

HKSCAN

Half Year Financial Report 2021

Tero Hemmilä, CEO
Jyrki Paappa, CFO

16 July 2021



Q2/2021: Finland and Sweden improved, EBIT weakened in Denmark and the Baltics

- EBIT 3.7 (0.1) M€
- In Finland, strategic investment decisions in growing and profitable product categories
 - Increased utilisation rate at the Eura production unit and improved outlook resulted in a reversal of +3.0 M€ impairment of fixed assets
- Comparable EBIT 0.7 (0.6) M€
 - Good profit development in Finland and Sweden
 - Clearly weakened EBIT in Denmark and the Baltics
- Cash flow from operating activities remained at a good level of 24.9 (27.8) M€

Net sales

449.3 M€

Change +8.4 M€

Cash flow from business operations

24.9 M€

Comparable EBIT

0.7 M€

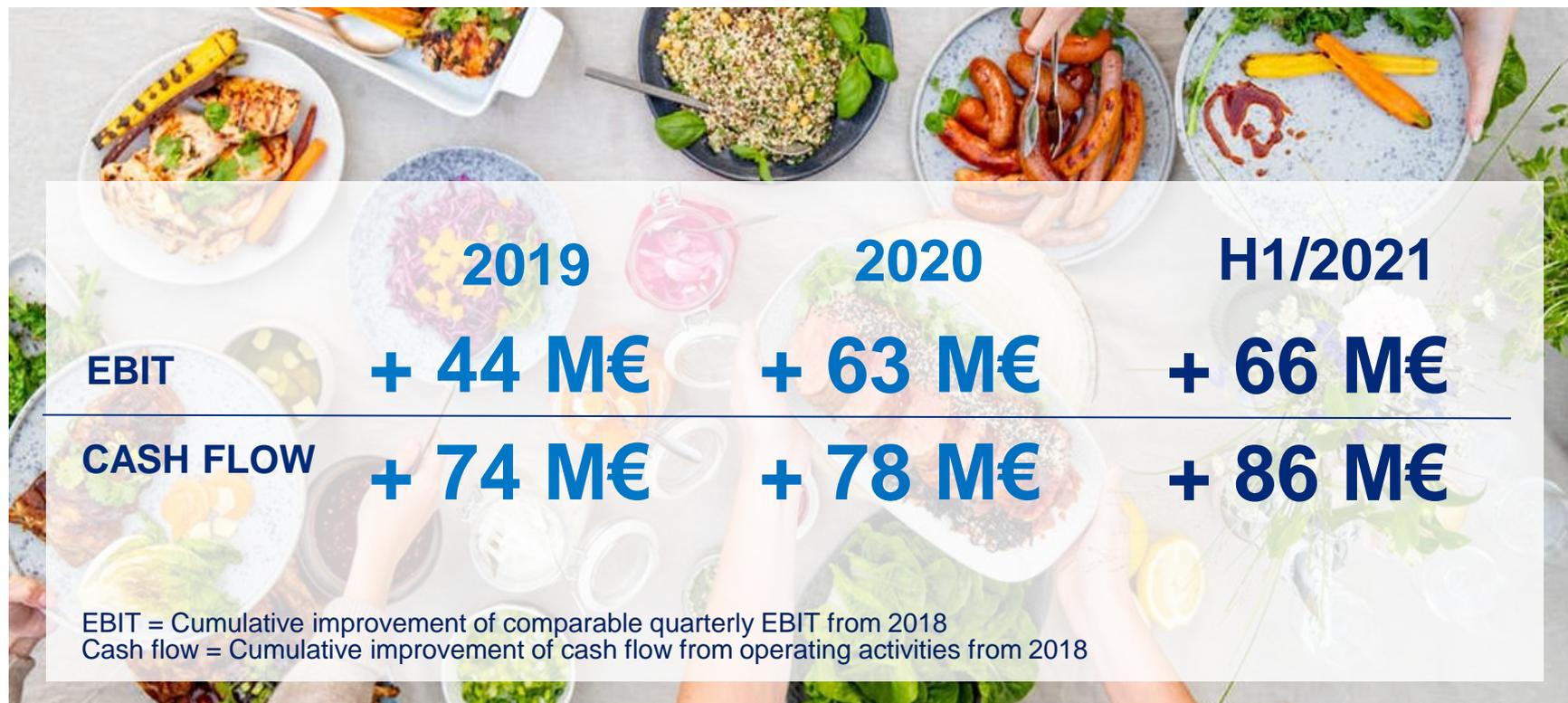
Change +0.1 M€

Net gearing

92.8%

Net debt 298.5 M€

HKScan's Turnaround programme 2019–2021

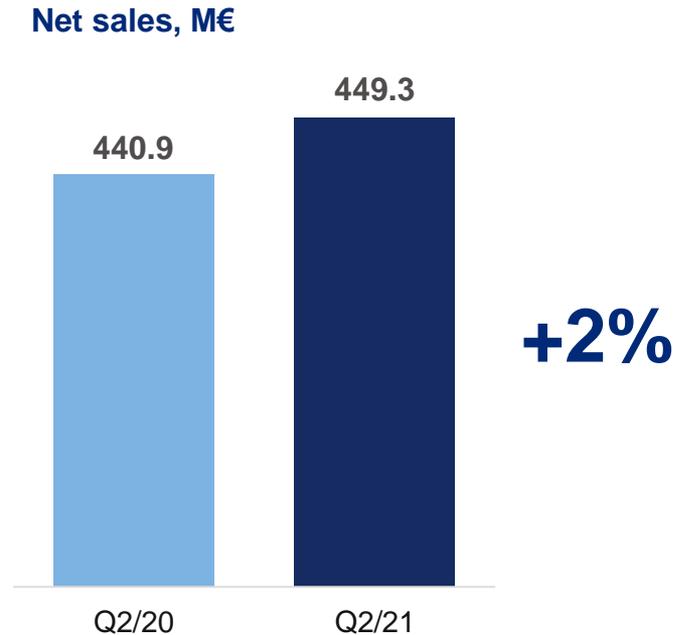


	2019	2020	H1/2021
EBIT	+ 44 M€	+ 63 M€	+ 66 M€
CASH FLOW	+ 74 M€	+ 78 M€	+ 86 M€

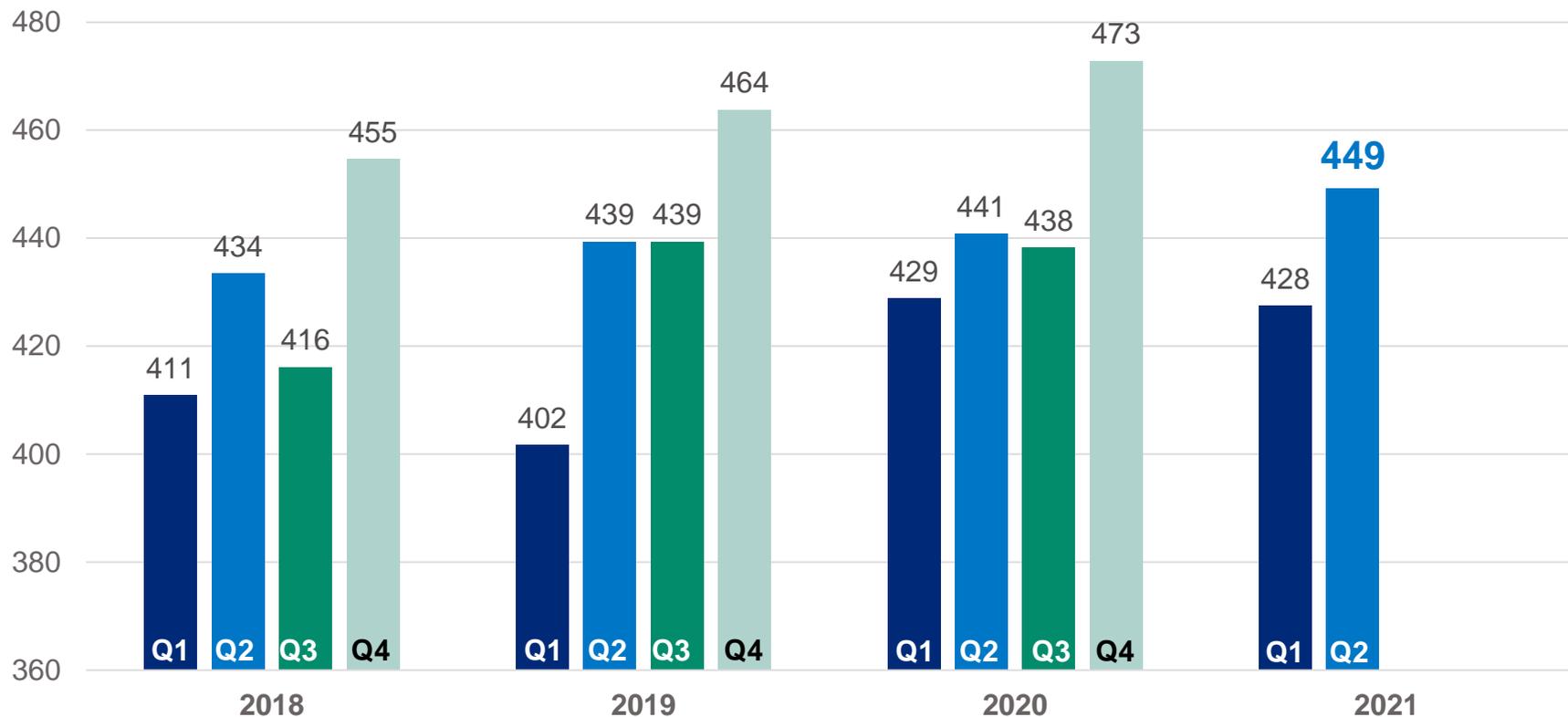
EBIT = Cumulative improvement of comparable quarterly EBIT from 2018
Cash flow = Cumulative improvement of cash flow from operating activities from 2018

Q2/2021: Food service sales recovered gradually

- Food service sales recovered gradually in all the home markets
 - Sales significantly higher than in the comparison period but clearly lower than before the pandemic in 2019
- Retail sales of our branded products focused on product categories with higher added value
 - Growth in meals, meat products and meal components
- Impact of the exchange rate of the Swedish krona on net sales clearly positive
- Exports in line with targets, excluding Denmark



Quarterly net sales 2018–2021, M€



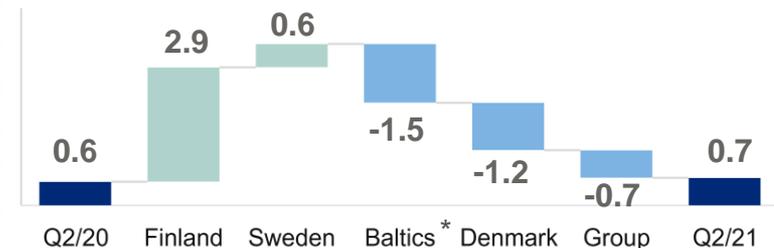
Q2/2021: Finland and Sweden drivers of profit improvement

- Good profit development in Finland and Sweden
- EBIT clearly disappointing in Denmark and the Baltics
- In Denmark, the export restrictions due to avian flu still had a significant negative impact on EBIT. Otherwise, the strategy to increase added value progressed as planned.
- As a market area, the Baltics is sensitive to import price pressure, and defending the market position clearly weakened EBIT
- Corrective actions initiated to turn the profit development in the Baltics and Denmark

Comparable EBIT, M€



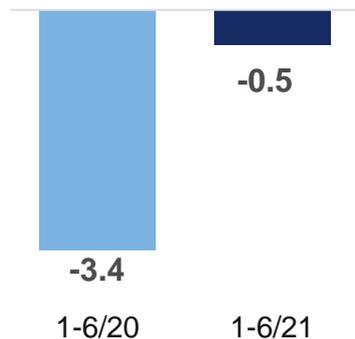
Change of Comparable EBIT, M€



*Change of Comparable EBIT excluding biological asset revaluation -2.3 M€

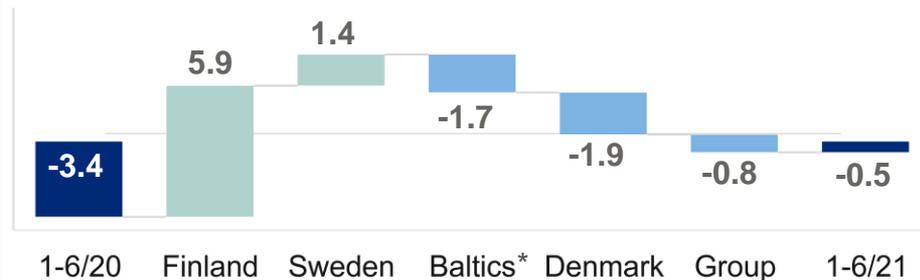
H1/2021: HKScan's profit improvement continued

Comparable EBIT, M€



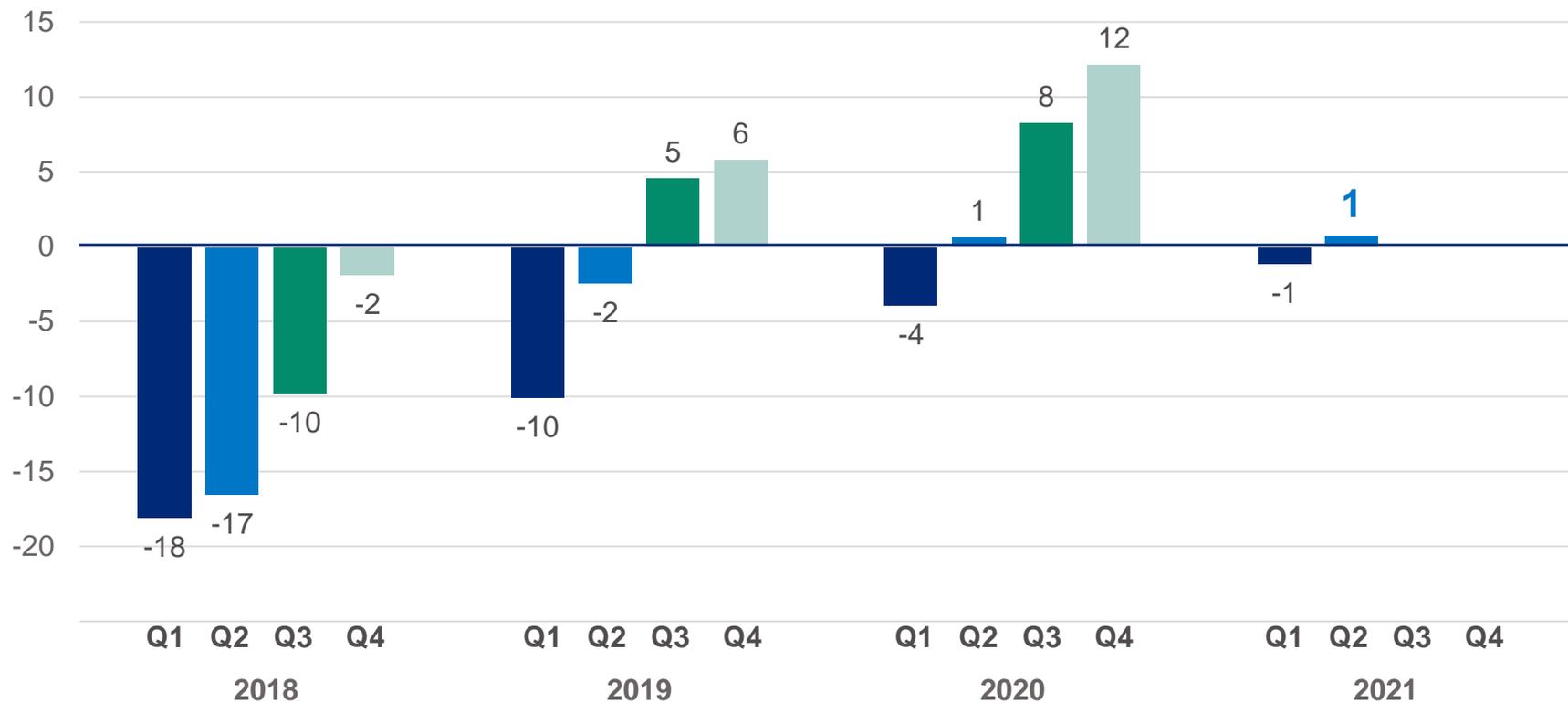
+2.9 M€

Change of Comparable EBIT, M€

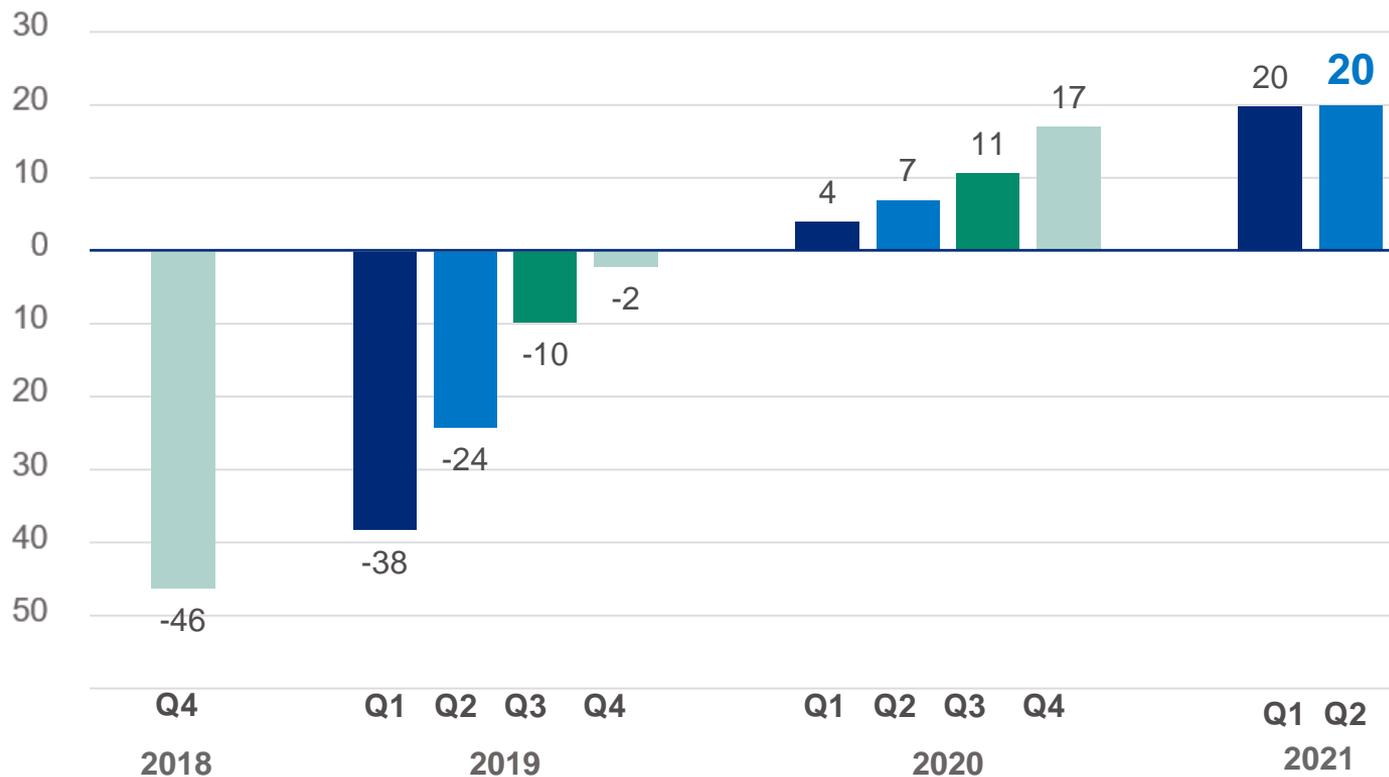


*Change of Comparable EBIT excluding biological asset revaluation -3.6 M€

Quarterly Comparable EBIT 2018–2021, M€



Comparable EBIT rolling 12 months, M€



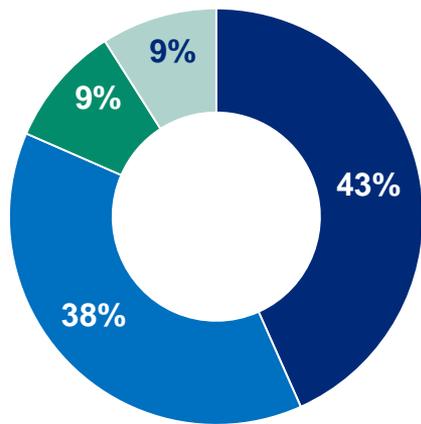
HKScan strengthens in meals and snacks

- HKScan is responding to the continued strong growth in demand for snacks and fresh meals with more diverse product portfolio
- **Strong sales growth in ready-to-eat salads**
 - Sales and distribution partnership with Mäkitalon Maistuvat Oy since April 2021
 - In June, HKScan acquired 24.9% ownership in the company
 - Sales targets for the first months clearly exceeded
- **Strategic investments of 5.4 M€** in the production technology of snacks and meals in Finland
 - In Vantaa, new production technology for fresh meals in autumn 2021
 - In Eura, new production line for snacks in summer 2022



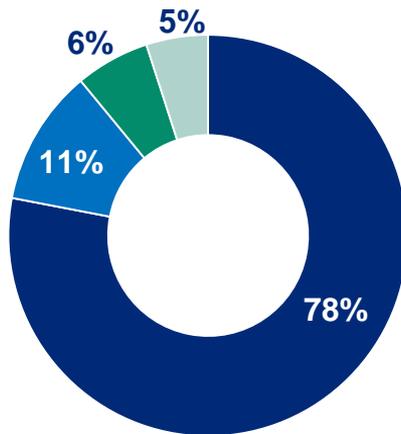
Net sales breakdown Q2/2021

Markets



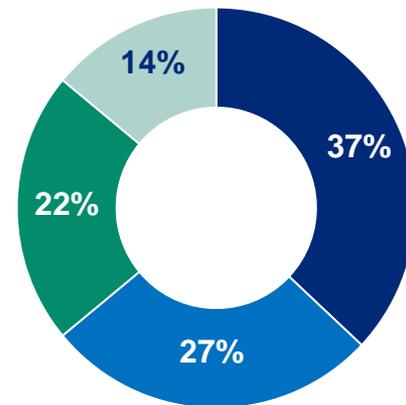
- Finland
- Sweden, incl. Poland
- Baltics
- Denmark

Sales channels

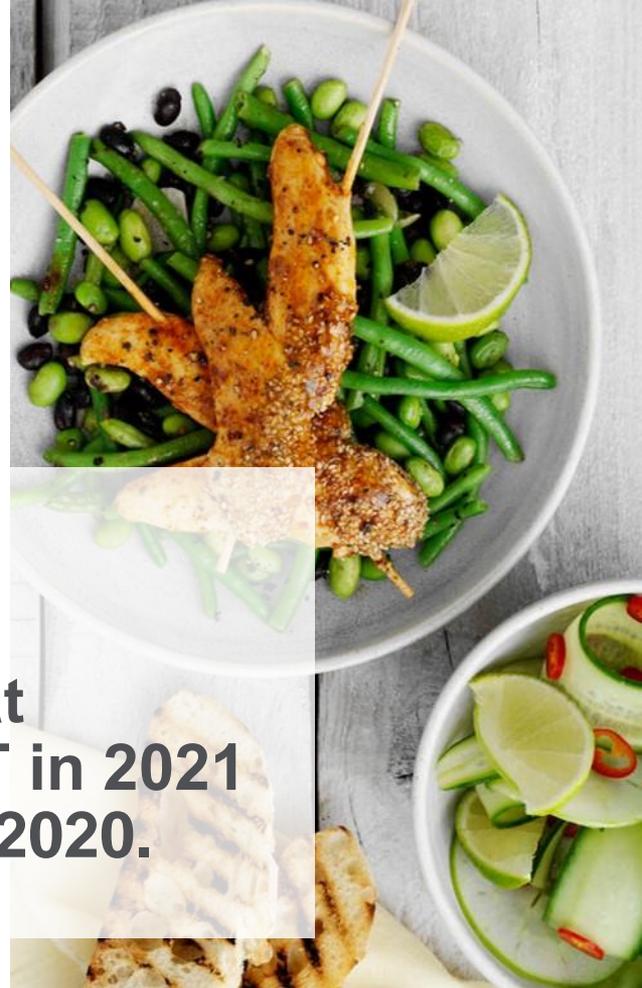


- Retail
- Food service
- Industry
- Export

Categories



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



Outlook 2021

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

HKScan – key figures

(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020
Net sales	449.3	440.9	876.8	869.8
EBITDA	16.3	16.4	31.0	29.0
EBIT	3.7	0.1	2.6	-3.8
- EBIT margin, %	0.8	0.0	0.3	-0.4
Comparable EBIT	0.7	0.6	-0.5	-3.4
- EBIT margin, %	0.1	0.1	-0.1	-0.4
Profit for the period	0.5	-3.2	-5.7	-10.1
EPS, EUR	-0.01	-0.05	-0.08	-0.12
Comparable EPS, EUR	-0.04	-0.04	-0.11	-0.12

HKScan – key figures

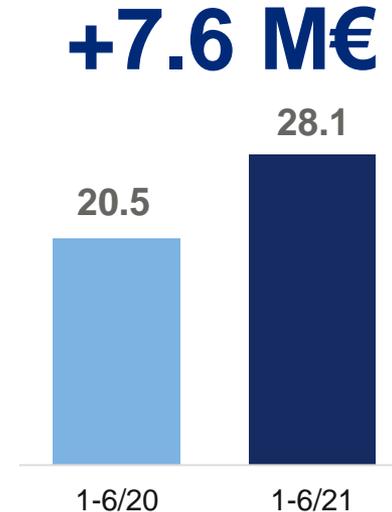
(EUR million)	4-6/2021	4-6/2020	1-6/2021	1-6/2020
Cash flow from operating activities	24.9	27.8	28.1	20.5
Cash flow after investing activities	14.3	-24.1*	83.9*	-42.7*
Return on capital employed (ROCE) before taxes, %			5.1	-0.3
Interest-bearing net debt			298.5	315.0
Net gearing, %			92.8	101.2

* Year 2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.
1-6/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

H1/2021: Cash flow from operating activities strengthened

- Cash flow from operating activities strengthened thanks to efficient working capital management
- Cash flow after investments improved exceptionally by 126.6 M€
 - The plot of land in Vantaa acquired in the comparison period was sold together with the buildings in the review period
 - Cash flow, property sales adjusted, improved by 12.8 M€

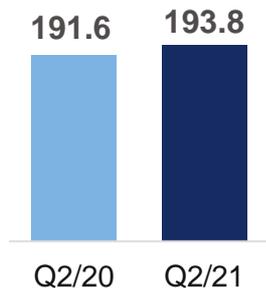
Cash flow from operating activities, M€



Finland Q2/2021: Clear sales increase in meal components and meat products

Net sales, M€

+1.2%



Comparable EBIT, M€

+2.9 M€



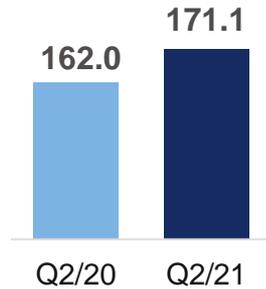
- Clear sales growth in products with higher added value
- Food service sales increased by more than 40% but were down from 2019
- EBIT improved as a result of the retail sales of branded products, recovering food service sales and improved operational efficiency
- Mäkitalon Maistuvat joined partnership network with ready-to-eat salads
- Acquisition of Jokinen Eväät business and brand



Sweden Q2/2021: EBIT further improved

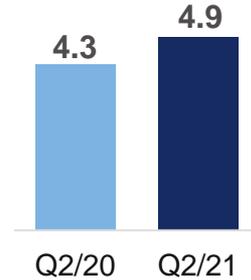
Net sales, M€

+5.6%



Comparable EBIT, M€

+0.6 M€



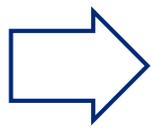
- Net sales at the comparison period level in local currency
- Retail sales declined, especially for beef, due to domestic raw material shortage
- Clear increase in food service sales
- EBIT strengthened through commercial improvements, growing pork exports and recovering food service sales



Closer to consumer in line with the strategy

Our strategic goal is to have a stronger presence in consumers' changing and diverse food moments.

- 1 Foodora collaboration continuing with two meals for the barbecue season
- 2 Korv & Bread concept reaching consumers in popular Swedish travel destinations
 - On-the-go meals ordered using a mobile app

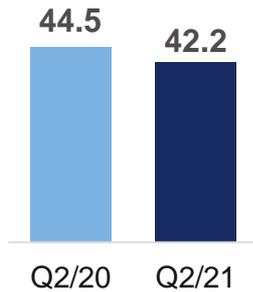


New sales channels enabling direct consumer contacts and increasing the visibility of the Scan brand



Baltics Q2/2021: Actions initiated to turn the weakened profit development

Net sales, M€



Comparable EBIT, M€
excluding change of biological
asset revaluation

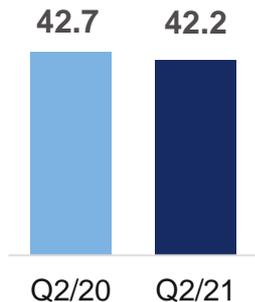


- Declined market price of pork weakened net sales and EBIT
- Increased feed prices increased the costs of own primary production
- Import price pressure and defending our market position clearly weakened EBIT. Actions to turn the profit development initiated.
- Good start for the exports of dumplings to Central Europe

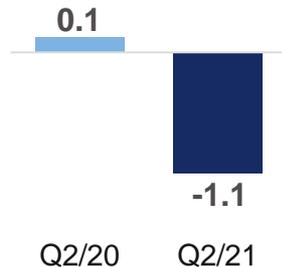


Denmark Q2/2021: Strategic shift towards products with higher added value progressed

Net sales, M€



Comparable EBIT, M€

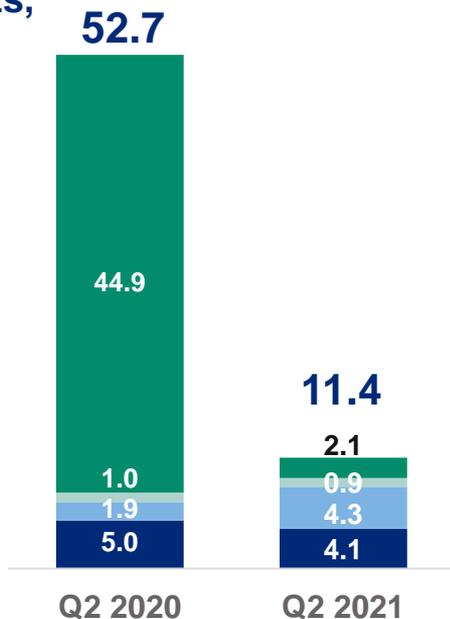


- Strategic shift in sales focus from low-margin exports to products with higher added value progressed well
 - Positive impact on EBIT and net sales
- Avian flu cases detected in Denmark continued to restrict exports outside the EU
 - Clear decline in net sales and EBIT
- #1 in the new customer survey for fresh and frozen products



Investments driving efficiency and strategy implementation

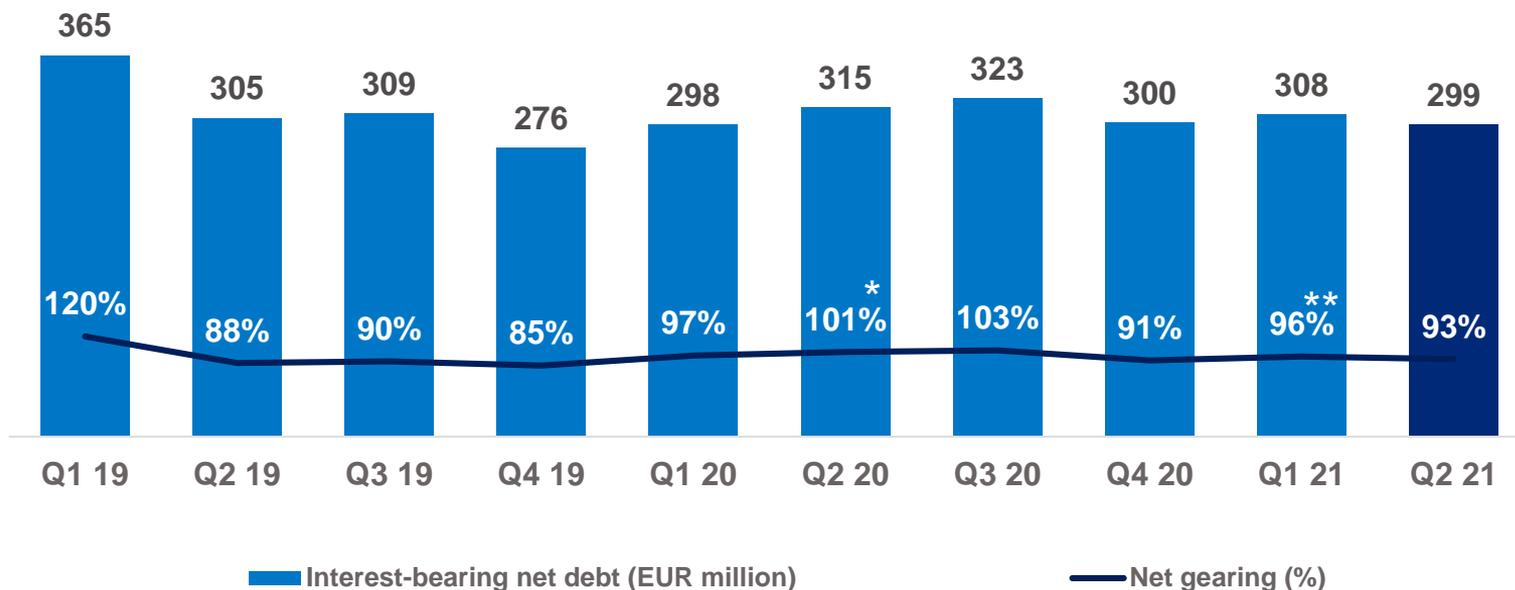
Investments,
M€



■ Maintenance
 ■ Efficiency improvement
 ■ Strategic investments
 ■ Other

- In the Rauma poultry unit, the productivity improvement of the entire production process enabled by the investment in the slaughter process proceeded as planned
- In Sweden, as part of the wider development of the Kristianstad unit, investment was made in the production of smoked value-added products
- In Latvia, an investment to further expand the dumpling production capacity responds to the growing demand especially in Germany
- New slicing and packaging line completed in the Polish bacon unit to meet the growing demand for bacon
- New logistics centre serving the entire Baltics region will be completed near Tallinn in 8/2021**

Interest-bearing net debt and net gearing

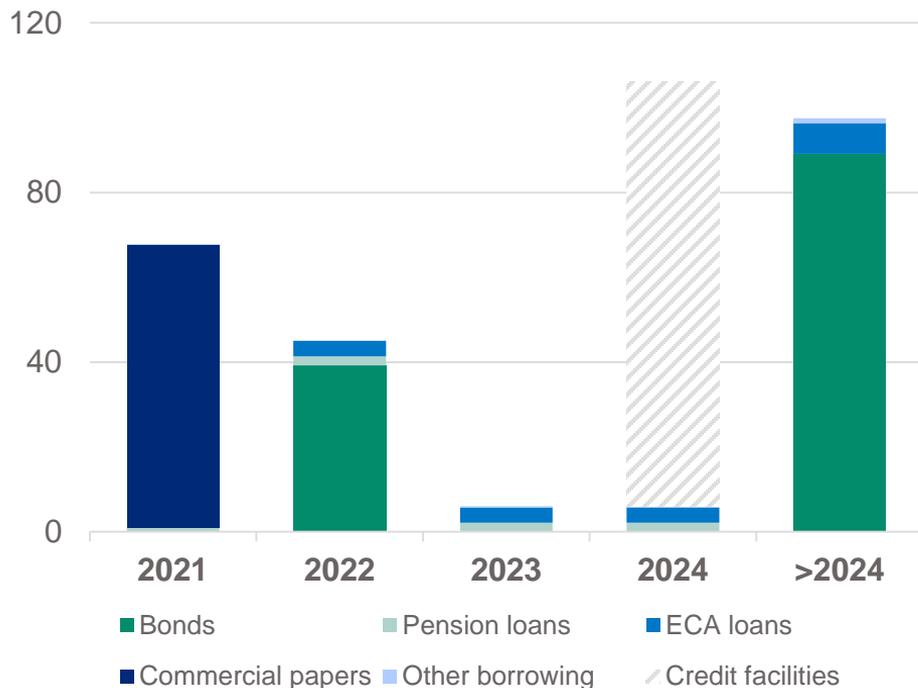


* Q2/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

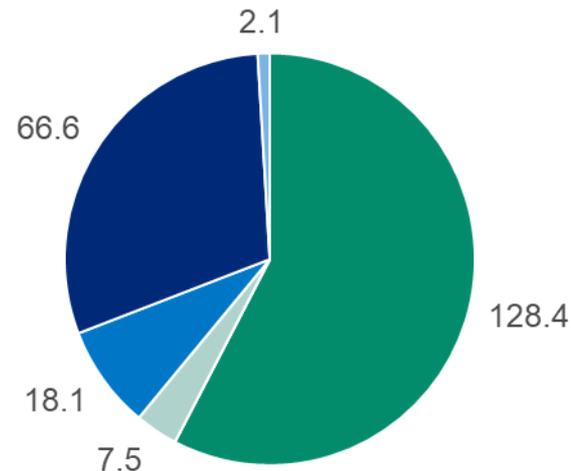
**Q2/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million and the lease liability generated by the lease agreement as agreed in connection with the sale of the property.

Debt profile and maturity structure as of 30 June 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 222.6 million

*EUR 25.9 million hybrid bond is treated as equity



HKSCAN

HKScan's strategic priorities

We are growing into a versatile food company



PARTNERSHIPS

Growth in consumers' food moments

- Strong brands for food moments
- Evolving sales channels and categories and new raw materials
- New service concepts and digital solutions

Performance excellence

- Creating value through commercial excellence and strong brands
- Improving operational productivity and competitiveness

OPERATING MODEL

Competitive farming community

- Quality and availability of local raw materials
- Responsibility as a part of contract farming

Advanced responsibility work

Environment, healthy food, our community, animal welfare



We are growing into a versatile food company

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
- Diversifying competences
- New business opportunities within the financial resources
- Scaling up partnerships to new business areas quickly and flexibly

3 Renewing into a versatile food company

- Food company transformation
- Stronger presence in changing and diverse food moments, in evolving sales channels and product categories
- Consumer-driven value creation through brands and increased added value
- Scaling up partnerships to new business areas quickly and flexibly



2019

2022

2030

We are creating a stronger basis for strategic renewal in the coming years

” *HKScan needs a stronger balance sheet to complete a more significant food company transformation as we build new food businesses and ways to face market changes alongside our existing core businesses in the future. We are also constantly evaluating the role of our different businesses as part of the Group and its strategy.*

The ending Turnaround period will be followed by a phase in which improving the profitability of our core business will remain a priority.

We are also looking for new profitable growth and, within our financial resources, we are actively pursuing new business opportunities that implement our strategy to grow into a versatile food company. ”

CEO Tero Hemmilä



HKSCAN

Food that does good

- because we care



Food that does good

In the future, the business target will be seen more broadly. Financial performance depends on a company's ability to build a strong social foundation for its activities and to operate within the boundaries of the environmental ceiling.

This creates comprehensive responsible prosperity, which is a broader business target than today.

This is the basis of HKScan's strategy and business.



Recognition for our advanced responsibility work

- Clear improvement in independent ESG ratings (Environment, Social, Governance)
- HKScan recognised for, e.g., its climate strategy, occupational safety and environmental efficiency

Top 20%
of international
food companies*

Top 10%
of packaged
foods
producers**



*Sustainalytics ESG Risk Rating Report ja ISS ESG Corporate Rating

** Sustainalytics ESG Risk Rating Report

HKScan listed as one of Europe's Climate Leaders by Financial Times

#1 HKScan is the only food company in the Baltic Sea region on the list

-80% HKScan's climate emissions from own production 2014 - 2020

300 leading European companies listed based on extensive survey

CO₂e emission reduction for own production year on year, aligned with revenue growth 2014-2019 as key criteria

[> Financial Times Europe's Climate Leaders list available online](#)



Climate change

+ Add to myFT

Europe's Climate Leaders 2021: interactive listing

Companies have made big strides in cutting their emissions intensity, but much more remains to be done



Sunset industry: this coal-fired power station in Boxberg, Germany, is due to be powered off in 2038 as the country strives to cut greenhouse



HKSCAN
*We make
life tastier*
- today and tomorrow

