScan's market position remained strong. This was supported by the renewal of the product portfolio.

EBIT excluding the change in the fair value of biological assets totalled EUR -3.6 (-0.2) million. Comparable EBIT excluding the change in the fair value of biological assets totalled EUR -3.6 (0.1) million. The change in the fair value of biological assets in the balance sheet was EUR -0.4 (-1.0) million. Cost inflation in the Baltics remained remarkably high. Energy and feed costs in particular increased significantly from the comparison period and had a major impact on the decline in the comparable EBIT.

HKScan finalised and announced the Tallegg brand renewal in October. The new colourful packaging makes it easier for consumers to choose locally produced poultry products.

January-September

Net sales totalled EUR 143.6 (125.8) million. Net sales were boosted by both volume growth and higher sales prices. Food service sales increased clearly while retail volumes decreased slightly.

EBIT excluding the change in the fair value of biological assets totalled EUR -27.9 (-0.9) million. Comparable EBIT excluding the change in the fair value of biological assets totalled EUR -12.3 (-0.7) million. The goodwill write-down in the Baltics amounted to EUR -15.6 million in the second quarter. The change in the fair value of biological assets in the balance sheet was EUR 1.3 (0.0) million.

Sales pricing was unable to respond to the strong cost inflation in the first quarter, but the situation has improved in the second and third quarters. However, the impact of cost inflation has exceeded that of sales pricing, leading to a significant EBIT decline.

Management and personnel

HKScan's CEO Tero Hemmilä left his position on 29 September 2022. The HKScan Board of Directors appointed Juha Ruohola as interim CEO. As a member of the Group Executive Team, Juha Ruohola has been responsible for the Business Unit Baltics, the Polish business and the Group's meat balance as well as exports and imports. At the same time, Markus Kirsberg was appointed to the Group Executive Team as interim EVP for Business Unit Baltics.

During the review period, HKScan conducted statutory negotiations in the Rauma and Eura production units of its Finnish poultry business and in the Forssa unit of its meat business. The objective of the negotiations was to improve profitability, cost efficiency and competitiveness. As a result of the statutory negotiations, dozens of jobs will be reduced both in Rauma and Forssa and the terms of some 200 employments will be changed.

HKScan launched the High Five Rewards programme with the aim of rewarding teams for performance in line with targets, achievements and commitment. Ten teams from different units of the Group were selected from a large number of nominees. The teams selected had a strong commitment to achieving their goals and a strong collaboration between functions.

	1-9/2022	1-9/2021	2021
Personnel on average*	6,893	6,960	6,892
Finland	2,807	2,788	2,755
Sweden**	1,986	1,952	1,945
Denmark	664	655	655
The Baltics	1,437	1,565	1,538
Women / men %			40 / 60
Women / men of supervisors %			36 / 64

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

Shares and shareholders

At the end of September 2022, HKScan Corporation's paid and registered share capital stood at EUR 66,820,528.10. The company's issued shares totalled 98,951,781 which were divided into two share series as follows: A shares, 93,551,781 (94.54% of the total number of shares) and K shares, 5,400,000 (5.46% of the total number of shares). The A shares are quoted on Nasdaq Helsinki Ltd. The K shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek. för. (665,000 shares) and are not listed. There were no changes in the number of K shares of LSO Osuuskunta and Lantmännen ek. för.

The Board of Directors of HKScan Corporation resolved on a directed share issue without consideration related to the payment of the rewards for the Group's Restricted Share Plan 2019-2021 and Performance Share Plan 2018 for the performance periods 2018-2020 and 2019-2021. On 4 March 2022 a total of 236,269 HKScan Corporation's series A shares owned by the company was transferred without consideration to the participants of the share-based incentive plan in accordance with the terms of the plan. The transfer of own shares by a directed share issue without consideration is based on the Board's authorization granted by the Annual General Meeting on 8 April 2021.

At the end of September, the company held 1,621,795 (1,858,064) A shares as treasury shares, corresponding to 1.64% of the company's total number of shares and 0.8% of the total number of votes.

The calculational market value of HKScan's shares at the end of September stood at EUR 96.5 (185.8) million. The market value of the Series A shares was EUR 91.1 (175.5) million and the calculational market value of unlisted Series K shares was EUR 5.4 (10.3) million.

During the period of January-September a total of 12,453,609 (22,932,028) of the company's shares were traded with a total value of EUR 15,669,762 (51,083,580). In the review period, the highest price quoted was EUR 1.71 (2.52) and the lowest EUR 0.95 (1.89). The average price was EUR 1.43 (2.23).
At the end of September, the closing price was EUR 0.99 (1.91).

Annual General Meeting 2022

HKScan Corporation's Annual General Meeting was held on 30 March 2022 in Turku under special arrangements due to the Covid-19 pandemic. The AGM adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the year 2021. The AGM resolved that a dividend of EUR 0.04 be paid for each share for the year 2021.

The decisions of the AGM have been published in their entirety in a stock exchange release on 30 March 2022, and the minutes are available in Finnish on the company website at www.hkscan.com.

Share-based long-term incentive plan

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

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

Read more in the 2021 Financial Statements Bulletin and Remuneration Report.

Short-term business risks

Financial operating environment

The war in Ukraine is causing great uncertainty in the European energy market and major disturbances particularly in the supply chains of grains and vegetable oils. High inflation in the euro area is expected to continue due to the unstable geopolitical situation. In the third quarter, inflation in the euro area continued to accelerate, in particular as a result of rapidly rising energy, food and transport prices. Inflation pressures have also spread to prices of other commodities and services.

The European Central Bank has announced that it will end debt relief. In addition, policy rates are on the rise. Increased uncertainty and rising price and interest rates are undermining confidence in economy.

Price increase and availability of production inputs and raw materials

Especially energy price volatility in Europe will continue to be significant. This will continue to create cost pressures on packaging materials and other inputs.

Feed prices have remained high. Uncertainty about the availability and price of production inputs is likely to be reflected in prices in the coming months. The increases in producer prices have eased the liquidity and profitability crisis on farms, but at current price levels the situation is not yet over. If the crisis is prolonged and the company fails to increase its product sales prices to its customers to cover higher costs in the production chain, the availability of local meat raw material may be reduced.

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

Changes in consumer behaviour

The sharp rise in food prices following the increased food value chain costs is expected to lead to a clear change in consumer purchasing behaviour. Depending on the purchasing power of HKScan's different home markets, consumer demand for food will focus on lower-priced products and product groups. At HKScan, this may be seen in the form of weaker sales of more expensive products and stronger sales of basic foods. In the unstable geopolitical situation, demand for basic foods is expected to remain strong.

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

Other business risks

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

The Covid pandemic is a business risk and the disease situation will be closely monitored.

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

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

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

Events after the reporting period

Media release 28 October 2022:
HKScan planning to streamline the operating model for Group functions in Finland

HKScan is planning to streamline and further clarify the operating model for Group functions in Finland. The plan includes changes to the operating model and Group organisation, including possible adjustments to staffing levels. Through the change in the operating model, HKScan is seeking to reduce its annual costs by around EUR 3 million. The savings are expected to be achieved after the first quarter of 2023.

The plans to clarify the operating model for Group functions will be discussed at the statutory negotiations under the Co-operation Act that will begin on 2 November 2022. The negotiations concern a total of approximately 40 persons in the Group functions in Finland. According to initial estimates, the statutory negotiations may lead to the termination of nine (9) employment relationships and changes to duties in three or four employment relationships at HKScan Corporation. The goal is to complete the negotiations during November 2022.

Turku, 3 November 2022

HKScan Corporation
Board of Directors

Webcast

In connection with its January-September Interim Report 2022, HKScan will hold a webcast in Finnish for analysts, institutional investors and media on 3 November 2022 at 10 am EET. You can follow the Finnish webcast at https://hkscan.videosync.fi/2022-q3-tulos and the recording will be available at www.hkscan.com later during the same day. HKScan's interim CEO Juha Ruohola and CFO Jyrki Paappa will present the Interim Report.

To arrange investor calls, please contact executive assistant Julia Hautamäki, tel. +358 40 846 7156 or julia.hautamaki@hkscan.com

Financial reports

HKScan Corporation will publish its Financial Statements Bulletin for 2022 on Thursday 9 February 2023.

HKScan will publish the following financial reports in 2023:

- Interim Report for January-March 2023 on Wednesday 10 May 2023, at about 8:30 EET
- Half-Year Financial Report 2023 on Wednesday 9 August 2023, at about 8:30 EET
- Interim Report for January-September 2023 on Wednesday 8 November 2023, at about 8:30 EET

For further information

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At HKScan, we make life tastier – today and tomorrow. Our strategic target is to grow into a versatile food company. Our responsibly produced, delicious products are part of consumers' varied food moments – both every day and on special occasions. We have some 7,000 HKScan professionals applying more than 100 years of experience to make locally produced food. For us at HKScan, responsibility means continuous improvements and concrete actions throughout the food chain. As part of our Zero Carbon programme, we are targeting a carbon-neutral food chain from farms to consumers by the end of 2040. Our home markets cover Finland, Sweden, Denmark and the Baltics. Our strong product brands include HK®, Kariniemen®, Via®, Scan®, Pärsons®, Rose®, Rakvere® and Tallegg®. Through our strategic partnerships, we are also known for Kivikylän®, Tamminen® and Boltsi brands. HKScan is a publicly listed company, and in 2021, our net sales totalled over EUR 1.8 billion.

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

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

TARGETS	RESULTS 2021 Complemented with selected Q3/2022 figures
NATURE	
Zero Carbon • Carbon-neutral food chain by the end of 2040 *KPI: climate emissions CO_2e*	2021: Climate impacts of the entire food chain (scope 1–3) 2.4 (2.4) MtCO_2e, carbon intensity 3.8 (3.9) tCO_2e / sold product tonne
Zero Carbon • Carbon-neutral own production by the end of 2025 *KPI: climate emissions CO_2e*	**Energy consumption Q3/2022: 0.77 (0.81) MWh /sold product tonne*** **Carbon intensity Q3/2022: 0.05 (0.06) tCO_2e /sold product tonne*** 2021: Climate impacts of own production (scope 1 and 2) 55,000 (55,000) tCO_2e, carbon intensity 0.09 (0.09) tCO_2e /sold product tonne*
Sustainable packaging • 100% recyclable packaging by the end of 2030 *KPI: share of recyclable packaging* • 80% of packaging renewable or recycled materials by the end of 2030 *KPI: share of renewable or recycled materials*	Results 2021: • 70% of packaging recyclable • 46% renewable or recycled materials
We are committed to increasing biodiversity in our food chain	Target added to the programme in 2022
PEOPLE	
Safety First • Systematic work towards zero accidents *KPI: lost-time accident rate (LTIR)*	**Lost-time accident rate (LTIR)** **10/2021–9/2022: 16.6 (10/2020–9/2021: 22.8) / million working hours** 2021: 21.2 (21.1) /million working hours Absence days due to accidents 1-9/2022: 2178 (2674)
Better Together • Continuous improvement in employee wellbeing *KPIs: Sickness absences, inappropriate behaviour, eNPS: > 10*	**Personnel absences 10/2021–9/2022: 7.6% (10/2020–9/2021: 6.4)** Personnel's willingness to promote HKScan as an employer (eNPS) -3 (5, comparison figure excl. the Baltics))

** The environmental figures related to tonnes of products sold do not include HKScan's own farms in Estonia.*

Consolidated Interim report 1 January – 30 September 2022

Consolidated income statement

(EUR million)		7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales		520.8	446.8	1 463.7	1 323.6	1 815.3
Cost of goods sold	1.	-501.3	-416.7	-1 416.8	-1 240.1	-1 701.4
Gross profit		19.5	30.1	46.9	83.6	113.8
Other operating items total	1.	4.7	0.8	7.4	4.2	7.7
Sales and marketing costs	1.	-9.6	-10.9	-34.6	-34.8	-47.7
General administration costs	1.	-12.0	-12.3	-40.2	-42.8	-56.0
Operating profit		2.7	7.6	-20.5	10.2	17.9
Financial income		0.6	0.5	2.1	2.1	2.7
Financial expenses		-4.8	-3.8	-12.4	-13.6	-17.4
Share of profit/loss in associates and joint ventures		2.2	1.0	6.1	2.8	3.4
Profit/loss before taxes		0.8	5.4	-24.7	1.5	6.6
Income tax		-1.7	-1.8	-3.2	-3.5	-7.8
Profit/loss for the period		-0.9	3.6	-27.9	-2.1	-1.2
Profit/loss for the period attributable to:						
Equity holders of the parent		-1.7	2.9	-29.6	-4.1	-4.5
Non-controlling interests		0.8	0.7	1.7	2.0	3.2
Total		-0.9	3.6	-27.9	-2.1	-1.2
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.02	0.03	-0.32	-0.06	-0.06
EPS, diluted, continuing operations, EUR/share		-0.02	0.03	-0.32	-0.06	-0.06

Consolidated statement of comprehensive income

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Profit/loss for the period	-0.9	3.6	-27.9	-2.1	-1.2
OTHER COMPREHENSIVE INCOME (after taxes):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	-1.7	-0.6	-5.9	-1.3	-2.0
Cash flow hedging	4.5	2.6	26.6	5.5	7.4
Items that will not be reclassified to profit or loss					
Actuarial gains or losses	-	-	-	-	2.9
TOTAL OTHER COMPREHENSIVE INCOME	2.7	1.9	20.7	4.2	8.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.8	5.6	-7.2	2.2	7.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	1.0	4.8	-8.9	0.1	3.9
Non-controlling interests	0.8	0.7	1.7	2.0	3.2
Total	1.8	5.6	-7.2	2.2	7.1

Consolidated balance sheet

(EUR million)	Note	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
ASSETS				
Intangible assets	2.	121.6	144.2	144.2
Tangible assets	3.4	437.6	456.1	459.7
Holdings		41.6	35.8	38.5
Deferred tax asset	5.	29.8	37.8	36.3
Other non-current assets		16.8	6.8	7.3
TOTAL NON-CURRENT ASSETS		647.4	680.8	686.0
Inventories	6.	170.6	133.7	131.1
Current receivables		179.5	129.9	141.3
Cash and cash equivalents		6.2	9.3	27.2
TOTAL CURRENT ASSETS		356.3	272.9	299.6
TOTAL ASSETS		1 003.7	953.7	985.6
EQUITY AND LIABILITIES				
EQUITY		315.6	325.2	330.3
Non-current loans, interest-bearing	4.	240.9	212.9	210.1
Non-current liabilities, non-interest-bearing		56.3	62.3	63.5
TOTAL NON-CURRENT LIABILITIES		297.2	275.1	273.6
Current loans, interest-bearing	4.	128.0	129.9	131.8
Current liabilities, non-interest-bearing		262.9	223.5	249.8
TOTAL CURRENT LIABILITIES		390.9	353.4	381.7
TOTAL EQUITY AND LIABILITIES		1 003.7	953.7	985.6

Statement of changes in consolidated equity

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2022	**66.8**	**72.9**	**6.6**	**215.4**	**25.9**	**10.4**	**-12.6**	**-4.8**	**-72.4**	**308.3**	**22.1**	**330.3**
Result for the financial period	-	-	-	-	-	-	-	-	-29.6	-29.6	1.7	-27.9
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-5.9	-	-	-5.9	-	-5.9
Cash flow hedging	-	-	26.6	-	-	-	-	-	-	26.6	-	26.6
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	26.6	-	-	-	-5.9	-	-	20.7	-	20.7
Total compreh. income for the period	**-**	**-**	**26.6**	**-**	**-**	**-**	**-5.9**	**-**	**-29.6**	**-8.9**	**1.7**	**-7.2**
Direct recognitions	-	-	-	-	-	-	-	-	-0.4	-0.4	-	-0.4
Transfer of own shares	-	-	-	-	-	-	-	0.7	-0.7	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-3.9	-3.9	-1.4	-5.3
Founding of subsidiary	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 30 Sept. 2022	**66.8**	**72.9**	**33.2**	**215.4**	**25.9**	**10.4**	**-18.4**	**-4.1**	**-109.1**	**293.0**	**22.6**	**315.6**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2021	**66.8**	**72.9**	**-0.8**	**215.4**	**25.9**	**10.3**	**-10.6**	**-4.8**	**-66.4**	**308.8**	**20.3**	**329.1**
Result for the financial period	-	-	-	-	-	-	-	-	-4.1	-4.1	2.0	-2.1
Other comprehensive income (+) / expense (–)												
Transl. diff.-	-	-	-	-	-	-	-1.3	-	-	-1.3	-	-1.3
Cash flow hedging	-	-	5.5	-	-	-	-	-	-	5.5	-	5.5
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	5.5	-	-	-	-1.3	-	-	4.2	-	2.3
Total comprehensive income for the period	**-**	**-**	**5.5**	**-**	**-**	**-**	**-1.3**	**-**	**-4.1**	**0.1**	**2.0**	**2.2**
Direct recognitions	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Dividend distribution	-	-	-	-	-	-	-	-	-2.9	-2.9	-1.4	-4.3
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 30 Sept. 2021	**66.8**	**72.9**	**4.7**	**215.4**	**25.9**	**10.3**	**-11.9**	**-4.8**	**-75.1**	**304.3**	**20.9**	**325.2**

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

Cash flow statement

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Cash flow before change in net working capital	18.0	23.1	42.5	52.3	75.1
Change in net working capital	-18.4	-33.2	-50.2	-24.5	-2.9
Financial items and taxes	-5.9	-5.4	-10.5	-15.3	-17.6
CASH FLOW FROM OPERATING ACTIVITIES	-6.2	-15.6	-18.2	12.5	54.6
Cash flow from investing activities	-5.9	-8.3	-17.2	47.4	26.5
CASH FLOW AFTER INVESTING ACTIVITIES	-12.1	-23.9	-35.5	59.9	81.2
Hybrid loan	-2.1	-2.1	-2.1	-2.1	-2.1
Change in loans	5.5	3.0	23.3	-90.6	-93.9
Dividends paid	-	-	-5.3	-4.3	-4.4
CASH FLOW FROM FINANCING ACTIVITIES	3.4	0.9	16.0	-97.0	-100.3
NET CASH FLOW	-8.7	-23.0	-19.5	-37.1	-19.2
Cash and cash equivalents at beginning of period	15.5	32.8	27.2	46.8	46.8
Translation differences	-0.6	-0.4	-1.5	-0.4	-0.4
Cash and cash equivalents at end of period	6.2	9.3	6.2	9.3	27.2

Financial indicators

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
Earnings per share (EPS), undiluted, EUR	-0.32	-0.06	-0.06
Earnings per share (EPS), diluted, EUR	-0.32	-0.06	-0.06
Equity per share, EUR	3.01	3.13	3.17
Equity ratio, %	31.5	34.1	33.5
Adjusted average number of outstanding shares, mill.	97.0	97.0	97.0
Gross capital expenditure on PPE, EUR mill.	21.7	29.7	48.2
Additions in right-of-use assets, EUR mill.	4.1	86.8	89.2
Depreciation and impairment, EUR mill.	59.5	44.2	60.2
Employees, average, FTE	6,893	6,960	6,892

Calculation of financial indicators

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

Return on capital employed (ROCE) before tax, last 12 months (%)	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
Net gearing ratio (%)	Net interest-bearing liabilities / Total equity	x 100
Earnings per share (EPS)*	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	
Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year	
Cash flow before debt service	Cash flow after investing activities before financing activities - financial items	
Employee numbers	Average of workforce figures calculated at the end of calendar months	
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect the company's finances. Examples of such expenses are: capacity adjustments (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency/reorganisation programmes, significant compensations or penalties paid out due to a legal verdict or settlement, transaction fees/expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.	
Comparable EBIT	Operating profit – items affecting comparability	
Comparable profit before taxes	Profit before taxes – items affecting comparability	
Comparable earnings per share (EPS)*	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.*

Notes to the Interim report

Accounting policies

HKScan Corporation's Interim report for 1 January–30 September 2022 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the Interim report as in the annual financial statements for 2021, except change in depreciation schedule for equipment and machinery from ten to fifteen years in BU Finland's Rauma factory starting from the beginning of 2022. This has annual positive impact to comparable EBIT amounting to some EUR three milllion. Due to the rounding of the figures to the nearest million euros in the Interim report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2021. The Interim report is unaudited.

Analysis by segment

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
NET SALES					
- Finland					
Sales, goods	220.8	188.0	615.0	560.2	769.0
Sales, services	1.0	0.9	2.9	2.4	3.3
- Sweden					
Sales, goods	186.9	170.7	536.2	503.6	700.3
Sales, services	0.0	0.0	0.1	0.0	0.1
- Denmark					
Sales, goods	59.2	44.0	166.0	131.6	172.7
Sales, services	0.0	0.0	0.0	0.0	0.0
- Baltics					
Sales, goods	52.9	42.9	143.5	125.5	169.6
Sales, services	0.0	0.2	0.0	0.3	0.4
Group total	520.8	446.8	1 463.7	1 323.6	1 815.3
EBIT					
- Finland	1.9	3.1	1.8	6.3	12.1
- Sweden	7.2	6.9	12.3	14.2	22.6
- Denmark	0.2	0.1	0.9	-1.0	0.0
- Baltics	-4.0	-1.1	-26.6	-0.9	-5.4
Segments total	5.3	9.0	-11.6	18.5	29.3
Group administration costs	-2.6	-1.3	-8.9	-8.3	-11.4
Group total	2.7	7.6	-20.5	10.2	17.9
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	2.4	3.4	6.7	12.0	16.3
Additions in right-of-use assets	0.4	0.8	1.1	70.2	70.9
Investments total	2.8	4.2	7.9	82.2	87.1

- Sweden					
Gross capital expenditure on PPE	2.1	2.4	7.4	10.7	19.6
Additions in right-of-use assets	0.3	0.1	1.2	8.4	9.1
Investments total	2.3	2.5	8.6	19.1	28.6
- Denmark					
Gross capital expenditure on PPE	0.7	0.0	1.6	2.3	4.3
Additions in right-of-use assets	0.3	0.2	1.2	0.5	0.8
Investments total	1.0	0.2	2.8	2.8	5.1
- Baltics					
Gross capital expenditure on PPE	2.2	2.6	6.0	4.7	8.1
Additions in right-of-use assets	0.4	7.3	0.6	7.7	8.5
Investments total	2.6	9.9	6.6	12.4	16.7
Total	8.7	16.8	25.8	116.5	137.5
AVERAGE NUMBER OF EMPLOYEES, FTE					
- Finland			2 807	2 740	2 755
- Sweden			1 986	1 950	1 945
- Denmark			664	644	655
- Baltics			1 437	1 582	1 538
Total			6 893	6 915	6 892

Notes to the income statement

1. Items affecting comparability

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Comparable EBIT	**3.8**	**7.7**	**-3.2**	**7.2**	**14.5**
Termination of employment, Baltics 1)	-	-0.2	-	-0.2	-0.2
Termination of employment, Group management 1)	-1.0	0.2	-1.4	0.2	0.2
Loss of prepayment, Finland 4)	-	-	-0.2	-	-
Impairment of assets, Baltics 2) 3)	-	-	-15.6	-	-
Impairment of assets, Sweden 2) 3)	-	-	-	-	-0.2
Reversal of impairment of assets, Finland 2) 3)	-	-	-	3.0	3.1
Gain on sale of tangible assets, Finland 4)	-	-	-	-	0.5
EBIT	**2.7**	**7.6**	**-20.5**	**10.2**	**17.9**

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

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

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

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

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
Opening balance	144.2	148.0	148.0
Translation differences	-5.0	-1.1	-1.8
Additions	1.1	0.8	1.6
Disposals	-	-0.7	-0.7
Depreciation and impairment	-18.9	-3.4	-4.6
Reclassification between items	0.2	0.6	1.6
Closing balance	121.6	144.2	144.2

3. Changes in tangible assets

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
Opening balance	459.7	458.7	458.7
Translation differences	-5.4	-1.1	-1.7
Additions	24.7	115.7	135.9
Disposals	-0.6	-75.8	-75.9
Depreciation and impairment	-40.6	-40.8	-55.6
Reclassification between items	-0.2	-0.6	-1.6
Closing balance	437.6	456.1	459.7

4. Right-of-use assets and lease liabilities

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2022	2.2	92.1	15.3	109.5	113.4
Translation differences	-	-0.6	-0.2	-0.8	-0.8
Additions	-	1.0	3.1	4.1	4.1
Depreciation for the financial period	-0.1	-6.3	-4.0	-10.4	-
Payments	-	-	-	-	-8.9
Closing balance on 30 Sept. 2022	2.1	86.2	14.2	102.5	107.7

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2021	2.2	15.6	15.6	33.3	35.6
Translation differences	-	-0.1	0.0	-0.1	-0.1
Additions	-	83.3	3.6	86.8	86.9
Depreciation for the financial period	-0.1	-5.4	-4.0	-9.5	-
Payments	-	-	-	-	-8.3
Closing balance on 30 Sept. 2021	2.1	93.4	15.1	110.6	114.1

(EUR million)	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Depreciation expense of right-of-use assets	-3.5	-3.4	-10.4	-9.5	-13.0
Interest expense on lease liabilities	-1.2	-1.2	-3.5	-3.0	-4.2
Total amounts recognised in profit or loss	-4.6	-4.6	-13.9	-12.5	-17.2

5. Deferred tax assets

Out of the total EUR 29.8 million, EUR 28.2 million of the deferred tax asset arise from adopted losses, postponed depreciations and non-deductible interest expenses in Group's operations in Finland. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma unit ramp up and were therefore temporary in nature.

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

Deferred tax assets are assumed to be used during the current decade. Consideration is based on management's plans for the near future. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2026 and beyond. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and deductibility restrictions of interest expense can be used to speed up the utilisation of losses before they expire. Utilisation of postponed tax depreciations and non-deducted interest expense do not have a time limit. Unrecognized Finnish deferred tax asset at the end of September 2022 was EUR 22.9 million.

6. Inventories

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
Materials and supplies	101.1	70.9	72.2
Semi-finished products	6.9	4.9	5.4
Finished products	52.6	50.1	46.0
Other inventories	0.4	0.5	0.4
Inventories, advance payments	1.9	1.5	1.0
Biological assets	7.8	5.8	6.0
Total inventories	170.6	133.7	131.1

Derivative instrument liabilities

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
Nominal values of derivative instruments			
Foreign exchange derivatives	73.7	71.4	72.7
Interest rate derivatives	28.8	74.4	74.1
Electricity derivatives	-7.5	12.2	13.0
Fair values of derivative instruments			
Foreign exchange derivatives	1.2	0.1	0.2
Interest rate derivatives	0.1	-1.6	-1.1
Electricity derivatives	38.1	4.9	7.0

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

The nominal value is negative because sales derivatives are made at higher prices than purchase derivatives.

Consolidated other contingent liabilities

(EUR million)	30 Sept. 2022	30 Sept. 2021	31 Dec. 2021
On behalf of others			
- guarantees and other commitments	6.1	6.7	6.4
Other contingencies			
Leasing and rental commitments	0.2	0.2	0.2

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

Derivatives

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

(EUR million)	30 Sept. 2022	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.1	-	0.1	-
- Foreign exchange derivatives	1.3	-	1.3	-
- Commodity derivatives	51.9	-	51.9	-
of which subject to cash flow hedging	51.9	-	51.9	-
Total	**53.3**	**-**	**53.3**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	0.0	-	0.0	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-13.9	-	-13.9	-
of which subject to cash flow hedging	-13.9	-	-13.9	-
Total	**-14.0**	**-**	**-14.0**	**-**

(EUR million)	30 Sept. 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	0.2	-	0.2	-
- Commodity derivatives	4.9	-	4.9	-
of which subject to cash flow hedging	4.9	-	4.9	-
Total	**5.1**	**-**	**5.1**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-1.6	-	-1.6	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	0.0	-	0.0	-
of which subject to cash flow hedging	0.0	-	0.0	-
Total	**-1.7**	**-**	**-1.7**	**-**

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

Business transactions with related parties

(EUR million)	1-9/2022	1-9/2021	2021
Sales to associates	9.8	6.7	9.8
Purchases from associates	33.2	26.4	37.0
Trade and other receivables from associates	1.7	1.2	1.7
Trade and other payables to associates	3.5	2.3	3.4