

# HKSCAN

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## Interim Report Q1 2021

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Tero Hemmilä, CEO  
Jyrki Paappa, CFO

6 May 2021



# Profit improvement continued for 10 consecutive quarters

- Comparable EBIT has improved for 10 consecutive quarters year on year
- Good start of the year, the market situation clearly more difficult than expected due to the pandemic and animal diseases
- Q1/2021 net sales at the comparison period level, rolling 12 months further strengthened
- **Best Q1 comparable EBIT in 6 years**
- Rolling 12-month comparable EBIT nearly EUR 20 million already

Net sales

**427.5 M€**

Cash flow from business operations

**3.3 M€**

Change +10.6 M€

Comparable EBIT

**-1.1 M€**

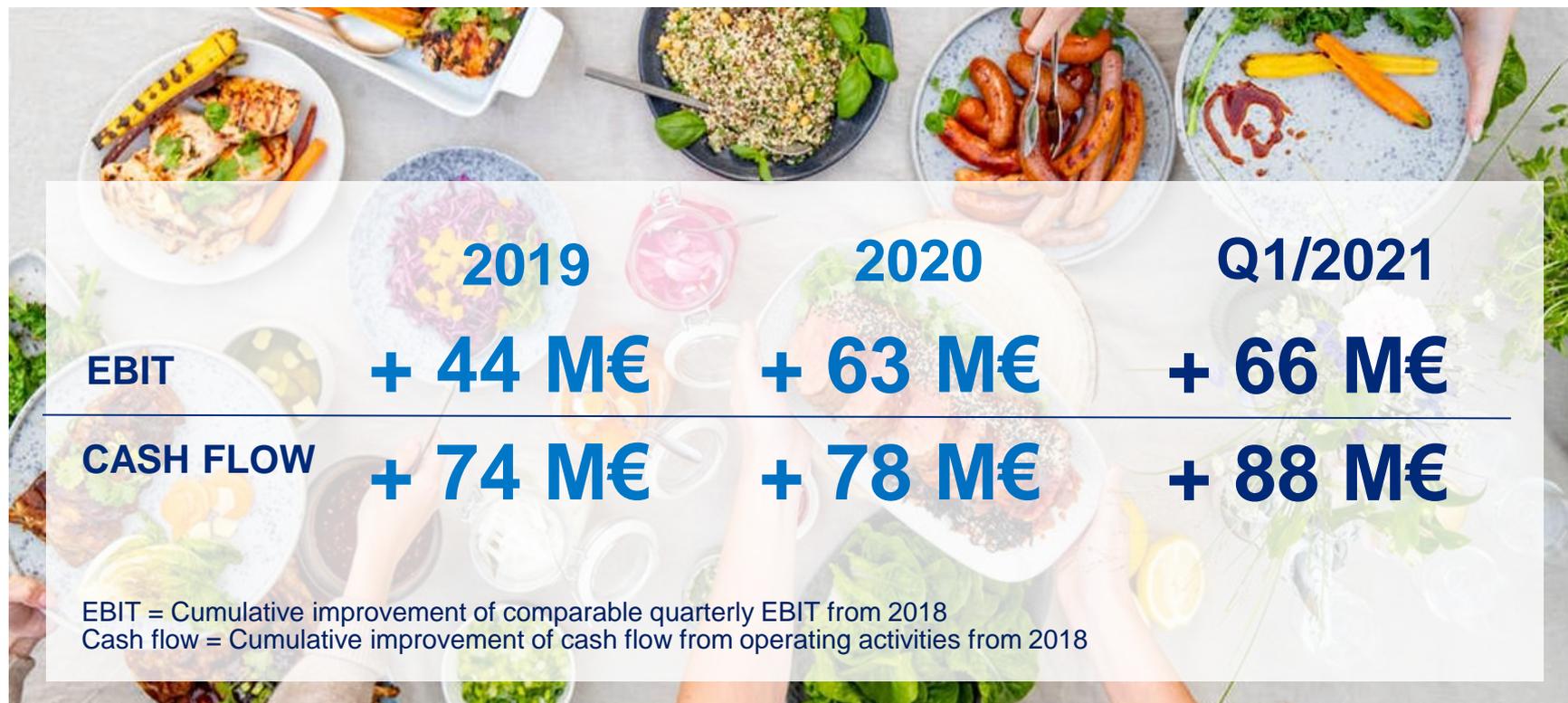
Change +2.8 M€

Net gearing

**95.6%**

Net debt 308.0 M€

# Turnaround programme is proceeding as planned



	2019	2020	Q1/2021
<b>EBIT</b>	<b>+ 44 M€</b>	<b>+ 63 M€</b>	<b>+ 66 M€</b>
<b>CASH FLOW</b>	<b>+ 74 M€</b>	<b>+ 78 M€</b>	<b>+ 88 M€</b>

EBIT = Cumulative improvement of comparable quarterly EBIT from 2018  
Cash flow = Cumulative improvement of cash flow from operating activities from 2018

# A significant investment for Rauma and long-term financing for the company

- 6 M€ investment launched to improve the production process of Rauma poultry unit
  - The investment allows us to focus on taking advantage of the market potential of poultry products
- The extension of financing and expansion of financing base contribute to the company's strategy implementation
  - The sale of land and buildings of Vantaa property
    - The lease allows continuity and development in Vantaa for the next 20 years
  - A new unsecured 4-year bond of 90 M€



# Covid-19 pandemic slowed down the profit improvement

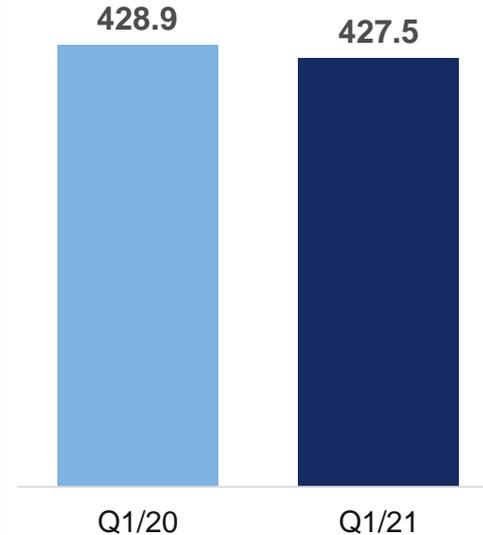
- More than a year in exceptional circumstances without significant disruptions to operations
- Q1/2021 the pandemic situation difficult in the home markets
- The focus is to protect the health and safety of personnel and to ensure customer satisfaction and deliveries
- Service level has been good throughout the pandemic



# Net sales Q1/2021: Continued sales growth for the brands

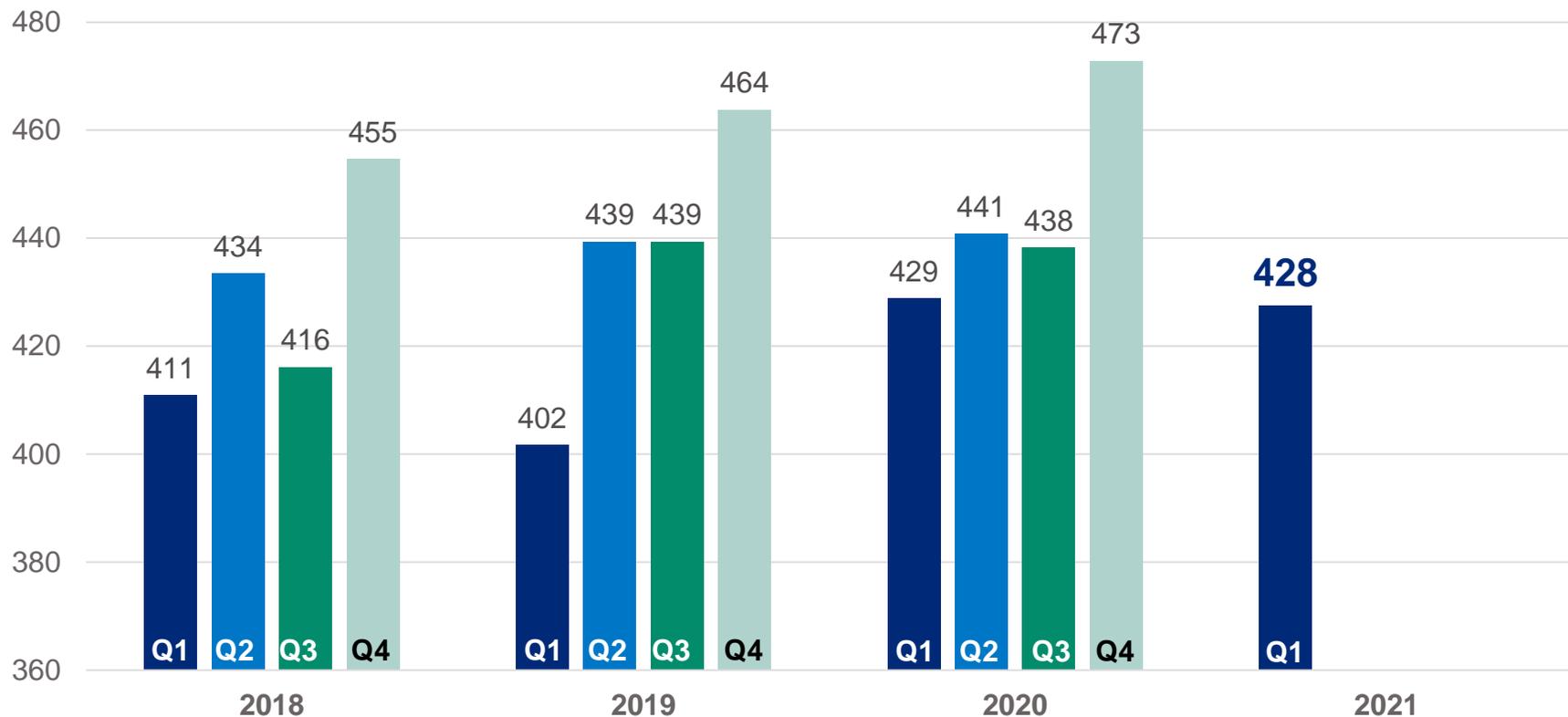
- Strong growth continued in retail sales of the branded products
  - Clear sales increase in meat products and meal components
- Food service sales decreased significantly due to the pandemic
  - The decline is levelling off at the end of Q1/2021
- We built added value for our raw material base in our home markets and reduced the need for exports to balance the use of our raw material base

Net sales, M€



**Rolling 12-month net sales further strengthened**

# Quarterly net sales 2018–2021, M€



# Comparable EBIT Q1/2021: Best in six years

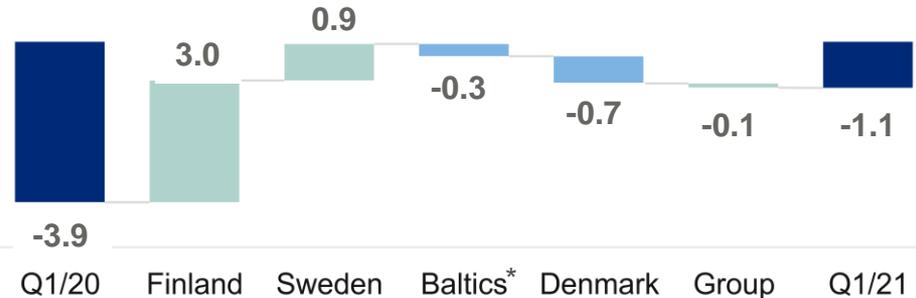
- Turnaround programme progressed commercially and operationally
- Finland and Sweden clear profit improvers
- In Denmark, the strategy to increase added value progressed, but still continuing avian flu restricted exports throughout the industry from Denmark to non-EU countries
- In Baltics, production volume lower than planned and costs higher due to the difficult pandemic situation. Low market price of pork in Europe caused price pressure.

EBIT, M€



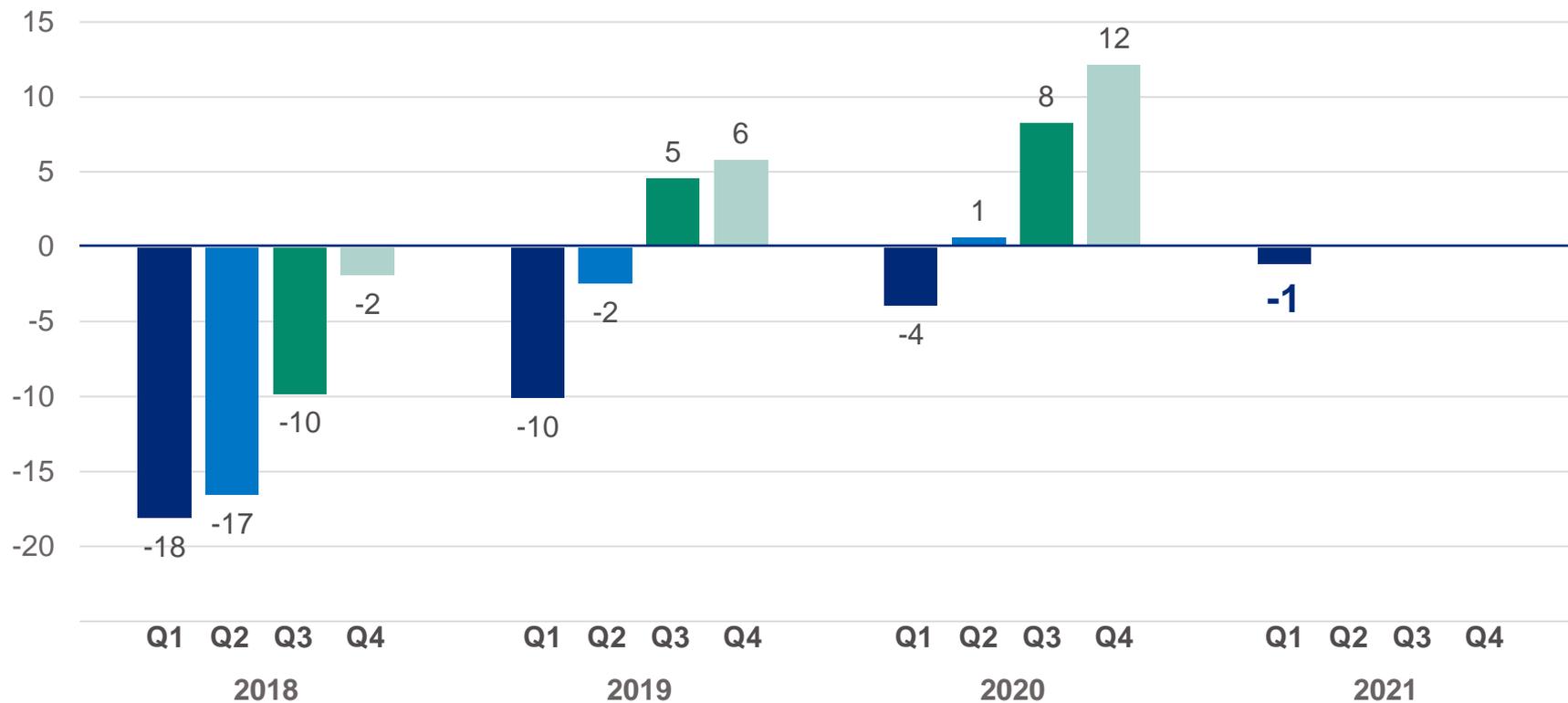
**+2.8 M€**

Change of EBIT, M€

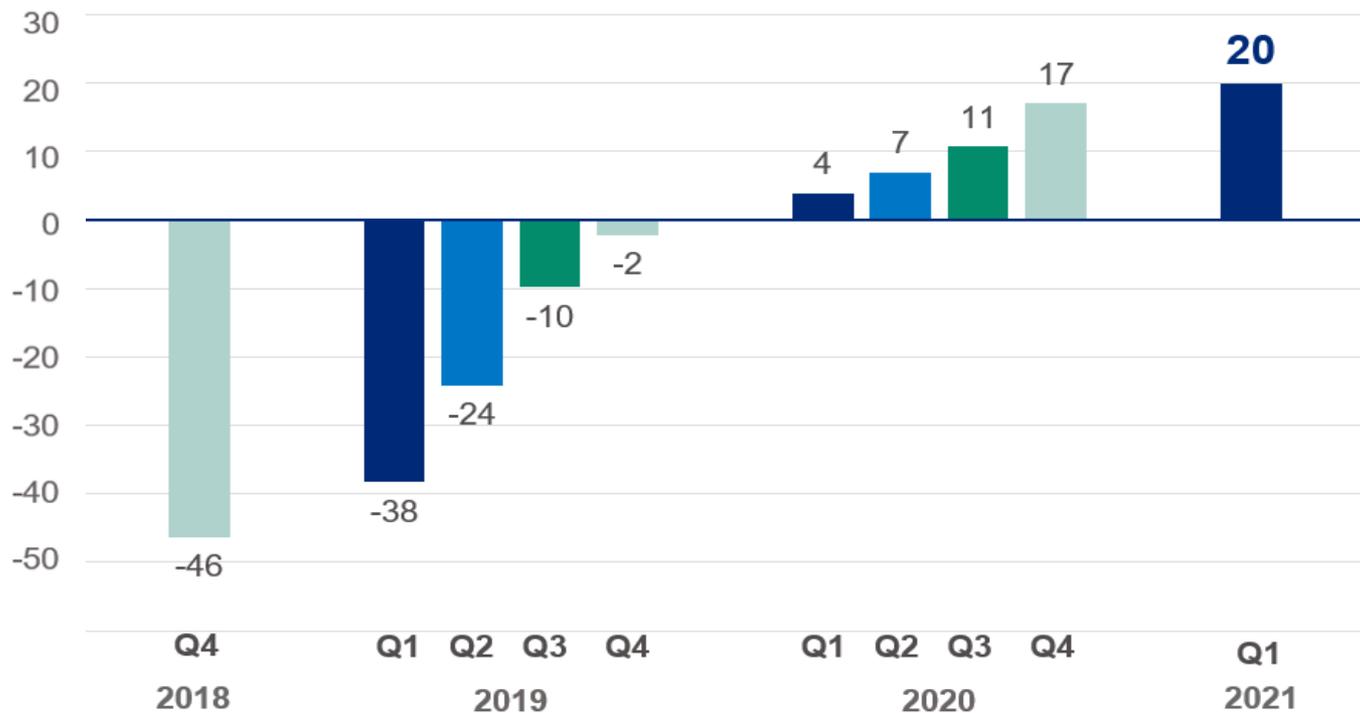


\*Change of EBIT excluding biological asset revaluation -1.2 M€

# Quarterly comparable EBIT 2018–2021, M€

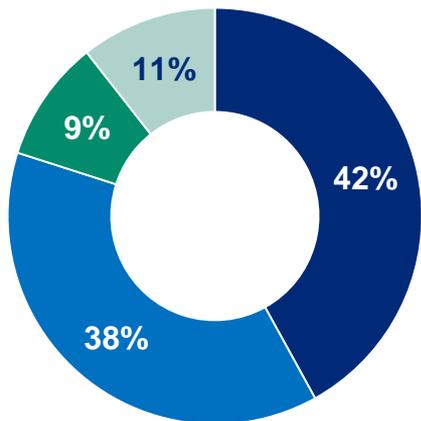


# Comparable EBIT rolling 12 months, M€



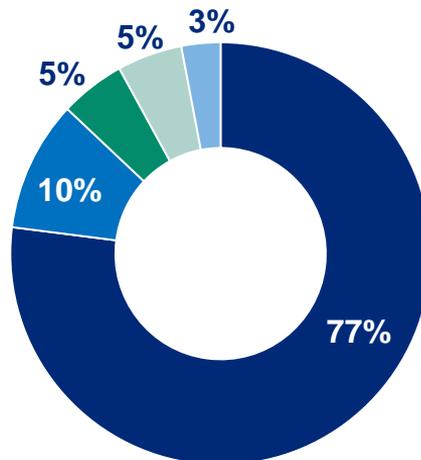
# Q1/2021 net sales breakdown

## Markets



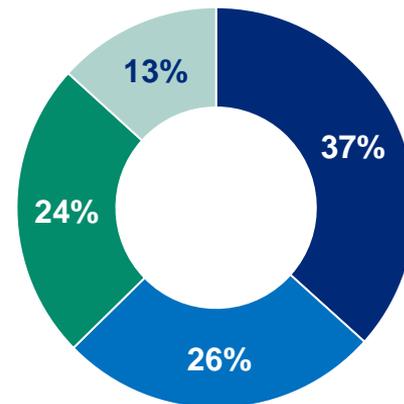
- Finland
- Sweden, incl. Poland
- Baltics
- Denmark

## Sales channels



- Retail
- Food service
- Industry
- Export
- Other

## Categories

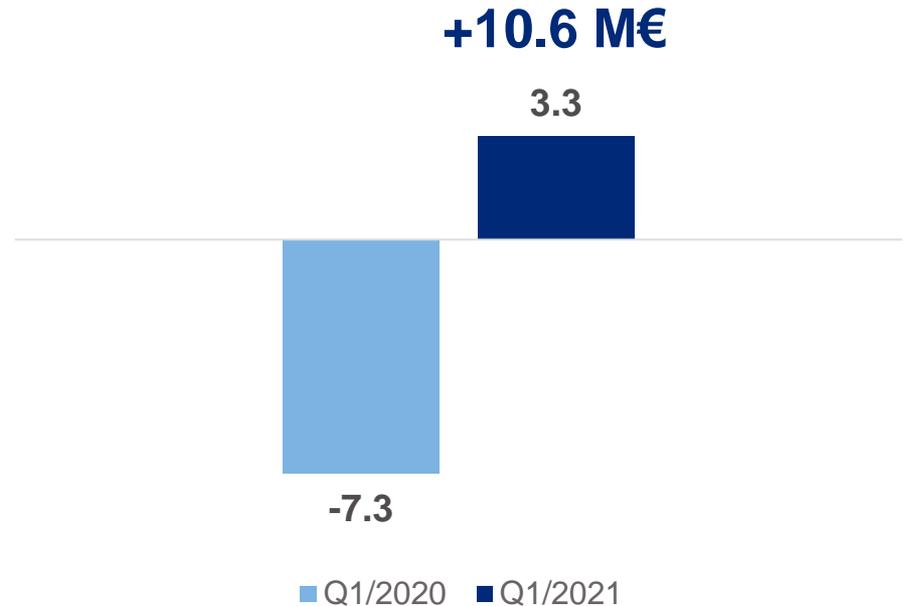


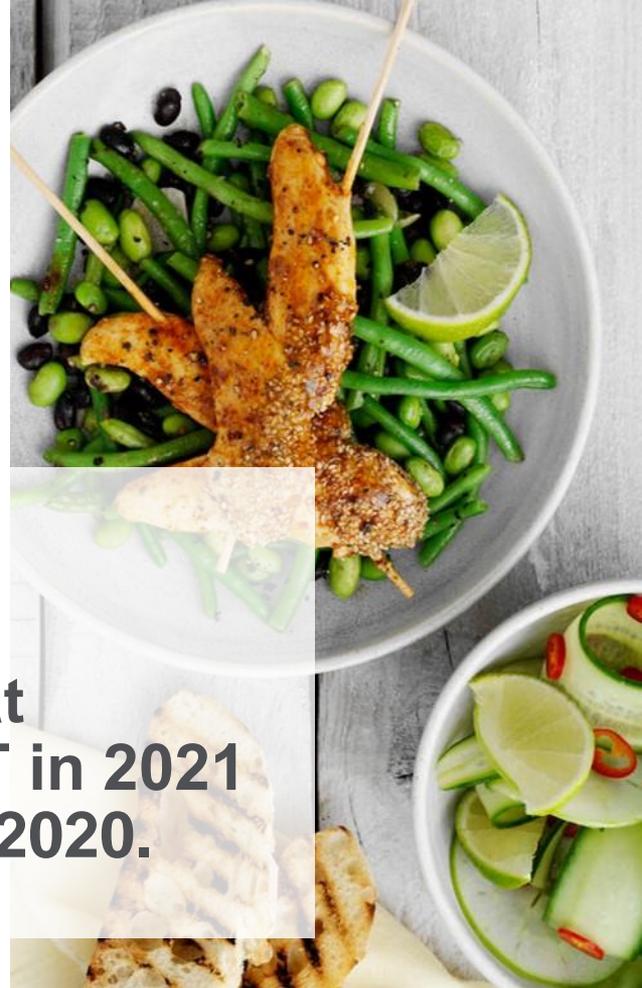
- Beef and pork
- Charcuterie, sausages and bacons
- Poultry
- Meals and meal components

# HKScan 2020 – Positive cash flow

- Working capital tied up less than before
- Growth in seasonal inventories clearly lower than before compared to the comparison period
- Accounts payable increased slightly from the turn of the year while they clearly decreased in the comparison period

Cash flow from operating activities, EUR million





## Outlook 2021

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**HKScan estimates that the Group's comparable EBIT in 2021 will improve compared to 2020.**

## HKScan – key figures

(EUR million)	1-3/2021	1-3/2020	2020
Net sales	427.5	428.9	1 781.0
EBITDA	14.7	12.7	78.1
EBIT	-1.1	-3.9	21.3
- EBIT margin, %	-0.3	-0.9	1.2
Comparable EBIT	-1.1	-3.9	17.0
- EBIT margin, %	-0.3	-0.9	1.0
Profit for the period	-6.2	-6.9	4.8
EPS, EUR	-0.07	-0.08	-0.01
Comparable EPS, EUR	-0.07	-0.08	-0.05

# HKScan – key figures

(EUR million)	1-3/2021	1-3/2020	2020
Cash flow from operating activities	3.3	-7.3	63.7
Cash flow after investing activities	69.6*	-18.6	-21.4**
Return on capital employed (ROCE) before taxes, %	4.3	-1.4	3.9
Interest-bearing net debt	308.0***	298.0	299.6
Net gearing, %	95.6	96.8	91.0

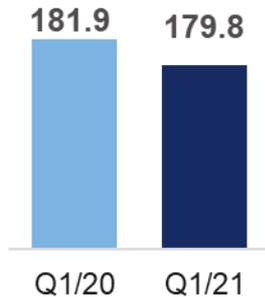
\* Q1/2021 includes sale of Vantaa property (land and buildings) with EUR 76.1 million and a lease liability in accordance with IFRS.

\*\* Year 2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

\*\*\* Includes the lease liabilities of the Vantaa property transaction and the extension of the logistics centre lease in Sweden.

# Finland Q1/2021: Sales growth in branded products

Net sales, M€



EBIT, M€

**+3.0 M€**



- The net sales increased in products with more added value such as meal components, meat products and meals
- Food service sales were significantly down from the comparison period due to the pandemic
- EBIT was improved by the clear retail sales growth in our own branded products



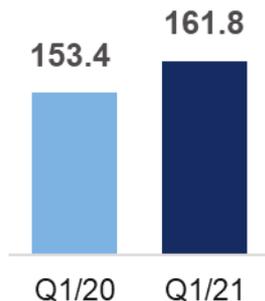
# Our product range developing in line with the strategy



# Sweden Q1/2021: Clear growth in retail sales

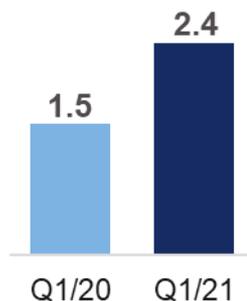
Net sales, M€

**+5.5%**



EBIT, M€

**+0.9 M€**



- Net sales were at the comparison period level in local currency
- Retail sales of products sold under the Scan brand increased clearly
- Food service sales decreased clearly due to the pandemic
- EBIT strengthened by commercial improvements and more efficient production

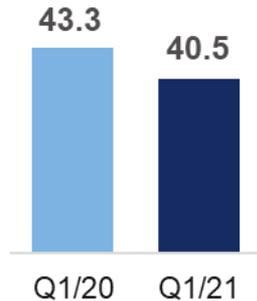


# Our product range developing in line with the strategy



# Baltics Q1/2021: Branded products held their position in a challenging market situation

Net sales, M€



EBIT, M€

excluding change of biological asset revaluation

**-1.2 M€**



- Net sales decrease resulted from the low market price of pork, especially in industrial sales and food service
- EBIT was weakened by the lower-than-planned production volume and increased production costs due to the difficult pandemic situation
- Sales of consumer products to Central Europe increased, but the impact on net sales was minor

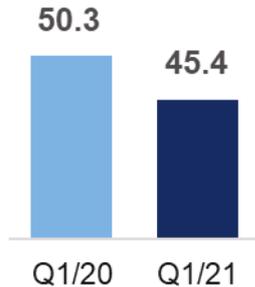


# Our product range developing in line with the strategy



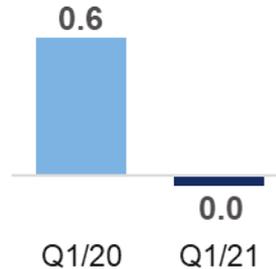
# Denmark Q1/2021: Sales growth in value-added products

Net sales, M€



EBIT, M€

**-0.6 M€**



- Continued industry-wide restrictions on exports to non-EU countries due to the cases of avian flu detected in Denmark
- Shift to fresh and cooked poultry products in line with the strategy progressed
- Clear increase in retail sales of our own branded products
- Food service sales decreased significantly due to the pandemic



# Our product range developing in line with the strategy



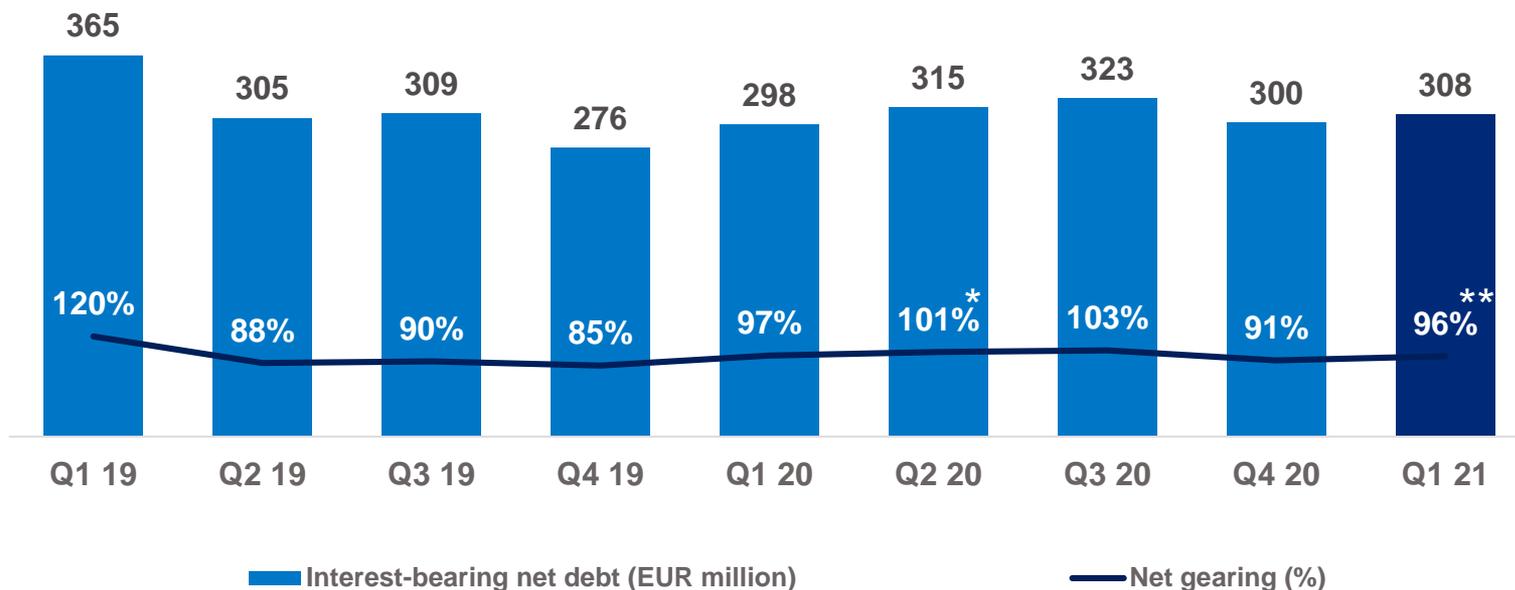
# Investments accelerating efficiency and strategy implementation

## Group investments, EUR million



- Q1/2021 realised investments focused on the strategic investments in the poultry business in Finland and Denmark
  - In Finland, the Rauma poultry unit's investment in the beginning of the production process successfully taken into use
  - In Denmark, investments advance the shift to fresh and cooked poultry products with more added value
- In Sweden, investments in efficiency improvements

## Interest-bearing net debt and net gearing

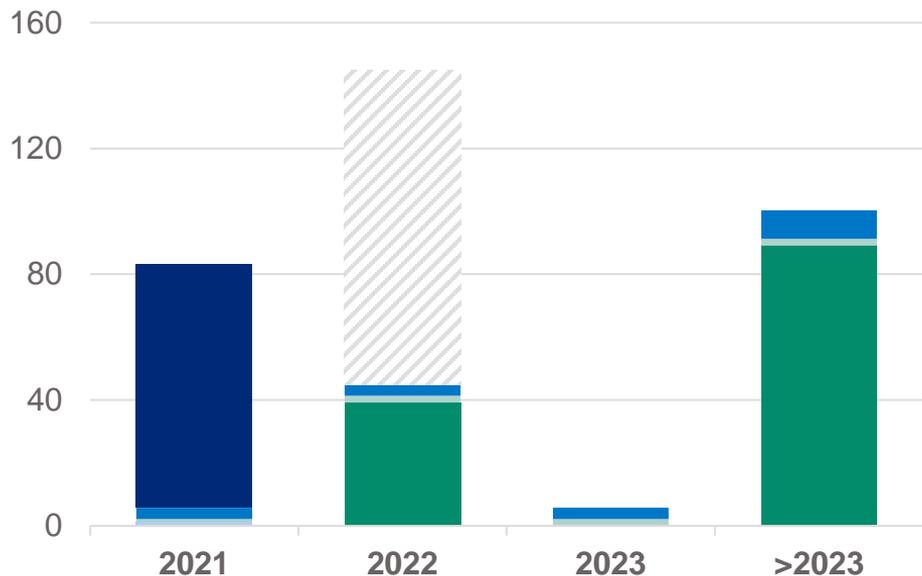


\* Q2/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

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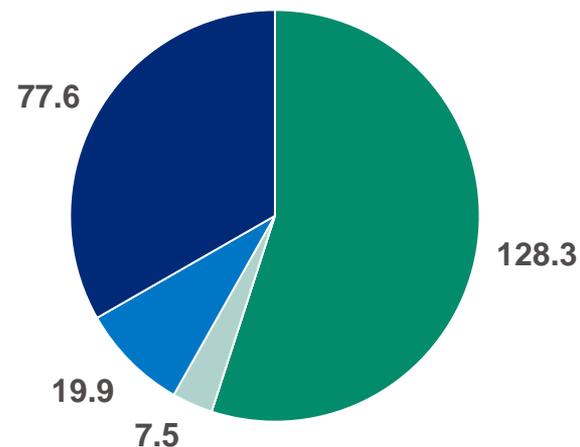
# Debt profile and maturity structure as of 31 March 2021

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



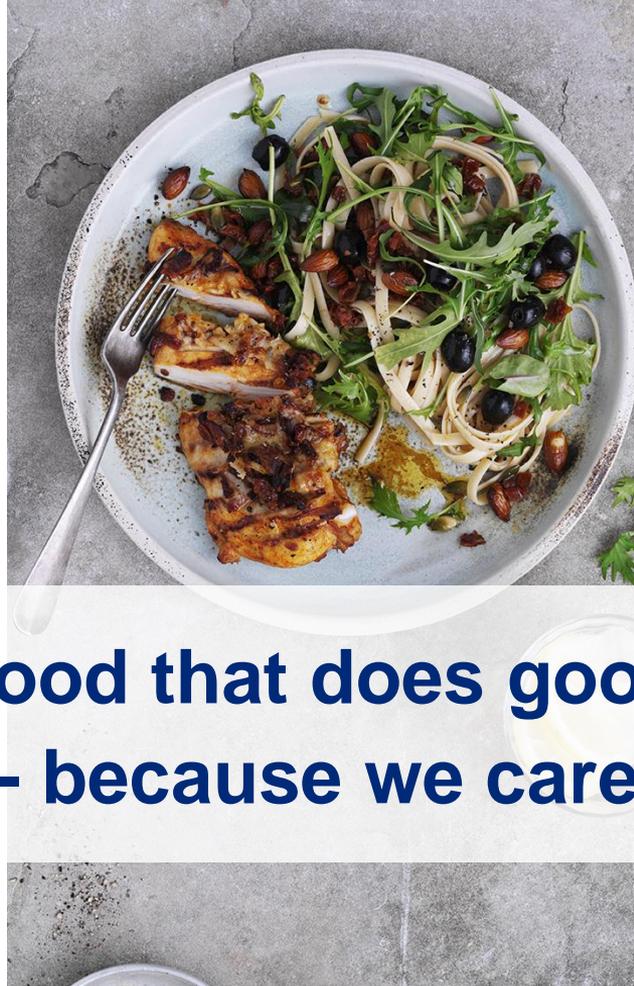
■ Bonds ■ Pension loans ■ ECA loans  
■ Commercial papers ■ Credit facilities

**Interest-bearing debt by credit type,  
EUR million\***



**Total interest-bearing debt without IFRS 16:  
EUR 235.5 million**

\*EUR 26 million hybrid bond is treated as equity



**Food that does good  
- because we care**

HKSCAN

# Food that does good

- because we care



# People: corporate responsibility work results



**Next Generation**  
training programme  
ensures the continuity  
of local meat  
contract production  
in Finland and  
Sweden

44 (38) %\*\*  
of our new products  
with increased  
nutritional value

## *Safety First*

Lost time accidents decreased  
for the third year in a row  
now 22.4 (23.3) / million working hours\*

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## *Better Together*

- Development plans drawn up based on the personnel survey
- Absences 6.2 (6.1) %\*
- Personnel's willingness to promote HKScan as an employer (eNPS) 5/10

\* Rolling 12 months 4/2020 - 3/2021, comparison figure 4/2019 - 3/2020

\*\* Status in 2020, comparison year 2019

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# Food that does good

- because we care



# Nature: corporate responsibility work results

## Zero Carbon

**-57%** climate emissions from own production 2020  
target: carbon neutrality 2025

**100%** renewable electricity

We'll set Science Based Targets for climate actions

**Water usage** 6.57 (6.59) m<sup>3</sup>/ sold product tonne  
target 2030: -25%

**70%** recyclable packages  
target 2025: 100%

**-7%** packaging plastic  
target 2025: -20%

We started climate trainings for farmers

We optimise the use of nutrients and examine carbon sequestration in the pilot farms

We utilise artificial intelligence and cameras to promote animal welfare in Kariniemen chain

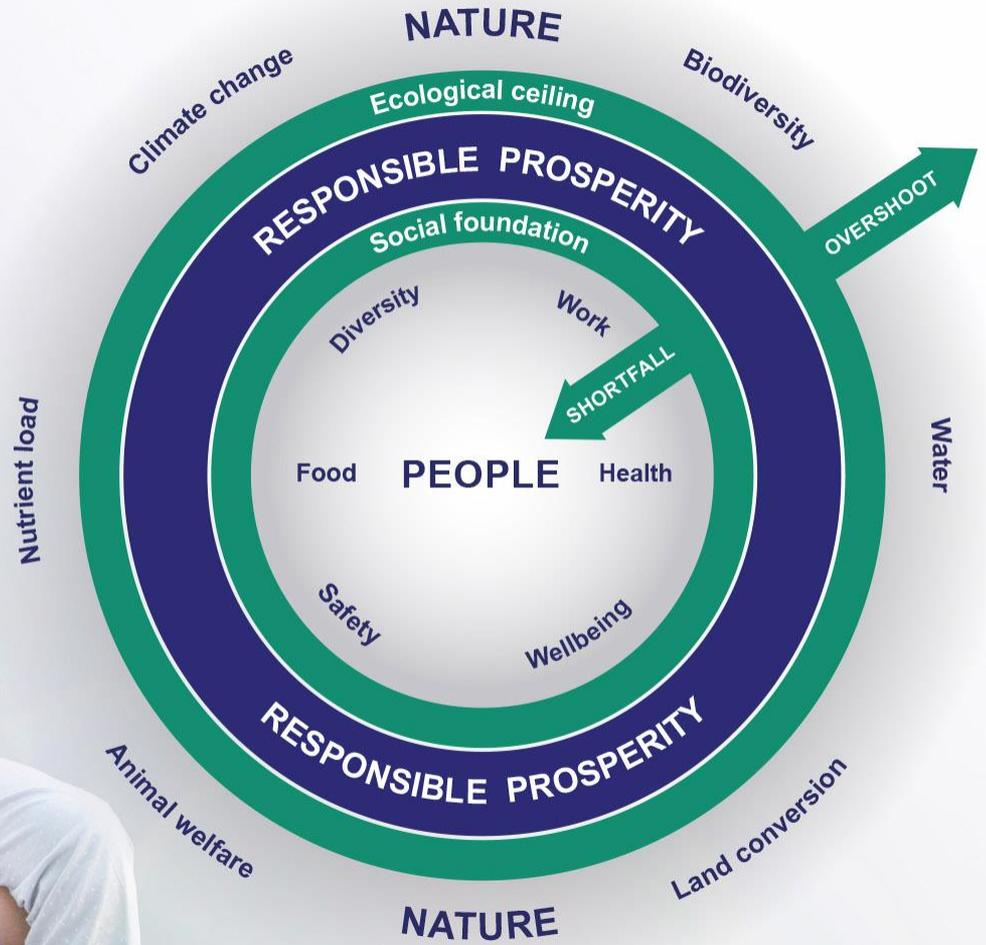


All figures from 2020, excluding water usage for Q1/2021 and comparison period Q1/2020

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# Food that does good

- because we care



# Responsible prosperity: results

## TURNAROUND PROGRAMME 2019 - Q1/2021

**+66 M€** cumulative improvement of  
comparable EBIT

**+88 M€** cumulative improvement of  
cash flow from operations

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## ECONOMIC VALUE FOR THE SOCIETY 2020

**316 M€** salaries and remunerations  
incl. social costs

**1461 M€** purchases from farmers and  
other suppliers

**1 M€** income taxes

## Q1/2021: BEST FIRST QUARTER RESULT IN SIX YEARS

Net sales

**427.5 M€**

Cash flow  
from operations

**3.3 M€**

Change +10.6 M€

Comparable EBIT

**-1.1 M€**

Change +2.8 M€

Net gearing

**95.6 %**

Net debt 308.0 M€

# Food company for the future



## PEOPLE

- varied and healthy food
- thriving farmer community
- employee wellbeing
- safe work environment



## RESPONSIBLE PROSPERITY

- profitable business
- responsible ownership
- prosperous society



## NATURE

- carbon-neutral food chain 2040
- natural water resources
- environmentally friendly packaging
- animal welfare
- bio-diversity

**HKSCAN**

*Food that does good*

- because we care

# We support the world's largest responsibility initiative

We are committed to  
the UN Global Compact

**WE SUPPORT**



We promote the UN Sustainable  
Development Goals

**SUSTAINABLE DEVELOPMENT GOALS**



# HKScan is a Nasdaq ESG partner

HKScan was certified as a Nasdaq ESG Transparency Partner in recognition of its

- transparent corporate responsibility reporting
- commitment to ambitious environmental goals



**HKSCAN**

*Food that does good*

- because we care



HKSCAN  
*We make  
life tastier*  
- today and tomorrow

