



HKFOODS

Interim Report
January– September 2024

6 November 2024

HKFoods' Interim Report 1 January–30 September 2024

Positive development continues; HKFoods showing clear growth in net sales and comparable EBIT

July–September 2024

- HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 251.6 (231.2) million. Consumer demand in Finland continued at the previous period's level, and HKFoods increased its sales through successful commercial measures and its comprehensive product portfolio. Sales to the food service channel showed strong development, and HKFoods strengthened its market position.
- The Group's EBIT from continuing operations totalled EUR 11.6 (7.1) million.
- The Group's comparable EBIT from continuing operations was EUR 11.6 (6.6) million. Cost levels remained high in July-September. Wage costs were pushed up by higher costs for external services, as well as by the previously agreed general pay rises. HKFoods increased its profitability through successful commercial measures, production efficiencies and cost savings.
- Retail sales developed positively as a result of a comprehensive product range and commercial activities, which improved the sales mix and profitability. The investment in the Rauma poultry cutting department has exceeded the targets set for improving production efficiency.
- The comparable EBIT of the Business Unit Finland was EUR 13.2 (7.6) million.
- Cash flow from business operations including discontinued operations was EUR 7.5 (3.5) million.
- The company's extensive restructuring was completed on 31 October 2024 when HKFoods sold its Danish business to the Dutch Plukon Food Group B.V., following the approval of the Danish competition authority on 15 October 2024.

January–September 2024

- HKFoods' net sales from continuing operations increased by 7.6 per cent to EUR 735.0 (683.3) million.
- Sales increased due to good consumer demand and successful commercial activities. Sales grew particularly in the domestic retail channel; sales to the food service channel also increased. Exports from Finland were lower due to good domestic demand.
- The Group's EBIT from continuing operations totalled EUR 15.9 (11.1) million.
- The Group's comparable EBIT from continuing operations was EUR 17.4 (8.6) million.
- Cost levels remained high. HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports. Profitability of red meat, especially beef, remained challenging in Finland, but improved towards the end of the review period. Sales of poultry products and ready meals developed positively. Investments in production have increased efficiency. A better sales mix, increased production efficiency and cost savings improved EBIT during the review period.
- The comparable EBIT of the Business Unit Finland was EUR 23.2 (14.2) million.
- Cash flow from operating activities including discontinued operations was EUR 22.4 (17.6) million. Cash flow improved due to a better working capital performance and lower financing costs than in the comparison period.
- Interest-bearing net debt was EUR 213.8 (323.8) million and net gearing 96.4 (123.3) per cent.
- Interest-bearing net debt excluding IFRS lease liabilities was EUR 124.2 (221.8) million.

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

Outlook for 2024

On 26 September 2024, the Board of Directors of HKFoods Plc decided on a positive profit warning and updated the guidance for 2024.

Updated guidance for 2024

HKFoods expects that the Group's comparable EBIT 2024 from continuing operations will grow clearly compared to 2023.

HKFoods now estimates that the Group's comparable EBIT in 2024 will be EUR 22–25 million. The Group's comparable EBIT for the Group's continuing operations 2023 was EUR 11.6 million.

Previous guidance for 2024 published on 9 February 2024

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

Key figures, net sales, continuing operations

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Net sales	251.6	231.2	735.0	683.3	933.0
Finland	251.6	231.2	735.0	683.3	933.0

Key figures, EBIT, continuing operations

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
EBIT	11.6	7.1	15.9	11.1	14.3
- % of net sales	4.6	3.1	2.2	1.6	1.5
Comparable EBIT	11.6	6.6	17.4	8.6	11.6
- % of net sales	4.6	2.9	2.4	1.3	1.2
Comparable EBIT, Finland	13.2	7.6	23.2	14.2	20.5
- % of net sales	5.2	3.3	3.2	2.1	2.2

Key figures, other

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
EBITDA, continuing operations	19.2	14.9	39.4	34.4	45.1
Profit before taxes, continuing operations	7.0	1.0	1.9	-6.8	-10.7
- % of net sales	2.8	0.4	0.3	-1.0	-1.2
Profit for the period, continuing operations	6.4	0.2	0.9	-10.1	-17.3
- % of net sales	2.5	0.1	0.1	-1.5	-1.9
EPS, EUR, continuing operations	0.05	-0.01	-0.03	-0.14	-0.24
Comparable EPS, EUR, continuing operations	0.05	-0.02	-0.02	-0.17	-0.27
Cash flow from operating activities, incl. discontinued operations	7.5	3.5	22.4	17.6	50.6
Cash flow after investing activities, incl. discontinued operations	6.8	34.9	77.4	33.1	73.3
Return on capital employed (ROCE) before taxes, %, incl. discontinued operations			-2.4	0.0	3.0
Interest-bearing net debt			213.8	323.8	287.9
Net gearing, %			96.4	123.3	121.0

HKFoods' CEO Juha Ruohola

The positive development of the company's continuing operations continued in the third quarter. Both the company's net sales and comparable EBIT showed a clear improvement. HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 251.6 (231.2) million. During the third quarter, we exceeded the company's EBIT target of 4%, with a comparable EBIT of 4.6% of net sales. Cumulatively for January–September, the target has not yet been reached, with EBIT at 2.4%. The result for the financial period from continuing operations was positive. During the third quarter, EPS also turned positive.

HKFoods increased its profitability through successful commercial measures, production efficiencies and cost savings. Retail sales developed positively as a result of a comprehensive range of products and commercial activities, which improved the sales mix and profitability.

The investment in the Rauma poultry cutting department has exceeded the targets set for improving production efficiency. The investment in Forssa has also been completed and the fine-tuning of the line is underway. At the Eura unit, our investment of around EUR 8 million in the production of ready-to-eat products is progressing according to plan. In September, we also decided on a significant strategic investment of around EUR 5 million in the ready meal production of our Vantaa unit. With this investment, we will increase our meal preparation capacity and develop new high-quality meals for consumers' various food moments. The savings of around EUR 6 million we previously announced for these investments and our other development plans have started to materialise as planned from Q3/2024 onwards.

Over the past two years, we have been assessing the position of our businesses within the Group in order to increase our financial flexibility. We have improved HKFoods' profitability and strengthened the balance sheet by the sale of the Baltic business, which was completed in August 2023. The sale of the Swedish business was closed at the end of March 2024. Our major restructuring was completed at the end of October, when the sale of our Danish subsidiary ROSE Poultry A/S to the Dutch Plukon Food Group was closed after the Danish Competition Authority approved the transaction.

The business divestments have strengthened HKFoods' balance sheet, and the proceeds have been used to repay the company's loans. The company's net debt decreased by EUR 109.9 million from the comparison period and by EUR 74.1 million from the year-end to EUR 213.8 (323.8) million. The sale of the Danish business unit was completed on 31 October 2024. The company received cash of EUR 36.6 million, which were used to pay the company's debts.

The wellbeing and safety of our employees are at the heart of our responsibility programme. Our key target is to be a safe and healthy workplace for our own employees and for the partners working in our units. Improving safety at work will continue to require our continued commitment and action together with all our employees. To further develop the quality of our operations and products, we also launched a quality culture project.

Following the completion of our major restructuring, we are now focusing on implementing our long-term strategy by improving the competitiveness of our core business and the profitability of our operations. We have launched an efficiency programme aimed at significantly improving our performance. The programme includes cost reduction, production efficiency improvements, product portfolio optimisation and efforts to strengthen commercial measures.

The measures taken have moved the company in the right direction, in line with our promises. I am confident that we will achieve our new estimate of HKFoods' 2024 comparable EBIT of EUR 22–25 million, which we announced at the end of September. Thanks go to our employees, customers, contract farmers and our other partners. This is an achievement made together with all of you.

Key events in July–September 2024

HKFoods invests in the growing meal category at its Vantaa unit – New technology line to prepare meals to make consumers' everyday lives easier

HKFoods Plc decided on a significant strategic investment of approximately EUR 5 million in the meal production of its Vantaa unit. The investment is HKFoods' response to the growing demand for ready meals in both the retail and food service sectors. The investment supports HKFoods' strategy to increase added value and operational efficiency. The company aims to grow in product categories that make everyday life easier for consumers, such as meals, meal components and snacks.

Details on the matter were provided in the following release: [19 September 2024](#)

Positive profit warning – HKFoods Plc updated its financial guidance for 2024

HKFoods Plc updated its financial guidance for 2024 due to the positive performance of its continuing operations.

Details on the matter were provided in the following release: [26 September 2024](#)

Strategy

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

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

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

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

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

Group net sales and EBIT

July–September

Net sales

HKFoods' net sales from continuing operations increased by 8.8 per cent to EUR 251.6 (231.2) million. Volume growth increased the value of retail sales. The strongest growth was seen in poultry and ready meal products. Consumer demand remained at the previous period's level in Finland. HKFoods' successful

commercial activities strengthened the company's market position. Sales in the food service channel increased clearly versus the comparison period. As a result of the sale of the Swedish business, the Polish bacon unit's sales to Sweden are reported as the company's external sales, which contributed to the increase in net sales and the share of exports in net sales.

EBIT

HKFoods' EBIT from continuing operations totalled EUR 11.6 (7.1) million. The comparable EBIT from continuing operations was EUR 11.6 (6.6) million.

An item affecting comparability of EUR 0.0 (0.5) million was recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

Cost levels remained high in July–September 2024, with inflation increasing from the same period last year due to external services and general wage rises.

Due to commercial activities, a comprehensive product portfolio and good consumer demand, sales to the Finnish retail and food service channels increased. The strongest sales growth was seen in products with higher added value, which improved the company's profitability. Profitability of meat products with lower added value remained weak but improved from the comparison period. The investment in the Rauma poultry cutting department has improved the unit's efficiency and exceeded the targets set for improving efficiency. HKFoods' better sales mix, production efficiency measures and cost savings improved the EBIT in July–September.

January–September

Net sales

HKFoods' net sales from continuing operations increased by 7.6 per cent to EUR 735.0 (683.3) million. Sales increased due to good consumer demand, successful commercial activities and a diverse product range. Sales grew particularly in the Finnish retail and food service channels. By contrast, sales from Finland to export markets declined. Among HKFoods' own branded products, sales growth was strongest in the strategically important poultry and ready meal products. As a result of the divestment of the Swedish business, the Polish bacon unit's sales to Sweden are reported as external sales since the second quarter, which contributed to the increase in net sales and the share of exports in net sales.

EBIT

HKFoods' EBIT from continuing operations totalled EUR 15.9 (11.1) million. The comparable EBIT from continuing operations was EUR 17.4 (8.6) million.

HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports. Sales of meat and poultry products and ready meals developed positively. The investment in the Rauma poultry cutting department has improved the unit's efficiency and exceeded the targets for improving efficiency. Profitability of red meat remained challenging in Finland but improved slightly towards the end of the review period. A better sales mix, increased production efficiency and cost savings improved the review period's EBIT.

Cost levels remained high. Especially the costs for wages and external services increased from the comparison period. The company made contingency arrangements to prepare for disruptions caused by political strikes and to secure customer deliveries, which contributed to the company's increased costs in the first quarter of the year.

An item affecting comparability of EUR -1.5 (2.5) million was recorded in continuing operations. Items affecting comparability are described in more detail in the Tables section of this report.

Balance, cashflow and financing

At the end of September, HKFoods' balance sheet total was EUR 581.9 (864.6) million. The Group's interest-bearing debt at the end of September was EUR 227.4 (346.6) million including an IFRS 16 lease liability of EUR 89.7 (102.0) million. The company's net debt decreased from the comparison period by EUR

109.9 million and from the year end by EUR 74.1 million to EUR 213.8 (323.8) million. HKFoods' net gearing ratio was 96.4 (123.3) per cent. The impact of the IFRS 16 lease liability on the net gearing ratio was 40.4 percentage points.

At the end of September 2024, the company had on its balance sheet a hybrid bond that was issued in 2018 and amounted to EUR 25.9 million. The hybrid bond does not have a specified maturity date, and it is treated as equity. The next possible redemption date for the hybrid loan will be in September 2025.

The Group's liquidity position was satisfactory. A commercial paper programme had been drawn to the amount of EUR 1.0 (4.0) million. Committed credit facilities at the end of September 2024 stood at EUR 20.0 (110.0) million and had been drawn to the amount of EUR 0.0 (100.0) million. In July–September, net financial expenses from continuing operations were EUR -5.0 (-7.0) million and in January–September EUR -14.9 (-20.4) million.

Cash flow from operating activities in July–September was EUR 7.5 (3.5) million and in January–September EUR 22.4 (17.6) million. Cash flow after investments in July–September was EUR 6.8 (34.9) million and totalled EUR 77.4 (33.1) million in January–September.

HKFoods' covenants for bank loans and revolving credit facilities are the net gearing ratio and the ratio of net debt to EBITDA. EBITDA includes the share of profits from associates and joint ventures. The net gearing ratio limit is 115 per cent for bank loans in the end of September 2024, after Danish business divestment 110 per cent until the end of June 2025, 105 per cent until the end of March 2026 and 100 per cent from June 2026. The net gearing ratio limit for the new bond is 120 per cent. At the end of September 2024, the company's net gearing ratio was 96.4 per cent.

The covenant limit for net debt to EBITDA ratio for bank loans is currently 4.25. Starting from the end of December 2024 the limit is 3.75 and 3.5 starting from the end of June 2025. The limit is 3.25 starting from the end of September 2025 and 3.0 starting from the end of June 2026. At the end of September 2024, the net debt to EBITDA ratio was 3.6.

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

The sale of the Danish business unit was completed on 31 October 2024 after the end of the review period. The company received cash of EUR 36.6 million, which were used to pay the company's debts.

Investments

HKFoods' investments in continuing operations in July–September amounted to EUR 3.5 (1.9) million. Investments for January–September totalled EUR 18.3 (9.5) million. IFRS 16 increases to right-of-use assets totalled EUR 0.3 (1.5) million in July–September and EUR 5.7 (7.8) million in January–September.

In March 2024, HKFoods decided to centralise the packaging operations of poultry products from Eura to Rauma and Forssa, and to make an investment of approximately EUR 8 million in a production line for ready-to-eat products in its Eura unit, which proceeded as planned during the review period. The new products made on the line will be launched during the first quarter of 2025. In September, HKFoods decided on a significant strategic investment of approximately EUR 5 million in the meal production of its Vantaa unit. The investment is HKFoods' response to the growing demand for ready meals in both the retail and food service sectors. The new technology, high-quality products produced on the line will be launched in the summer 2025.

The investments in both Vantaa and Eura support HKFoods' strategy to increase added value and operational efficiency, and its goal to grow in product categories that make consumers' everyday lives easier, such as meals, meal components and snacks.

The approximately EUR 4.6 million development investment in the Rauma poultry cutting unit, decided in April 2023, was completed in the second quarter. HKFoods was aiming for total annual savings of approximately EUR 3 million through the investment and related development activities. The investment in the Rauma poultry cutting department has improved the unit's efficiency and exceeded the targets set for improving efficiency.

In the Forssa unit, the investment in the meat packing and shipping departments to improve the competitiveness and cost-efficiency of production was implemented as planned during the review period and the efficiency of the new line is currently being fine-tuned together with the system supplier.

An investment in a slicing and packaging line to improve capacity and efficiency was completed at the Polish production unit. The value-enhancing investment and the property development project will continue as planned for the rest of the year.

HKFoods also implemented several smaller efficiency investments during the review period.

Exports

HKFoods aims to further develop the exports of meat products and to use all meat components as efficiently and sustainably as possible. HKFoods exports meat and meat products to, for example, Japan, New Zealand and South Korea as well as several European countries. Meat products accounted for two thirds of exports during the review period. This figure includes exports of bacon from Poland.

Changes in the international meat market

Strong demand for poultry meat is expected to continue. Beef consumption is expected to decline, contributing to the already good demand for poultry products. Low pork prices in the US and Brazil continue to challenge EU export prices. The anti-dumping investigation on EU pork launched by the Chinese Ministry of Commerce (MOFCOM) in June is still pending.

Business Unit Finland

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Net sales	251.6	231.2	735.0	683.3	933.0
EBIT	13.2	7.6	22.1	14.3	20.7
- EBIT margin, %	5.2	3.3	3.0	2.1	2.2
Comparable EBIT	13.2	7.6	23.2	14.2	20.5
- EBIT margin, %	5.2	3.3	3.2	2.1	2.2

July–September

Net sales for Business Unit Finland totalled EUR 251.6 (231.2) million. Volume growth increased the value of retail sales. The strongest growth was seen in poultry and ready meal products. Consumer demand remained at the previous period's level in Finland. HKFoods' successful commercial activities strengthened the company's market position. Sales in the food service channel increased clearly versus the comparison period. As a result of the sale of the Swedish business, the Polish bacon unit's sales to Sweden are reported as the company's external sales, which contributed to the increase in net sales and the share of exports in net sales.

EBIT was EUR 13.2 (7.6) million. Comparable EBIT was EUR 13.2 (7.6) million. EBIT included an item of EUR 0.0 (0.0) million affecting comparability.

Cost levels remained high in July–September 2024, with inflation increasing from the same period last year due to external services and general wage rises.

Due to commercial activities, a comprehensive product portfolio and good consumer demand, sales to the Finnish retail and food service channels increased. The strongest sales growth was seen in products with higher added value, which improved the company's profitability. Profitability of products with lower added value remained weak but improved from the comparison period. The investment in the Rauma poultry cutting department has improved the unit's efficiency and exceeded the targets set for improving efficiency. HKFoods' better sales mix, production efficiency measures and cost savings improved the EBIT in July–September

January–September

Net sales for Business Unit Finland totalled EUR 735.0 (683.3) million. Sales increased due to good consumer demand, successful commercial activities and a diverse product range. Sales grew particularly in the Finnish retail and food service channels. By contrast, sales from Finland to export markets declined. Among HKFoods' own branded products, sales growth was strongest in the strategically important poultry and ready meal products. As a result of the divestment of the Swedish business, the Polish bacon unit's sales to Sweden are reported as external sales from the second quarter, which contributed to the increase in net sales and the share of exports in net sales.

EBIT was EUR 22.1 (14.3) million. Comparable EBIT was EUR 23.2 (14.2) million. EBIT included an item of EUR -1.0 (0.1) million affecting comparability. HKFoods strengthened its position in the Finnish consumer market, which reduced the need for less profitable meat exports. Sales of meat and poultry products and ready meals developed positively. The investment in the Rauma poultry cutting department has improved the unit's efficiency and exceeded the targets set for improving efficiency. Profitability of red meat remained challenging in Finland but improved slightly towards the end of the review period. A better sales mix, increased production efficiency and cost savings improved the review period's EBIT.

Cost levels remained high. Especially the costs for wages and external services increased from the comparison period. The company made contingency arrangements to prepare for disruptions caused by political strikes and to secure customer deliveries, which contributed to the company's increased costs in the first quarter of the year.

Personnel

HKFoods employed 3,037 (2,982) people in its continuing operations.

Continuing operations personnel	1-9/2024	1-9/2023	2023
Personnel on average*	3,037	2,982	2,946
Finland**	3,037	2,982	2,946
Women / men %	41 / 59	41 / 59	42 / 58
Women / men of superiors %	38 / 62	35 / 65	36 / 64

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

** Including Polish personnel.

Corporate Responsibility

During the review period, HKFoods continued its work on the preparation of a sustainability statement in line with the EU's Corporate Sustainability Reporting Directive (CSRD). During the review period, the company updated the double sustainability assessment in line with the guidance provided by European Finance Advisory Group, EFRAG. All topics listed in the sustainability standards were taken into account in the analysis work. HKFoods' Board of Directors has approved the results of the double materiality assessment. The company's climate emissions calculation database was extended to include the data collection of data points defined in the sustainability reporting standards. The collection of essential data for sustainability reporting started in September.

During the review period, HKFoods continued to implement measures and ongoing research projects related to the climate target renewed at the beginning of 2024. HKFoods joined the Valio Food 2.0 partner ecosystem, which aims to promote sustainable food production and improve its profitability and international competitiveness. The company also continued to prepare for the implementation of the deforestation regulation.

In order to support HKFoods' implementation of responsible sourcing, the company introduced software that covered all HKFoods' service and raw material suppliers, excluding primary production farms, at the end of the review period. A scoring system was set up to evaluate suppliers of goods and services.

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

Nature

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

During the review period, the company continued its pilot farm activities aimed at promoting the achievement of its climate targets. On the pilot farms, the use of recycled fertilisers, distributed fertilisation techniques, legume cultivation, the use of catch crops, field water management through buffer wells and carbon sequestration in the soil, among other things, were examined during the summer.

In the summer of 2024, a project was carried out in Friskalanlahti in Turku to study the impact of beef cattle grazing in the coastal area on the surrounding biodiversity and animal welfare. The functionality of a monitoring technology for measuring grazing livestock was also examined.

People

HKFoods' values – Inspire, Lead, Care and Deliver – guide all company activities and decision-making. HKFoods is committed to promoting the well-being at work and safety of its employees. The aim is to create a safe and healthy work community, where the entire workforce works together to make things happen. Mutual respect and a sense of belonging as an important part of the work community create the basis for an inspiring and productive working environment. HKFoods offers a wide range of training and development opportunities that contribute to the professional growth and well-being of employees and the success of the entire organisation.

During the review period, the company developed its work operating model for the management of capability in collaboration with its partners. The success rate for vocational rehabilitation is currently 100 per cent. With regard to the development of supervisory work, the implementation of 360 surveys continued during the review period. More than 50 superiors have been assessed during this autumn. The department-level results of the Voice staff survey were also further analysed, and action plans developed in cooperation with employees.

During the third quarter, staff workshops on the quality culture project were launched to improve the quality of operations and products.

HKFoods makes goal-oriented efforts towards zero accidents at work, with the key objective of providing a safe workplace for its employees and for its partners operating in the units. The Group's total lost time injury frequency rate (LTIR) for 10/2023–9/2024 was 17.1 (18.7 for 10/2022–9/2023).

In terms of occupational safety, HKFoods has focused on the harmonisation and development of critical processes. The focus has been on developing safety incident handling and forklift safety. The company strives to clarify and streamline its processes related to safety management, reporting, incident handling and communication. The aim is to increase staff safety awareness, improve fire safety on the premises and develop data-driven management.

Shares and shareholders

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

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

At the end of September, the company held 8,376,408 (1,506,658) A shares and 665,000 (0) K shares as

treasury shares, corresponding to 9.14% of the company's total number of shares and 10.75% of the total number of votes.

The calculated market value of HKFoods' shares at the end of September stood at EUR 63.7 (73.2) million. The market value of the Series A shares was EUR 60.3 (69.2) million, and the calculated market value of the unlisted Series K shares was EUR 3.4 (4.0) million.

In January–September, a total of 8,727,747 (11,055,793) of the company's shares were traded with a total value of EUR 6,015,780 (8,773,521). The highest price quoted was EUR 0.83 (0.97) and the lowest EUR 0.56 (0.68). The average price was EUR 0.69 (0.79). At the end of September, the closing price was EUR 0.71 (0.74).

Extraordinary General Meeting 2024

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

The EGM confirmed and approved the sale of the Swedish business.

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

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

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

Annual General Meeting 2024

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

The Board members Reijo Kiskola, Jari Mäkilä, Anne Koutonen and Terhi Tuomi were re-elected as members of the Board. Ilkka Uusitalo, former deputy Board member, as well as Niclas Diesen, Lauri Sipponen and Sami Yski were elected as new members of the Board until the end of the Annual General Meeting 2025. At the organisational meeting after the AGM, the Board re-elected Reijo Kiskola as Chairman and Jari Mäkilä as Vice Chairman.

The auditing firm Ernst & Young Oy was elected as the Company's auditor until the end of the next AGM and Maria Onniselkä, Authorized Public Accountant, as the lead audit partner. In addition, the auditing firm Ernst & Young Oy was elected as the sustainability auditing assurer until the end of the next AGM, with Maria Onniselkä, M.Sc. (Econ.), Authorized Sustainability Auditor (ASA), as the lead sustainability assurer.

The AGM approved the change of the company's name from HKScan Oyj to HKFoods Oyj and resolved to amend Article 1 of the Articles of Association as follows:

"1 § The name of the company is HKFoods Oyj, in Swedish HKFoods Abp and in English HKFoods Plc. The domicile of the company is Turku."

The AGM authorised the Board of Directors to decide on the acquisition of the Company's own Series A shares and/or on the acceptance as pledge of the Company's own Series A shares. The authorisation is effective until 30 June 2025. The authorisation revokes the authorisation granted by the AGM on 20 April 2023 to the Board of Directors to acquire and/or to accept as pledge the Company's own Series A shares.

However, the authorisation does not revoke the authorisation granted by the Extraordinary General Meeting of 28 February 2024 to the Board of Directors to decide on the acquisition of own Series A and Series K shares.

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

Share-based long-term incentive plans

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

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

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

More information on the share-based incentive plans is available on the company website at: <https://www.hkfoods.com/en/about-us/policies-and-certificates/remuneration-policy/>

Short-term business risks

Economic operating environment and financial risks

In October, the European Central Bank (ECB) cut its policy rate by 0.25 percentage points to 3.25 per cent. The rate cuts are expected to continue as inflation has slowed and the economic outlook for Europe has weakened. The Central Bank forecasts that inflation in the euro area will fall to its target of 2.0 per cent this year. Geopolitical tensions could have unfavourable effects on inflation and interest rate developments.

Uncertainty about the evolution of consumer demand remains in a context of weakened employment and declining consumer purchasing power. The number of bankruptcies, layoffs and redundancies has also continued to rise. In addition, fiscal rebalancing measures will increase uncertainty in the coming months. If consumer demand weakens significantly and HKFoods' sales volumes fall considerably, this could have a negative impact on the company's profitability.

If the Group's financial performance does not improve as planned or if the level of long-term interest rates rises again, the risk of impairment losses will increase and may affect the company's economic and financial position. The company's financing agreements include covenants, which are described in more detail in the section Balance, cashflow and financing.

Price increase and availability of production inputs and raw materials

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

In the global meat raw material market, changes in the trade relations between major meat importing and exporting countries can lead to significant local price fluctuations. The effects of these price fluctuations are partly unpredictable, and they also concern HKFoods' home markets. In an unstable geopolitical situation, the role of global supply chains is weakening, and the importance and opportunities of regional supply chains and local food production are increasing.

Changes in consumer behaviour

Weaker consumer purchasing power may increase demand for lower-priced products and product categories. This may be reflected in a weakening of HKFoods' sales volume in higher-priced products and a strengthening in basic foods. In the unstable geopolitical situation, the demand for basic foods is expected to remain strong.

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

Other business risks

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

There is a possibility of animal diseases. African Swine fever and avian flu cases in European countries have reduced the export potential of meat outside the EU.

The risk of cyberattacks is high due to the unstable geopolitical situation and several companies have been targeted by cyberattacks. Cyberattacks can significantly disrupt the company's operations. HKFoods is prepared for cyberattacks through systematic monitoring and cybersecurity enhancements to ensure a rapid response in the event of an incident.

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

In October, the European Commission decided to impose tariff increases on Chinese electric cars for the next five years. In response, China can either increase tariffs on food imports from Europe or ban imports altogether. If this happens, HKFoods' pork exports to China could be affected.

Events after the reporting period

The sale of the Danish business unit to Plukon Food Group B.V. was completed on 31 October 2024

On 15 October 2024 HKFoods was informed that the Danish Competition Authority has approved the arrangement announced in May 2024 whereby HKFoods sells its operations in Denmark.

The sale of the Danish business unit was completed on 31 October 2024. The company received cash of EUR 36.6 million. The amount was used to pay off the company's debts.

Details on the matter have been provided in the following releases: [2 May 2024](#), [15 October 2024](#) and [31 October 2024](#)

Changes in HKFoods Plc's Executive Team

Jari Leija, HKFoods Plc's EVP Business Unit Finland and member of the Executive Team, left the company on 24 October 2024. He held this position since 2019.

Details on the matter have been provided in a release: [24 October 2024](#)

Following the completion of the sale of HKFoods' Danish business, Michael Juhl Jørgensen, Interim EVP of HKFoods' Business Unit Denmark and member of the Group Executive Team, left HKFoods on 31 October 2024. He held this position since July 2024.

Details on the matter have been provided in a release: [31 October 2024](#)

HKFoods to launch Finnish poultry exports to China in late 2024

HKFoods will start exporting poultry meat from Finland to China in late 2024, following an export licence for HKFoods' Rauma unit. The export licence obtained by HKFoods for Finnish poultry meat is a significant addition to HKFoods' extensive export rights. HKFoods currently exports Finnish pork to China.

Details on the matter have been provided in a release: [30 October 2024](#)

Turku, 6 November 2024

HKFoods Plc
Board of Directors

Webcast

In connection with its Interim Report for January–September 2024, HKFoods will hold a webcast in Finnish for analysts, institutional investors and media on 6 November 2024 at 10 a.m. EET. You can follow the Finnish webcast at <https://hkfoods.videosync.fi/q3-2024> and the recording will be available at <https://www.hkfoods.com> later on the same day.

HKFoods' CEO Juha Ruohola and CFO Mika Tilli will present the Interim Report for January–September 2024.

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

Financial reports

HKFoods Plc will publish its Financial Statements Bulletin for 2024 on Friday 14 February 2025 at approximately 8:30 a.m. EET.

HKFoods will publish the following financial reports in 2025:

- Interim Report for January–March 2025 on Wednesday 7 May 2025 at about 8:30 EEST
- Half-Year Financial Report 2025 on Wednesday 6 August 2025 at about 8:30 EEST
- Interim Report for January–September 2025 on Wednesday 5 November 2025 at about 8:30 EET

For further information

Juha Ruohola, CEO, tel. +358 400 647 160

Mika Tilli, CFO, tel. +358 50 538 5793

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

With 110 years of experience, we at HKFoods make life tastier – today and tomorrow. With nearly 3,000 professionals, we make responsible and locally produced food for consumers' various food moments. Our well-known brands in Finland are HK[®], Kariniemen[®] and Via[®]. We are developing a more climate-friendly way of producing food. HKFoods is a publicly listed company, and in 2023, our net sales from continuing operations totalled EUR 933 million. www.hkfoods.com

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

Consolidated Interim Report 1 January–30 September 2024

Consolidated income statement

(EUR million)		7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Continuing operations:						
Net sales		251.6	231.2	735.0	683.3	933.0
Cost of goods sold	1.	-229.2	-214.2	-681.8	-635.6	-867.4
Gross profit		22.4	17.0	53.1	47.7	65.6
Other operating items total						
Other operating items total	1.	2.1	2.3	7.0	7.5	10.1
Sales and marketing costs	1.	-5.4	-5.7	-20.0	-19.7	-25.8
General administration costs	1.	-7.5	-6.5	-24.2	-24.4	-35.7
Operating profit		11.6	7.1	15.9	11.1	14.3
Financial income						
Financial income		1.1	0.8	3.4	2.6	3.6
Financial expenses						
Financial expenses		-6.2	-7.8	-18.3	-23.0	-30.6
Share of profit/loss in associates and joint ventures						
Share of profit/loss in associates and joint ventures		0.4	0.8	0.8	2.5	2.0
Profit/loss before taxes		7.0	1.0	1.9	-6.8	-10.7
Income tax						
Income tax		-0.6	-0.8	-0.9	-3.3	-6.6
Profit/loss for the period, continuing operations		6.4	0.2	0.9	-10.1	-17.3
Profit/loss for discontinued operations		-0.5	9.3	-20.9	12.1	-5.1
Profit/loss for the period		5.9	9.5	-20.0	1.9	-22.5
Profit/loss for the period attributable to:						
Equity holders of the parent		5.0	8.6	-21.4	-0.4	-26.4
Non-controlling interests		0.9	0.9	1.4	2.4	4.0
Total		5.9	9.5	-20.0	1.9	-22.5
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		0.05	-0.01	-0.03	-0.14	-0.24
EPS, diluted, continuing operations, EUR/share		0.05	-0.01	-0.03	-0.14	-0.24
EPS, undiluted, discontinued operations, EUR/share		-0.01	0.10	-0.23	0.12	-0.05
EPS, diluted, discontinued operations, EUR/share		-0.01	0.10	-0.23	0.12	-0.05
EPS, undiluted, EUR/share		0.05	0.08	-0.27	-0.02	-0.29
EPS, diluted, EUR/share		0.05	0.08	-0.27	-0.02	-0.29

Consolidated statement of comprehensive income

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Profit/loss for the period	5.9	9.5	-20.0	1.9	-22.5
OTHER COMPREHENSIVE INCOME (after taxes):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations, continuing operations	0.2		0.2		
Exchange differences on translating foreign operations, discontinued operations	0.0	1.3	-2.0	-2.9	1.3
Sweden translation difference transfer to profit and loss, discontinued operations	-	-	21.1	-	-
Cash flow hedging, continuing operations	0.0	-2.2	-1.5	-6.0	-5.5
Cash flow hedging, discontinued operations	-0.1	-2.2	-0.8	-8.2	-8.5
Reclassification adjustment (electricity derivative), continuing operations	-	-0.7	-	-2.6	-2.6
Transfer of the value of Sweden's electricity derivatives to the result for the financial period, discontinued operations	-	-	-1.0	-	-
Share of associates' and joint ventures' other comprehensive income items, continuing operations	-	0.0	-	0.7	0.5
Items that will not be reclassified to profit or loss					
Actuarial gains or losses, discontinued operations	-	-	-	-	-4.4
TOTAL OTHER COMPREHENSIVE INCOME	0.1	-3.8	16.0	-18.9	-19.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.0	5.7	-4.0	-17.0	-41.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	5.1	4.8	-5.4	-19.4	-45.6
Non-controlling interests	0.9	0.9	1.4	2.4	4.0
Total	6.0	5.7	-4.0	-17.0	-41.6

Consolidated balance sheet

(EUR million)	Note	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
ASSETS				
Intangible assets	2.	42.4	109.6	44.0
Tangible assets	3.4	253.4	365.0	284.9
Holdings		21.3	40.5	24.3
Deferred tax asset	5.	25.2	30.8	25.1
Other non-current assets		14.4	27.7	26.2
TOTAL NON-CURRENT ASSETS		356.7	573.5	404.5
Inventories	6.	68.9	131.8	75.2
Current receivables		82.3	140.6	97.3
Cash and cash equivalents		13.2	18.7	28.7
TOTAL CURRENT ASSETS		164.4	291.1	201.1
Assets of disposal group classified as held for sale	7.	60.8	-	246.0
TOTAL ASSETS		581.9	864.6	851.7
EQUITY AND LIABILITIES				
EQUITY				
		221.8	262.7	238.0
Non-current loans, interest-bearing	4.	172.5	226.2	289.0
Non-current liabilities, non-interest-bearing		5.4	30.3	6.3
TOTAL NON-CURRENT LIABILITIES		177.9	256.6	295.3
Current loans, interest-bearing	4.	51.4	120.4	17.9
Current liabilities, non-interest-bearing		108.4	224.9	161.5
TOTAL CURRENT LIABILITIES		159.8	345.3	179.4
Liabilities of disposal group classified as held for sale	7.	22.4	-	139.0
TOTAL EQUITY AND LIABILITIES		581.9	864.6	851.7

Statement of changes in consolidated equity

-	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2024	66.8	72.9	5.9	215.4	25.9	8.1	-18.6	-3.8	-161.5	211.1	26.9	238.0
Result for the financial period	-	-	-	-	-	-	-	-	-21.4	-21.4	1.4	-20.0
Other comprehensive income (+) / expense (-)												
Transl. diff.	-	-	0.0	-	-	-	19.4	-	-	19.4	-	19.4
Cash flow hedging	-	-	-2.3	-	-	-	-	-	-	-2.3	-	-2.3
Transfer of the value of Sweden's electricity derivatives to the result for the financial period	-	-	-1.0	-	-	-	-	-	-	-1.0	-	-1.0
Total other comprehensive income / expense	-	-	-3.4	-	-	-	19.4	-	-	16.0	-	16.0
Total compreh. income for the period	-	-	-3.4	-	-	-	19.4	-	-21.4	-5.4	1.4	-4.0
Direct recognitions	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Sweden sale related transfer to result for the financial period	-	-	-1.2	-	-	0.1	-	-	-	-1.1	-	-1.1
Acquisition of own shares	-	-	-	-	-	-	-	-5.3	-	-5.3	-	-5.3
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.7	-1.7
Hybrid loan	-	-	-	-	-	-	-	-	-4.1	-4.1	-	-4.1
EQUITY ON 30 Sept. 2024	66.8	72.9	1.3	215.4	25.9	8.2	0.7	-9.1	-187.0	195.2	26.5	221.8

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2023	66.8	72.9	21.9	215.4	25.9	10.4	-19.9	-4.1	-128.4	260.9	24.6	285.5
Result for the financial period	-	-	-	-	-	-	-	-	-0.4	-0.4	2.4	1.9
Other comprehensive income (+) / expense (-)												
Transl. diff.-	-	-	-	-	-	-	-2.9	-	-	-2.9	-	-2.9
Cash flow hedging	-	-	-14.1	-	-	-	-	-	-	-14.1	-	-14.1
Reclassification adjustment (electricity derivative)	-	-	-2.6	-	-	-	-	-	-	-2.6	-	-2.6
Share of associates' and joint ventures' other comprehensive income items	-	-	0.7	-	-	-	-	-	-	0.7	-	0.7
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / expense	-	-	-16.0	-	-	-	-2.9	-	-	-18.9	-	-18.9
Total comprehensive income for the period	-	-	-16.0	-	-	-	-2.9	-	-0.4	-19.4	2.4	-17.0
Direct recognitions	-	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Baltics sale related transfer to result for the financial period	-	-	-	-	-	-2.2	-	-	-	-2.2	-	-2.2
Transfer of own shares	-	-	-	-	-	-	-	0.3	-0.3	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-1.9	-1.9
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Hybrid loan	-	-	-	-	-	-	-	-	-2.1	-2.1	-	-2.1
EQUITY ON 30 Sept. 2023	66.8	72.9	5.9	215.4	25.9	8.1	-22.8	-3.8	-131.0	237.4	25.3	262.7

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

Cash flow statement, incl. discontinued operations

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Cash flow before change in net working capital	21.9	26.1	45.8	55.1	74.2
Change in net working capital	-9.2	-13.9	-3.4	-15.9	5.9
Financial items and taxes	-5.2	-8.7	-19.9	-21.7	-29.4
CASH FLOW FROM OPERATING ACTIVITIES	7.5	3.5	22.4	17.6	50.6
Cash flow from investing activities	-0.7	31.4	55.0	15.5	22.6
CASH FLOW AFTER INVESTING ACTIVITIES	6.8	34.9	77.4	33.1	73.3
Hybrid loan	-4.1	-2.1	-4.1	-2.1	-2.1
Change in loans	-5.2	-48.6	-87.6	-27.7	-58.0
Dividends paid	-	-	-1.7	-1.9	-1.9
CASH FLOW FROM FINANCING ACTIVITIES	-9.4	-50.7	-93.4	31.7	-62.0
NET CASH FLOW	-2.6	-15.8	-16.0	1.4	11.3
Cash and cash equivalents at beginning of period	16.0	34.8	29.0	17.8	17.8
Translation differences	0.0	-0.3	0.5	-0.5	-0.1
Cash and cash equivalents at end of period	13.5	18.7	13.5	18.7	29.0

Financial indicators

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Earnings per share (EPS), undiluted, EUR, continuing operations	-0.03	-0.14	-0.24
Earnings per share (EPS), diluted, EUR, continuing operations	-0.03	-0.14	-0.24
Equity per share, EUR	2.17	2.44	2.17
Equity ratio, %	38.1	30.4	28.8
Adjusted average number of outstanding shares, mill.	91.6	97.4	97.4
Gross capital expenditure on PPE, EUR mill., continuing operations	18.3	9.5	15.9
Additions in right-of-use assets, EUR mill., continuing operations	5.7	7.8	10.6
Depreciation and impairment, EUR mill., continuing operations	23.5	22.8	30.8
Employees, average, FTE, continuing operations	3,037	2,982	2,946

Calculation of financial indicators

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

Return on capital employed (ROCE) before tax, last 12 months (%)	$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$
Equity ratio (%)	$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$
Net gearing ratio (%)	$\frac{\text{Net interest-bearing liabilities incl. discontinued operations}}{\text{Total equity}} \times 100$
Earnings per share (EPS)*	$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$
Equity per share	$\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$
Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year
Cash flow before debt service	Cash flow after investing activities before financing activities - financial items
Employee numbers	Average of workforce figures calculated at the end of calendar months
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect the company's finances. Examples of such expenses are: capacity adjustments (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency/reorganisation programmes, significant compensations or penalties paid out due to a legal verdict or settlement, transaction fees/expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.
Comparable EBIT	Operating profit – items affecting comparability
Comparable profit before taxes	Profit before taxes – items affecting comparability
Comparable earnings per share (EPS)*	$\frac{\text{Profit for the period attributable to equity holders of the parent – items affecting comparability}}{\text{Average number of outstanding shares during period}}$
Interest-bearing net debt	Interest-bearing debt incl. discontinued operations – cash and bank and interest-bearing receivables incl. discontinued operations Interest-bearing net debt incl. discontinued operations
Net debt to EBITDA ratio (leverage)	$\frac{\text{Interest-bearing net debt incl. discontinued operations}}{\text{EBITDA continuing operations + Denmark + share of profit/loss in associates and joint ventures continuing operations + Denmark}}$

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

Notes to the Interim Report

Accounting policies

HKFoods Plc's Interim Report for 1 January–30 September 2024 has been prepared in compliance with the IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the Interim report as in the annual financial statements for 2023. Due to the rounding of the figures to the nearest million euros in the Interim Report, some totals may not agree with the sum of their constituent parts. The accounting principles are explained in the financial statements for 2023. The Interim Report is unaudited.

Assumption of ability to continue as a going concern

Interim Report for 1 January–30 September 2024 has been prepared on a going concern basis, assuming that HKFoods will be able to realise its assets and settle its liabilities in the foreseeable future in the ordinary course of business. In assessing the going concern basis, HKFoods' management has taken into account the uncertainties and risks associated with the business environment, available funding sources and the cash flow estimates of the Group companies.

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

HKFoods' covenants for bank loans and revolving credit facilities are the net gearing ratio, the ratio of net debt to EBITDA and liquidity covenant. At the end of September 2024, HKFoods had a net gearing ratio of 96.4 per cent (limit 115 per cent), and a net debt to EBITDA ratio of 3.6 (limit 4.25). HKFoods' management has assessed the cash flow forecasts of the business over the next 12 months, and the forecast indicates that the covenants will not be breached.

During the second quarter of 2024, HKFoods Plc finalised negotiations to refinance the debt maturing in January–March 2025 and issued secured senior notes of EUR 90 million. The proceeds from the bond were used for the partial repurchase of fixed-rate, unsecured notes due on 24 March 2025 and general corporate purposes of HKFoods Group.

Analysis by segment

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
NET SALES					
- Finland					
Sales, goods	250.7	230.4	732.5	680.5	929.5
Sales, services	0.9	0.8	2.5	2.7	3.5
Group total, continuing operations	251.6	231.2	735.0	683.3	933.0
EBIT					
- Finland	13.2	7.6	22.1	14.3	20.7
- Group administration costs	-1.5	-0.5	-6.2	-3.2	-6.4
Group total, continuing operations	11.6	7.1	15.9	11.1	14.3
INVESTMENTS					
- Finland					
Gross capital expenditure on PPE	3.5	1.9	18.3	9.5	15.9
Additions in right-of-use assets	0.3	1.5	5.7	7.8	10.6
Investments total, continuing operations	3.8	3.3	24.0	17.3	26.5
AVERAGE NUMBER OF EMPLOYEES, FTE					
- Finland			3,037	2,982	2,946
Total, continuing operations			3,037	2,982	2,946

Notes to the income statement

1. Items affecting comparability

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Comparable EBIT, continuing operations	11.6	6.6	17.4	8.6	11.6
Termination of employment, Group management 1)	-	-	-0.5	-	-
Termination of employment, Finland 1)	-	-	-0.4	-0.3	-0.3
Impairment of assets, Finland 1)	-	-	-0.6	-	-
Reversal of environmental provision, Finland 2)	-	-	-	0.5	0.5
Reclassification adjustment of electricity derivatives, Group management 2)	-	0.7	-	2.6	2.6
Change in fair value of electricity derivatives, Group management 2)	-	-0.2	-	-0.2	0.0
EBIT, continuing operations	11.6	7.1	15.9	11.1	14.3

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

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

Notes to the statement of financial position

2. Changes in intangible assets

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Opening balance	44.0	113.8	113.8
Translation differences	0.1	-2.7	0.3
Additions	0.3	0.4	0.9
Depreciation and impairment	-2.4	-3.0	-4.0
Reclassification between items	0.9	1.1	2.3
Assets of disposal group classified as held for sale	-0.5	-	-69.4
Closing balance	42.4	109.6	44.0

3. Changes in tangible assets

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Opening balance	284.9	378.6	378.6
Translation differences	0.1	-3.0	0.9
Additions	27.0	30.4	47.9
Disposals	-0.3	-7.2	-7.3
Depreciation and impairment	-23.0	-32.5	-43.8
Reclassification between items	-0.9	-1.4	-2.7
Assets of disposal group classified as held for sale	-34.4	-	-88.7
Closing balance	253.4	365.0	284.9

4. Right-of-use assets and lease liabilities

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2024	0.0	70.3	12.7	82.9	89.6
Translation differences	-	0.0	0.0	0.0	0.0
Additions	0.4	5.1	1.4	6.8	6.8
Depreciation for the financial period	-	-5.2	-2.7	-8.0	-
Payments	-	-	-	-	-6.7
Assets and liabilities of disposal group classified as held for sale	-	-0.3	-3.0	-3.3	-3.5
Closing balance on 30 Sept. 2024	0.3	69.8	8.3	78.4	86.2

(EUR million)	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1 Jan. 2023	2.2	80.3	13.8	96.3	101.7
Translation differences	-	-0.4	-0.1	-0.5	-0.5
Additions	-	7.9	3.6	11.5	11.5
Disposals	-2.2	-	-	-2.2	-2.2
Depreciation for the financial period	-	-6.0	-3.7	-9.8	-
Payments	-	-	-	-	-8.5
Closing balance on 30 Sept. 2023	-0.1	81.8	13.6	95.3	102.0

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Depreciation expense of right-of-use assets, continuing operations	-2.3	-2.2	-6.8	-6.5	-8.9
Interest expense on lease liabilities, continuing operations	-1.1	-1.1	-3.4	-3.2	-4.2
Total amounts recognised in profit or loss, continuing operations	-3.4	-3.3	-10.2	-9.7	-13.1

5. Deferred tax assets

Out of the total EUR 25.2 million, EUR 23.9 million of the deferred tax asset arise from adopted losses, postponed depreciations, and non-deductible interest expenses in the Group's operations in Finland. The increased deferred tax asset arising from tax losses in Finland in 2018 resulted from losses incurred during the Rauma unit ramp up and was therefore temporary in nature.

Deferred tax assets are assumed to be used from losses in 2027 and postponed depreciations and non-deductible interest expenses to material respect by the end of the current decade. The estimate is based on management's plans for the near future. As plans contain uncertainties, these are mitigated in the estimate with a very conservative assumption on EBIT growth in 2026 and beyond. The utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and deductibility restrictions of interest expense can be used to speed up the utilisation of losses before they expire. The utilisation of postponed tax depreciations and non-deducted interest expense does not have a time limit. Unrecognised Finnish deferred tax asset at the end of September 2024 was EUR 29.2 million.

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

6. Inventories

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Materials and supplies	37.4	72.5	37.5
Semi-finished products	4.2	5.3	4.1
Finished products	18.6	44.2	25.4
Spare parts	5.5	8.0	5.5
Inventories, advance payments	3.2	1.8	2.6
Total inventories	68.9	131.8	75.2

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

Sale of operations in Baltics

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

The Business Unit Baltics was classified as assets and liabilities held for sale on the balance sheet on 31 December 2022, and it is presented in the income statement as discontinued operations. At the end of September 2024, the Group has a purchase price receivable of EUR 20.0 million on its balance sheet. The fixed and unsecured purchase price receivable of EUR 10 million is measured at amortised cost and discounted at 5 per cent. The conditional purchase price receivable is measured at fair value through profit and loss, and it includes management judgement and estimation. Management has estimated the probability of the earn-out taking into account the uncertainty about the development of profitability. The EBITDA required for the realisation of the earn-out for the divested business is lower than the Group has previously used for valuation purposes, as the realisation of the earn-out is also significantly influenced by the development of the buyer's meat business and the achievable synergies. The conditional purchase price fair value is estimated at EUR 10.5 million at the end of September 2024.

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

Sale of operations in Sweden

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

The purchase price for the shares of HKScan Sweden Ab including the settlement of an internal loan amounted to EUR 83.7 million at closing. In addition, Lantmännen ek för transferred A shares (6,869,750) and K shares (665,000) in HKFoods Corporation held by Lantmännen. The calculated market value of the

shares was EUR 5.5 million at the time of signing the agreement. A prepayment of EUR 25 million of the purchase price was made upon the signing of the agreement. The sold company had EUR 4.4 million in cash at the closing.

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

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

Sale of operations in Denmark

On 2 May 2024, HKFoods signed an agreement to sell its Danish businesses to the Dutch Plukon Food Group B.V. The debt-free purchase price is EUR 44.6 million. The Danish business unit was classified as assets and liabilities held for sale on the balance sheet on 31 March 2024, and it is presented in the income statement as discontinued operations. The valuation of the Danish assets and liabilities at the estimated purchase price including transaction costs resulted in an impairment of EUR 11 million. The impairment was allocated to buildings.

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

The sale of the Danish business unit was completed on 31 October 2024 after the end of the review period. The company received cash of EUR 36.6 million.

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

Profit/loss for discontinued operations

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Net sales	59.4	264.0	352.2	847.7	1.092.7
Cost of goods sold	-56.7	-249.3	-333.5	-806.5	-1.039.7
Other operating items total	-2.3	-8.1	-14.7	-30.6	-39.1
Operating profit	0.3	6.6	4.0	10.5	13.8
Financial income and expenses	-0.2	-0.7	-1.1	-1.9	-2.5
Share of profit/loss in associates and joint ventures	-	-0.5	-	-0.8	-0.7
Income tax	-	-0.4	0.8	-0.1	-0.7
Profit/loss for the period	0.1	4.9	3.7	7.7	10.0
Impairment from fair-value measurement, Baltics	-0.1	2.2	0.2	2.2	-0.2
Impairment from fair-value measurement, Sweden	-0.5	-	6.3	-	-17.1
Impairment from fair-value measurement, Denmark	-	-	-11.0	-	-
Translation difference transfer to profit and loss, Sweden	-	-	-21.0	-	-

Other equity items transfer to result for the period, Baltics	-	2.2	-	2.2	2.2
Other equity items transfer to result for the period, Sweden	-	-	1.1	-	-
Profit/loss for the period from discontinued operations	-0.5	9.3	-20.9	12.1	-5.1

Cash flow of discontinued operations

(EUR million)	7-9/2024	7-9/2023	1-9/2024	1-9/2023	2023
Cash flow from operating activities	1.6	1.7	13.0	20.5	28.9
Cash flow from investing activities	3.0	33.5	73.2	26.3	42.5
Cash flow from financing activities	-0.4	-1.3	-1.8	-4.1	-5.2
Cash flow total	4.2	33.9	84.4	42.7	66.2

Assets and liabilities of disposal group classified as held for sale

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Intangible assets	0.5	-	52.1
Tangible assets	23.4	-	88.7
Other non-current assets	4.4	-	20.2
Inventories	12.2	-	39.0
Receivables	20.0	-	45.7
Cash and cash equivalents	0.2	-	0.3
Total assets (A)	60.8	-	246.0
Lease liabilities	3.5	-	14.1
Trade payables and other liabilities	19.0	-	124.9
Total liabilities (B)	22.4	-	139.0
Net balance sheet value (A-B)	38.4	-	107.1

Derivative instrument liabilities

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Nominal values of derivative instruments			
Foreign exchange derivatives	38.5	89.0	98.4
Interest rate derivatives	40.0	20.0	20.0
Electricity derivatives	2.1	0.0	1.3
Fair values of derivative instruments			
Foreign exchange derivatives	-0.0	-1.2	-1.7
Interest rate derivatives	-0.0	0.4	0.2
Electricity derivatives	1.8	7.0	5.2

Consolidated other contingent liabilities

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Debts secured by pledges or mortgages			
- loans from financial institutions	30.3	36.0	36.0
- bonds	90.0	-	-
- lease liabilities	10.7	-	-
On own behalf			
- Assets pledged	297.6	49.5	44.3
On behalf of others			
- guarantees and other commitments	6.3	3.2	6.3
Other contingencies			
Leasing and rental commitments	0.2	0.2	0.2

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

Derivatives

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

Conditional purchase price receivable

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

(EUR million)	30 Sept. 2024	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Conditional purchase price receivable	10.5			10.5
- Trading derivatives				
- Interest rate swaps	0.1	-	0.1	-
- Foreign exchange derivatives	0.0	-	0.0	-
- Commodity derivatives	1.8	-	1.8	-
of which subject to cash flow hedging	1.8	-	1.8	-
Total	12.4	-	1.9	10.5
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-0.2	-	-0.2	-
- 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	-0.3	-	-0.3	-

(EUR million)	30 Sept. 2023	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Conditional purchase price receivable	10.5			10.5
- Trading derivatives				
- Interest rate swaps	0.4	-	0.4	-
- Foreign exchange derivatives	0.0	-	0.0	-
- Commodity derivatives	7.3	-	7.3	-
of which subject to cash flow hedging	7.3	-	7.3	-
Total	18.2	-	7.7	10.5
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	-1.2	-	-1.2	-
- Commodity derivatives	-0.3	-	-0.3	-
of which subject to cash flow hedging	-0.3	-	-0.3	-
Total	-1.5	-	-1.5	-

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

Business transactions with related parties

(EUR million)	1-9/2024	1-9/2023	2023
Sales to associates	6.3	10.0	12.7
Purchases from associates	36.2	36.0	47.6
Trade and other receivables from associates	1.3	1.3	2.0
Trade and other payables to associates	3.6	3.8	3.9
Animal purchases from related party*	18.8	20.7	28.3
Animal sales to related party*	4.0	4.8	6.4
Loan receivable from LSO Osuuskunta	4.2	4.0	4.1

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