

HKSCAN

Financial Statements 2021

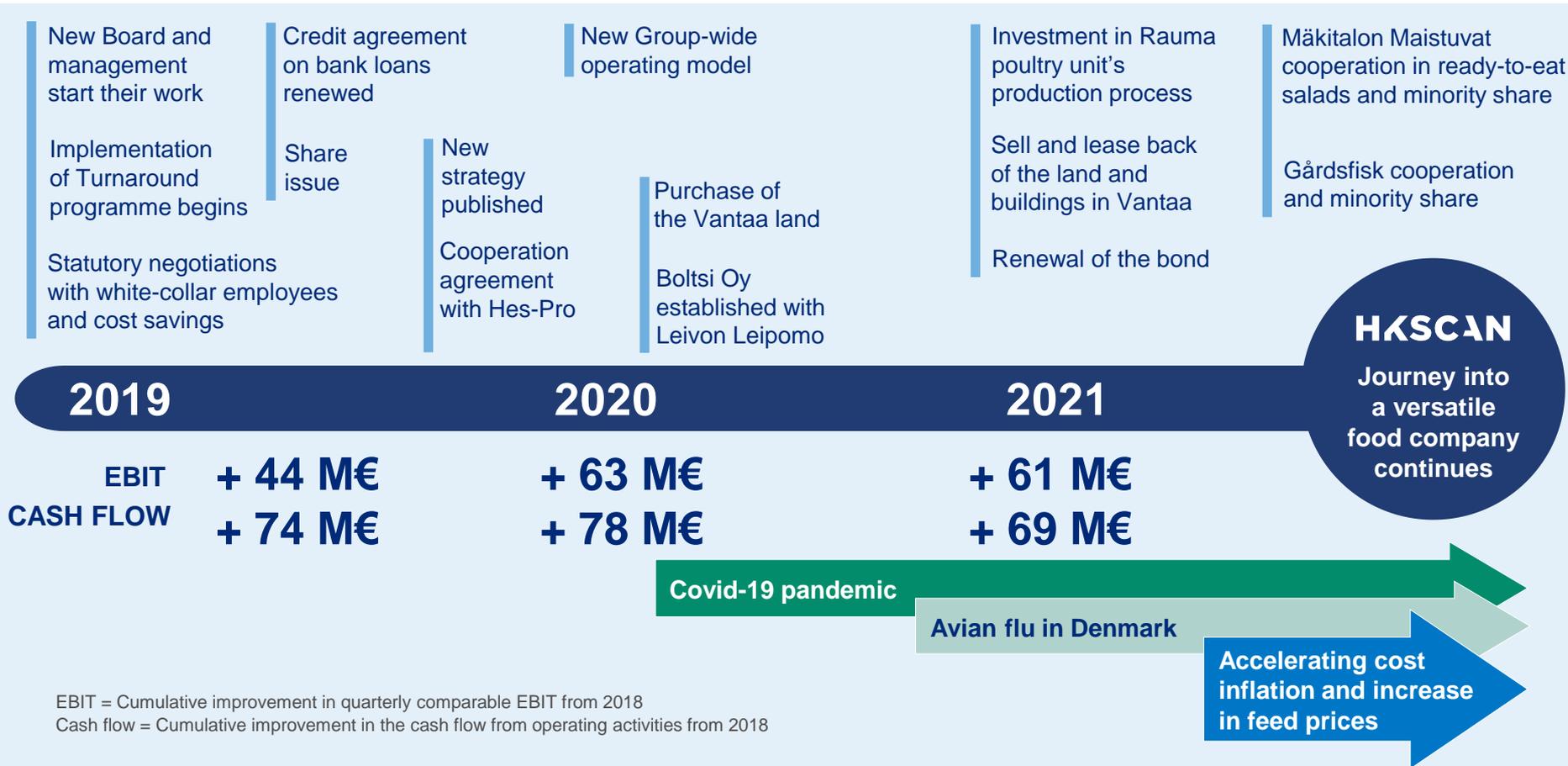
Tero Hemmilä, CEO
Jyrki Paappa, CFO

10 February 2022



Three-year Turnaround programme came to an end

- Profitability improvement of core businesses will continue to enable strategy implementation



Main events 2021 – twofold profit development

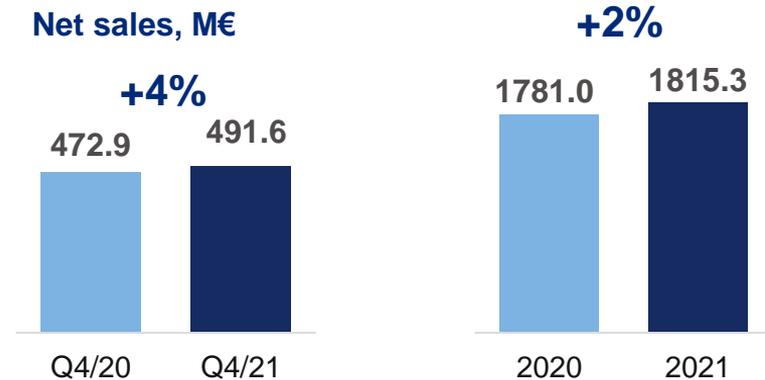
Net sales

- Sales clearly increased in products with higher added value, such as meals and meal components
- Retail sales growth in own branded products continued
- Food service sales back on the growth track

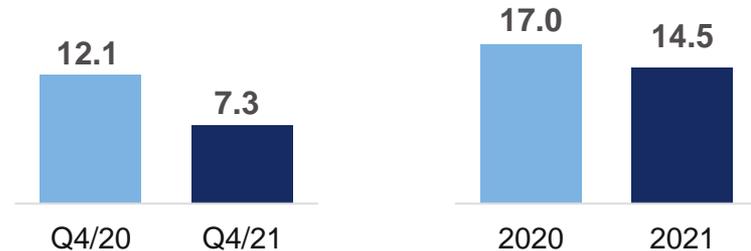
EBIT

- Continued profit improvement in Finland and Sweden
- Exceptional market situation in the Baltics caused the biggest negative deviation of the Group's profit development
- In Denmark, the shift in sales focus to poultry products with higher added value clearly reduced the negative impact of avian flu
- Exceptionally high increases in the prices of energy, feed and other production inputs clearly increased costs both in the company and in contract farms producing meat raw material
- Board's dividend proposal is 0.04 € per share

Net sales, M€

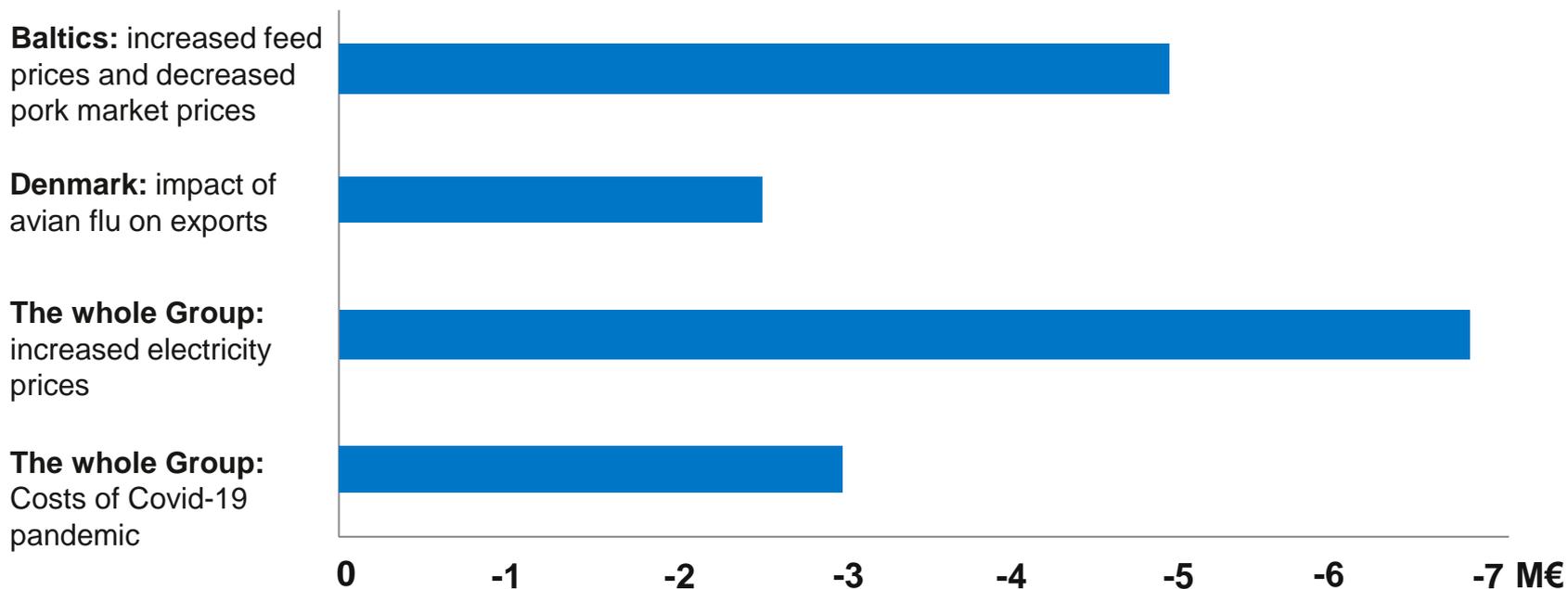


Comparable EBIT, M€



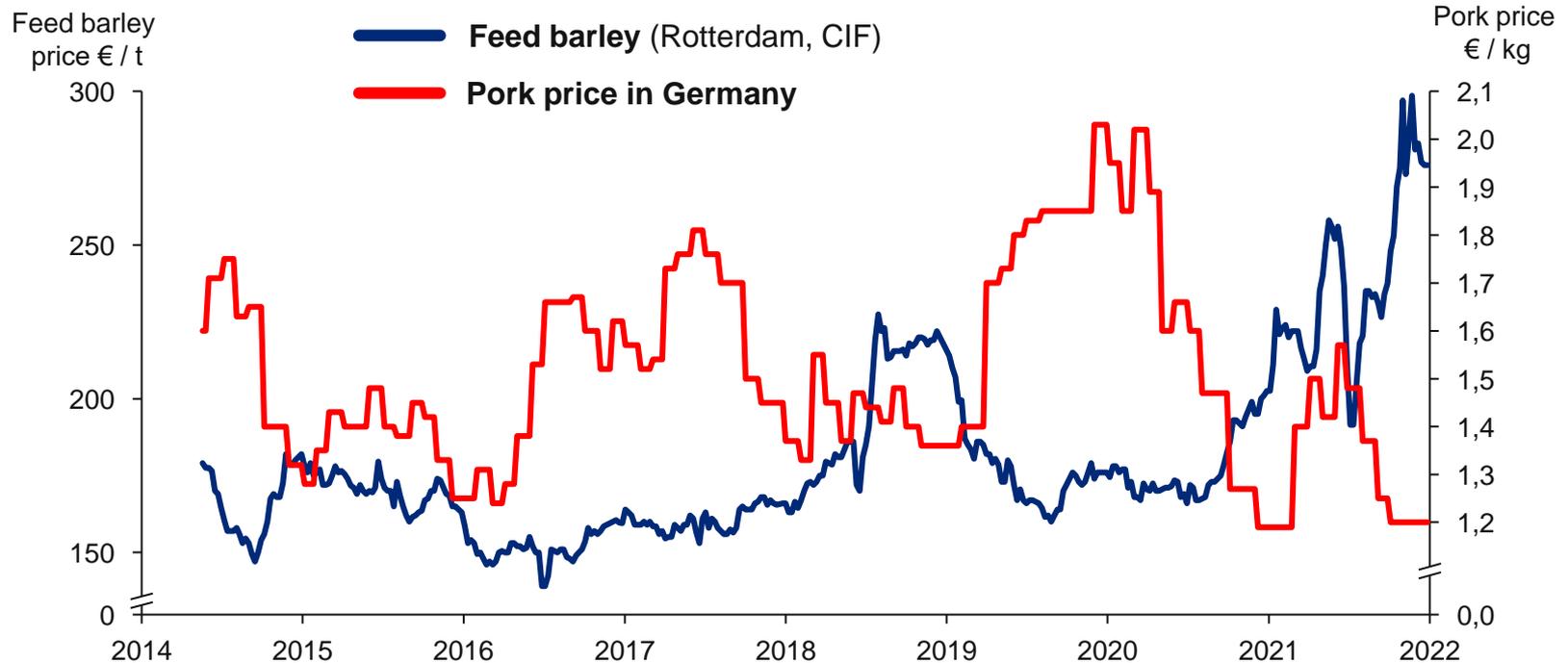
Key EBIT impacts of an exceptional market situation

Estimated direct impacts on EBIT in 2021, M€



Feed barley & pig price development in 2014 - 2021

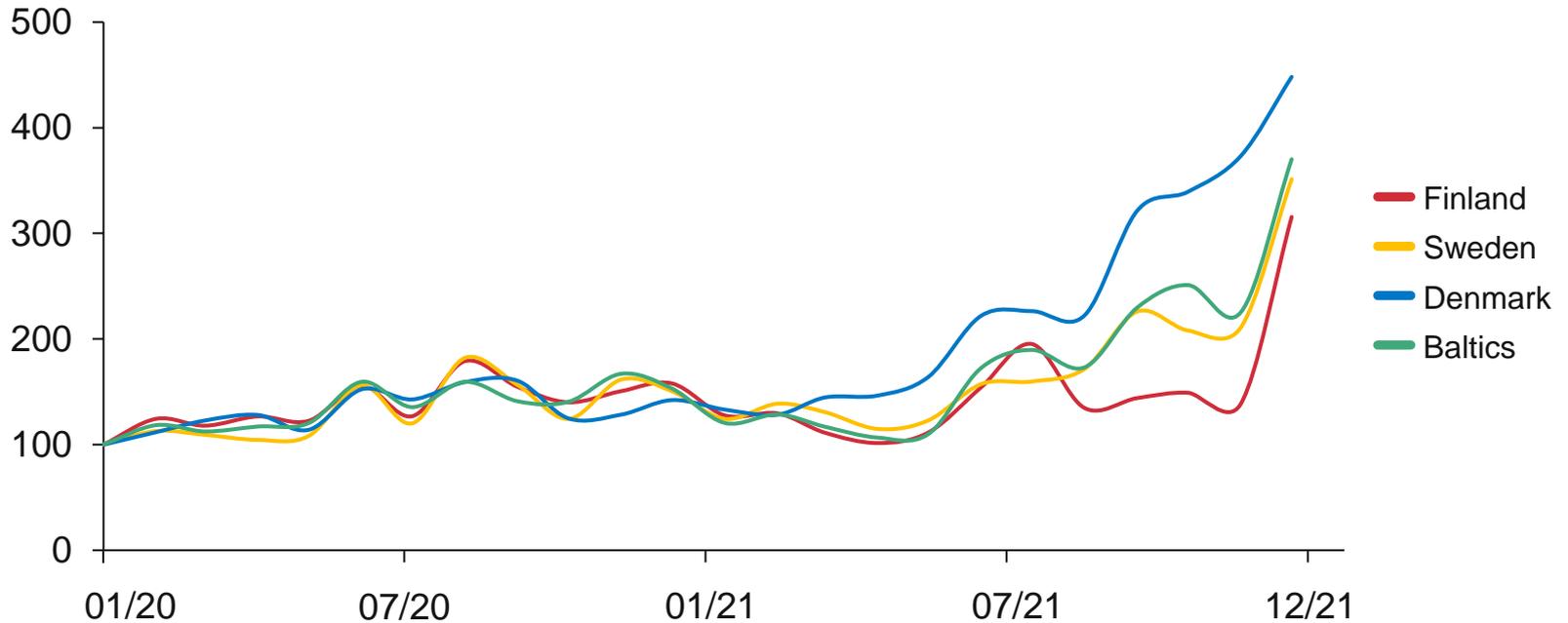
- Historically exceptional market situation



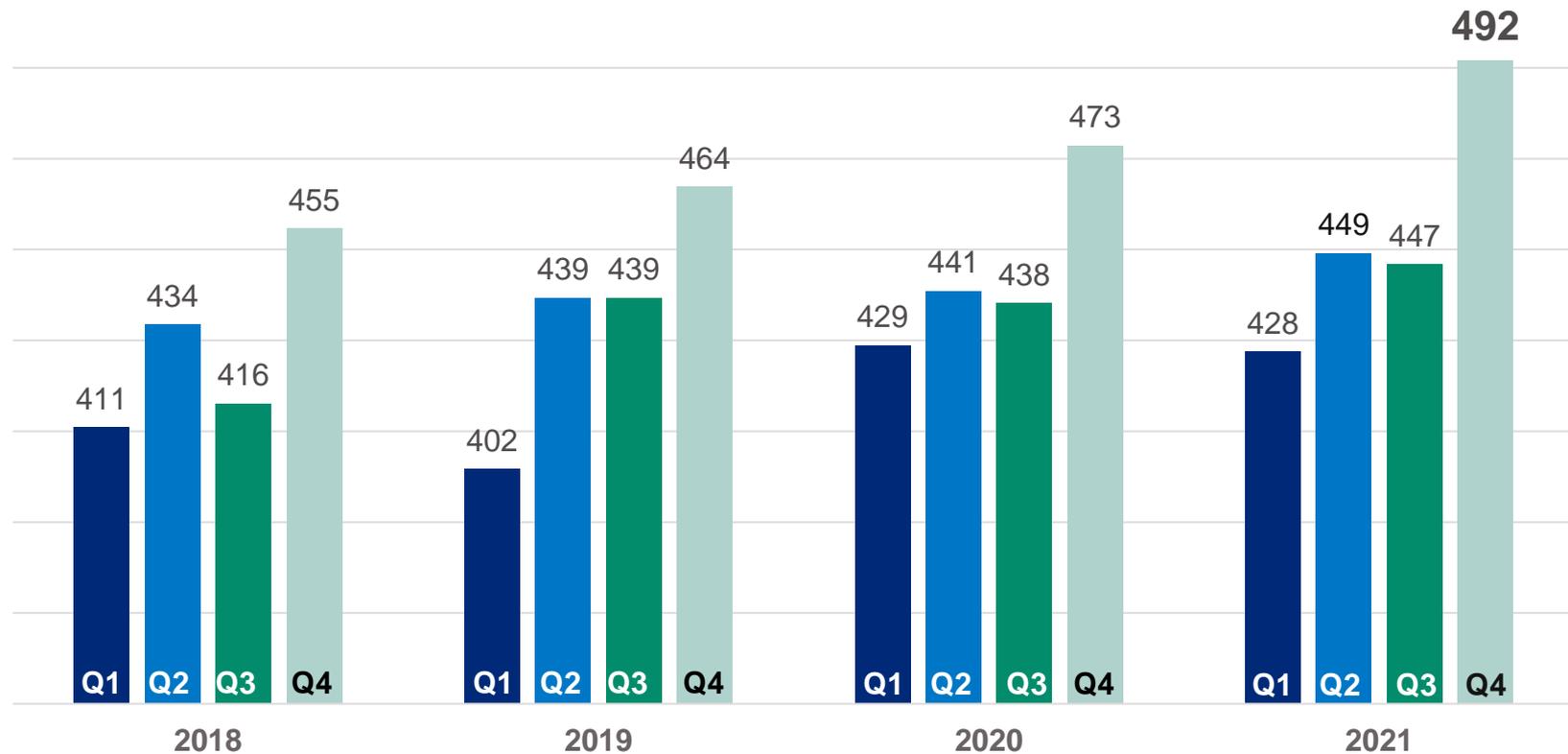
Source: European Commission – Cereal statistics and Pig333.com
Note: Price in NL – Rotterdam – CIF (Cost, Insurance and Freight – Incoterm)

Electricity price development 2020 - 2021

Electricity price index,
1 Jan 2020 = 100

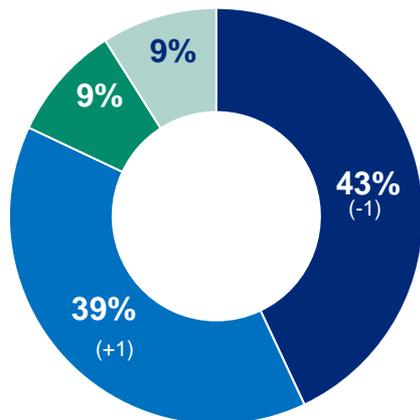


Quarterly net sales, M€



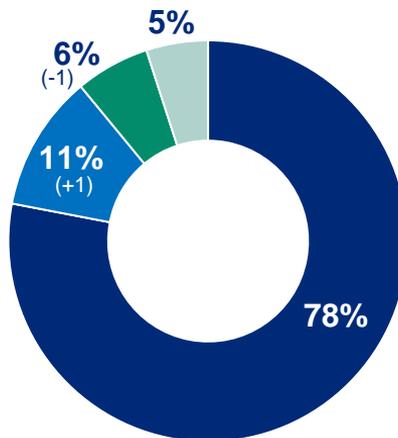
Net sales breakdown 2021

Markets



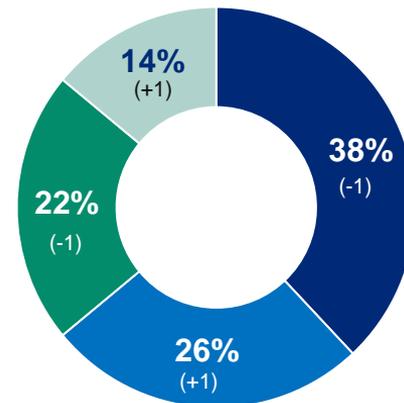
- Finland
- Sweden, incl. Poland
- Baltics
- Denmark

Sales channels



- Retail
- Food service
- Industry
- Export

Categories



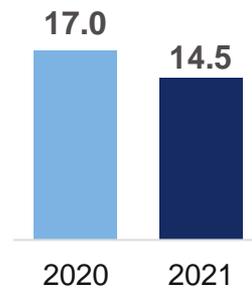
- Beef and pork
- Charcuterie, sausages and bacons
- Poultry
- Meals and meal components

Changes in percentage points vs. 2020 in parantheses

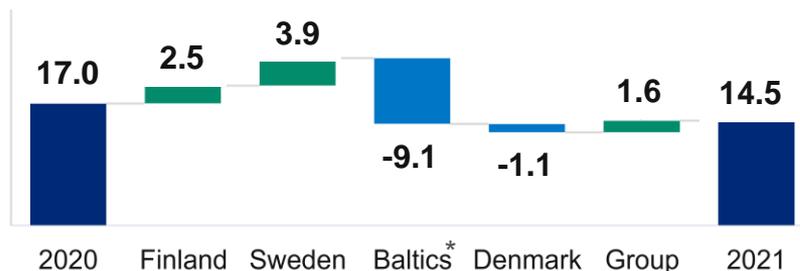
2021: Profit improvement continued in Finland and Sweden

- Full-year profit development twofold, reasons were clear
- Profit improvement continued in Finland and Sweden
 - sales grew in branded products
 - added value of products increased
- Denmark's comparable EBIT weakened
 - strategic shift to fresh and ready-to-eat poultry products proceeded well
- In the Baltics, EBIT was significantly weakened
 - pork overproduction in Europe decreased market prices directly and indirectly
 - simultaneous significant rise in feed and energy prices increased costs

Comparable EBIT, M€

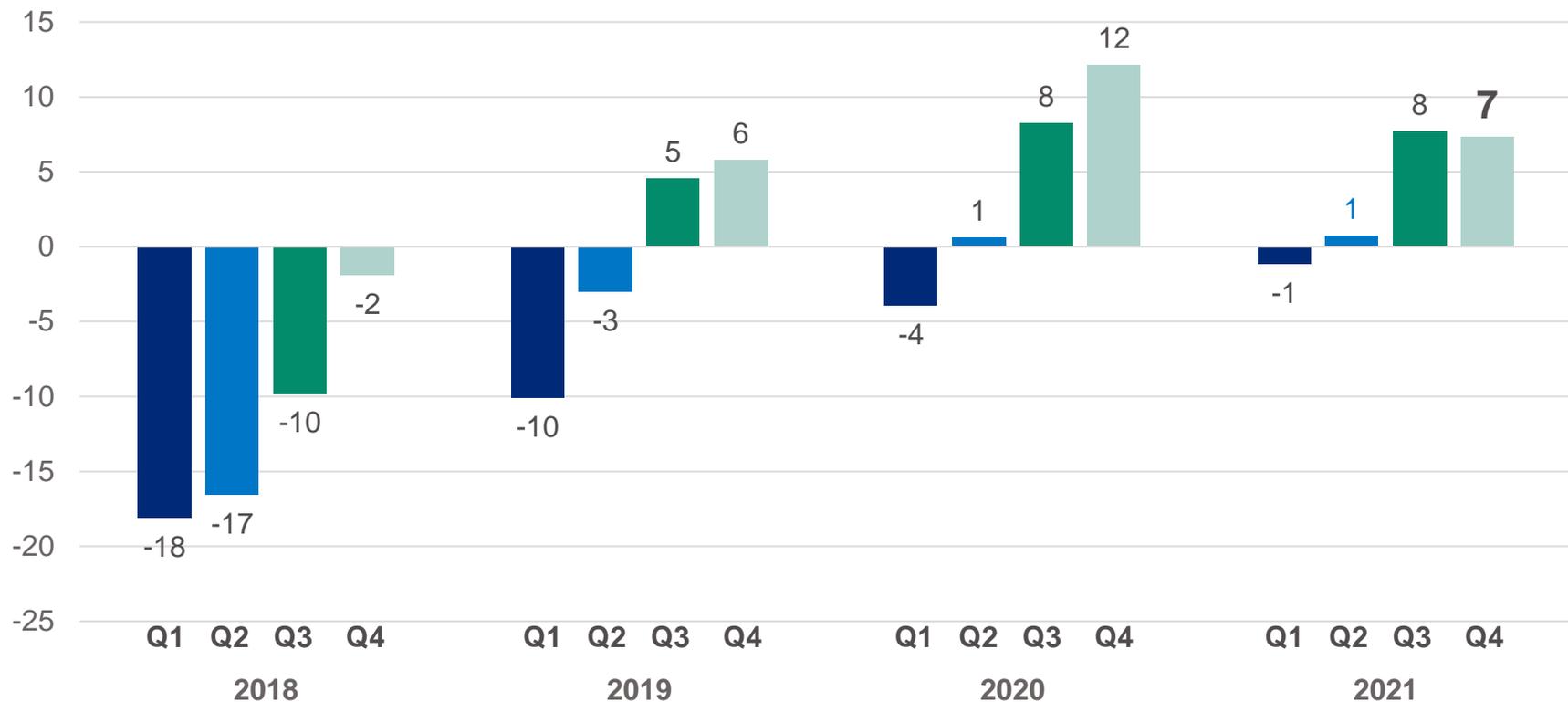


Change of Comparable EBIT, M€

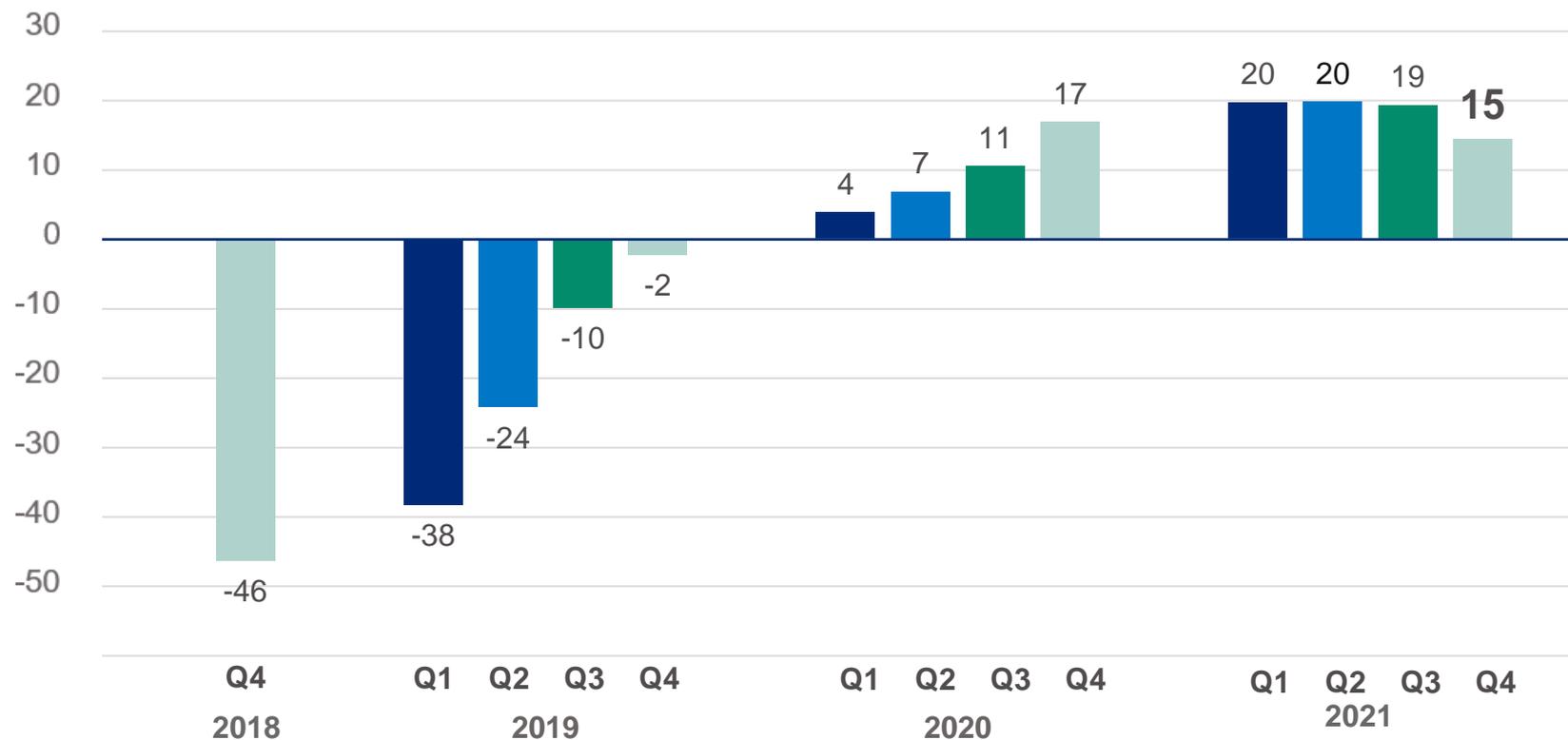


*Change of Comparable EBIT excluding biological asset revaluation -10.9 M€

Quarterly comparable EBIT 2018–2021, M€



Comparable EBIT rolling 12 months, M€



Outlook for 2022

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

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



HKScan – key figures

(EUR million)	Q4/2021	Q4/2020	2021	2020
Net sales	491.6	472.9	1 815.3	1 781.0
EBITDA	23.6	25.0	78.1	78.1
EBIT	7.6	17.5	17.9	21.3
- EBIT margin, %	1.5	3.7	1.0	1.2
Comparable EBIT	7.3	12.1	14.5	17.0
- EBIT margin, %	1.5	2.6	0.8	1.0
Profit for the period	0.8	11.2	-1.2	4.8
EPS, EUR	-0.01	0.09	-0.06	-0.01
Comparable EPS, EUR	-0.01	0.04	-0.10	-0.05

HKScan – key figures

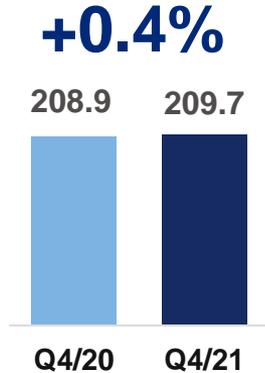
(EUR million)	Q4/2021	Q4/2020	2021	2020
Cash flow from operating activities	42.1	40.5	54.6	63.7
Cash flow after investing activities	21.2	26.5	81.2*	-21.4*
Return on capital employed (ROCE) before taxes, %			3.6	3.9
Interest-bearing net debt			314.5	299.6
Net gearing, %			95.2	91.0
Equity			330.3	329.1

* 1-12/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

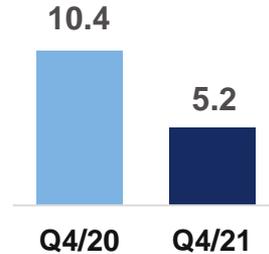
1-12/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

Finland Q4/2021: Significant cost increases weakened EBIT

Net sales, M€



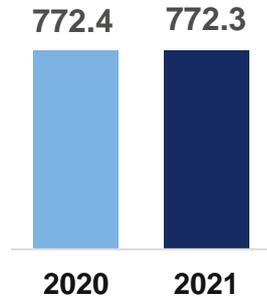
Comparable EBIT, M€



- Clear sales growth in strategically important products with higher added value, such as meal components and processed meat products
- EBIT clearly weakened by the rapid and considerable increase in the prices of energy and other production inputs
- It was not possible to pass on cost increases to sales prices in the middle of the contract period

Finland 2021: Profit improvement continued

Net sales, M€



Comparable EBIT, M€



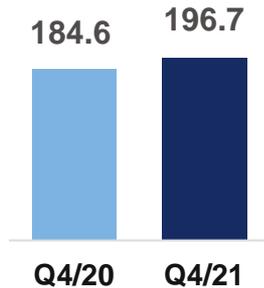
- Growth in retail sales of meals and meal components decreased the need for more cyclical exports
- Strong growth in meal sales boosted by good sales development of Mäkitalo's ready-to-eat salads and Via meals
- EBIT was improved by increased retail sales of products with higher added value, increased food service sales and improved operational efficiency
- EBIT was clearly weakened by rapid and considerable price increases in energy and other production inputs



Sweden Q4/2021: Sales growth improved EBIT

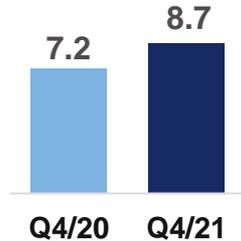
Net sales, M€

+6.6%



Comparable EBIT, M€

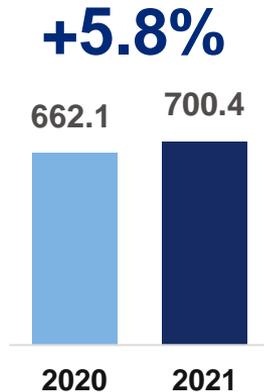
+1.5 M€



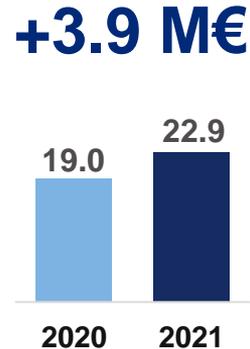
- Retail sales of Scan products and food service sales continued to grow
- EBIT strengthened by commercial improvements in locally produced beef, growth in food service sales and enhanced operational efficiency
- EBIT weakened by rapid and considerable increases in energy and other production input prices
- Cooperation agreement with Gårdsfisk and expansion into fish products

Sweden 2021: Profit improvement continued

Net sales, M€



Comparable EBIT, M€

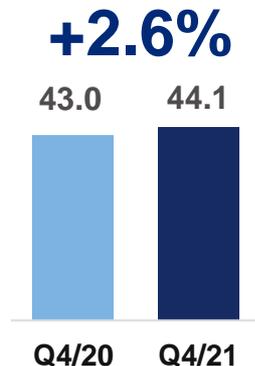


- Retail sales growth continued in the Scan branded products
- Food service sales increased with removal of restrictions
- EBIT strengthened by commercial improvements in locally produced beef, growth in food service sales and enhanced operational efficiency
- Increased visibility for Scan brand through new sales channels and new concepts
- Commercial organisation renewed to support strategic growth



Baltics Q4/2021: Poor harvest season intensified the exceptional market situation towards the end of the year

Net sales, M€



Comparable EBIT, M€
excluding change of biological
asset revaluation

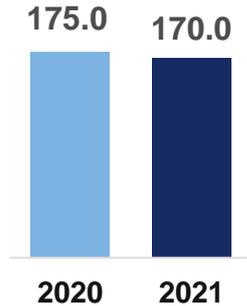


- Net sales increased by sales growth in poultry products and food service
- Low market prices of pork continued to push down sales prices, reducing net sales
- Comparable EBIT clearly weakened by low market prices of pork and exceptionally high feed and energy price increases in the integrated production chain

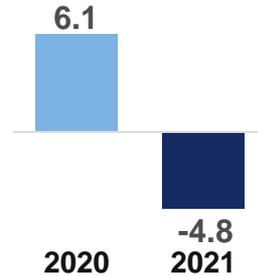


Baltics Q4/2021: EBIT clearly weakened in the exceptional market situation

Net sales, M€



Comparable EBIT, M€
excluding change of biological
asset revaluation

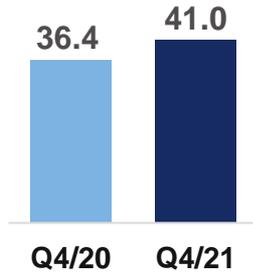


- Net sales clearly down due to lower pork prices and volume, especially in industrial sales
- Sales increased in Tallegg poultry products and meal components
- EBIT clearly weakened due to import price pressure resulting from overproduction of pork in Europe and defending market position
- Exceptionally high increase in feed and energy costs could not be passed on to sales prices
- The capability of our business model to respond to the exceptional market situation has been insufficient

Denmark Q4/2021: Strategic increase of added value grew net sales and strengthened EBIT

Net sales, M€

+12.8%



Comparable EBIT, M€

+1.7 M€

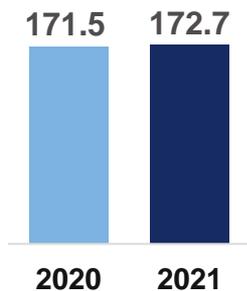


- Retail sales clearly grew in Denmark and Sweden
- Strategic shift to product categories of better profitability proceeded as planned, supporting sales growth and profitability improvement

Denmark 2021: Clear sales growth for the Rose brand

Net sales, M€

+0.7%



Comparable EBIT, M€



- Significant sales growth in ready-to-eat poultry products
- Clear retail sales growth for products of the Rose brand
- Strategic shift of the sales focus to poultry products with higher added value clearly reduced the negative impact of avian flu on EBIT



Investments in production efficiency and strategy implementation

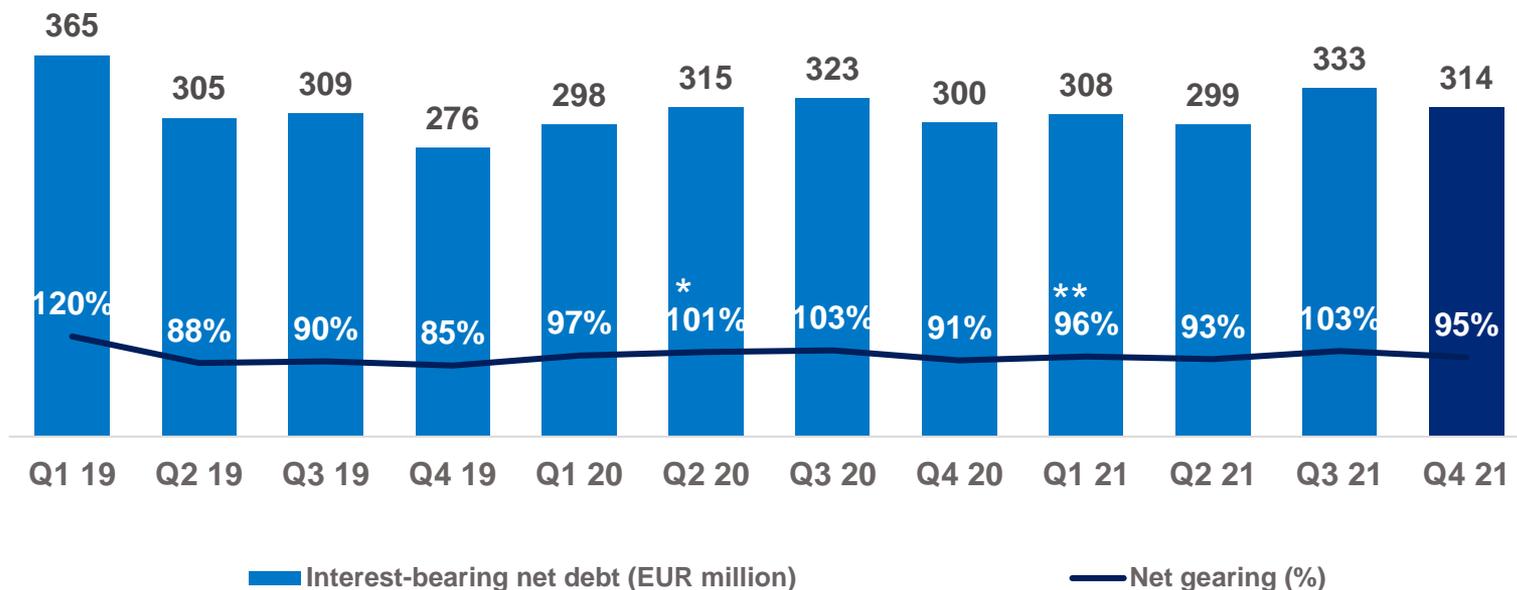
Investments, M€



- Investments in Finland and Denmark to increase the added value of poultry products and improve process productivity
- In Sweden, the allocation of production between units was clarified and efficiency improved
- Investment in packaging and slicing capacity in Poland in response to growing demand for bacon
- Exports of dumplings growing well, investment in production capacity in Latvia
- HKScan growing in meals, a kitchen making restaurant-level fresh meals completed in Vantaa
- HKScan seeking growth in snacks, a multi-purpose snacks line will be completed in Eura in summer 2022

*2020 investments without the purchase of the Vantaa plot of land (37,7 M€)

Interest-bearing net debt and net gearing

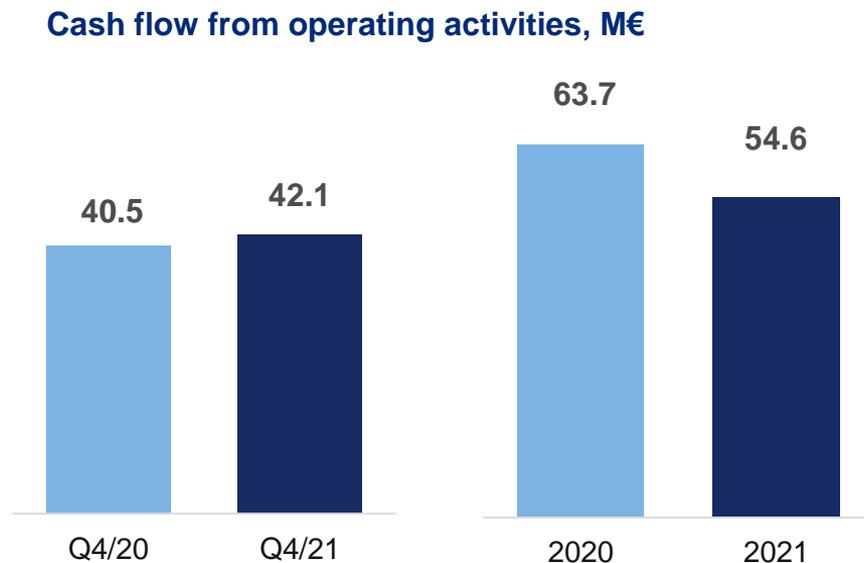


* Q2/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

**Q1/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million and the lease liability generated by the lease agreement as agreed in connection with the sale of the property.

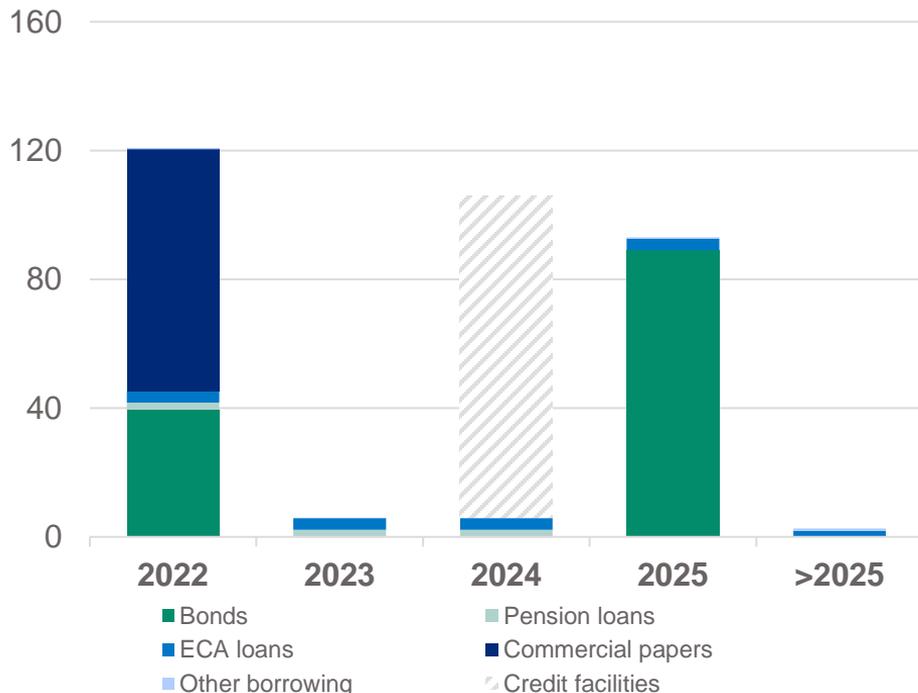
Cash flow from operating activities

- In 2021, cash flow from operating activities decreased due to the Group's weaker profit and volatility in working capital

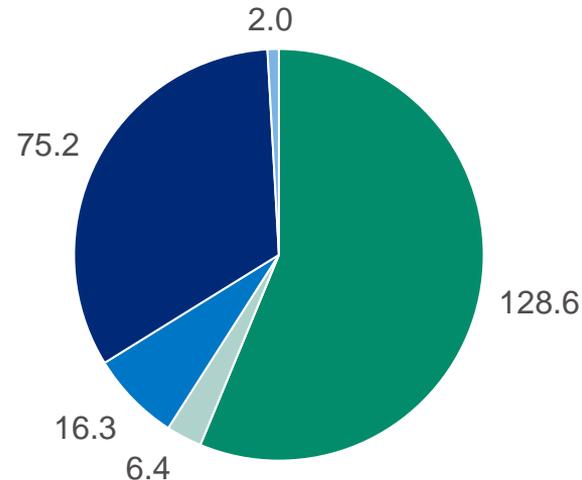


Debt profile and maturity structure as of 31 December 2021

Maturity of the Group's interest-bearing debt*,
EUR million



Interest-bearing debt by credit type,
EUR million*



Total interest-bearing debt without IFRS 16:
EUR 228.5 million

*EUR 25.9 million hybrid bond is treated as equity



Strategy

HKSCAN

After Turnaround, we will continue to strengthen our foundation

1 Turnaround

- Stabilising the business
- Balancing the finances
- Securing the continuity of financing
- Strengthening the balance sheet

2 Strengthening the foundation

- Improving the profitability of the core business and strengthening the balance sheet
- Creating consumer-driven value through commercial expertise and strong brands
- Improving production efficiency and managing cost levels
- Making use of new business opportunities within financial resources

3 Renewing into a versatile food company

- Food company transformation
- Stronger presence in changing and varied food moments, in evolving sales channels and product categories
- Scaling up partnerships in the home markets



2019

2022

2030

Strategic progress 2021

Growth in meals and snacks

- Restaurant-level fresh meals of Vietävä concept launched in Finland
- Investment decision in growth in snacks, new products in Finland in autumn 2022
- Rakvere ready meals launched in Estonia
- Sales cooperation with Maten é klar meal concept in Sweden
- Strong sales growth in Via meals

Growth in poultry products

- In Denmark, a strong focus on increasing the added value of poultry products
- Investment in Rauma poultry unit to improve productivity and strengthen competitiveness in a growing market

Expansion into new product categories and raw material bases

- Cooperation with Gårdsfisk in Sweden on fish-based products
- Partnership with Mäkitalon Maistuvat in ready-to-eat salads
- Decision to expand the Scan brand to plant-based products in Sweden

Operational efficiency

- Investments to improve efficiency and profitability
- Efficiency and flexibility through the centralisation of logistics operations in the Baltics



HKScan and Gårdsfisk partners in Sweden

- HKScan started cooperation with Swedish Gårdsfisk and acquired a minority share of slightly over 10% in Scandinavian Aquasystems in November 2021
- Locally farmed fish is a new, interesting opportunity for farms to renew their operations
- Sales of fish products sold under the Gårdsfisk brand moved to HKScan's organisation in Sweden at the beginning of 2022
- HKScan's product range in Sweden now also includes meal components made from fish



Profitability drivers

1. Capture growth in the core

- Grow organically (poultry, meals and snacks)
- Accelerate shift from ready-to-cook to ready-to-eat
- Increase presence in growing food moments i.e. snacking and on-the-go eating
- Utilize strong brands to drive value creation

2. Capture growth through new business

- Utilize new raw materials more extensively like vegetables, fish and new businesses based on these
- Possibilities to build new business models in growing new channels to meet consumers and customers needs

3. Drive value in the core business through productivity

- Improve commercial excellence in commercial processes (e.g. customer and consumer centricity, marketing, category management)
- Improve operational efficiency (e.g. productivity, supply chain, industrial structure)

4. Partnerships and taking advantage of our business platform

- Growth through partnerships by taking advantage of our commercial and industrial platform

5. Responsibility

- Increase brand equity through differentiating responsibility work
- Building responsibility as a competitive advantage in customer relations
- Building responsibility to be a differentiating strength internally and externally





Food that does good

- because we care



Nature: Zero Carbon work started across the food chain

Zero Carbon

Climate impact 2021, MtCO₂e

whole food chain, scope 1-3

2,4 (2,4)

target: carbon neutrality
by the end of 2040

own production, scope 1-2

0,058 (0,055)

target: carbon neutrality
by the end of 2025

We are committed to setting
Science Based Targets
for the climate action



People: determined work towards zero accidents

Safety First

Accident frequency 2021:
accidents at work leading to at least one
day's absence / million working hours

21.2 (21.1)

- Absences due to accidents decreased significantly as the number of more serious accidents clearly decreased



Responsible prosperity: HKScan is a responsible investment

HKScan was included in the **Nasdaq OMX Sustainability Finland** index from 1 Dec 2021

Clear improvements in independent **ESG assessments**

Top 20% international food companies*

Top 10% producers of packaged foods**

#1 HKScan the only food company in the Baltic Sea region to be on the **Europe's Climate Leaders** list of the **Financial Times**



*Sustainalytics ESG Risk Rating Report and ISS ESG Corporate Rating

** Sustainalytics ESG Risk Rating Report



HKSCAN

*We make
life tastier*

- today and tomorrow

