

HKSCAN

Interim Report Q3 2021

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Jyrki Paappa, CFO

4 November 2021



Q3/2021: EBIT stable in an exceptional market situation

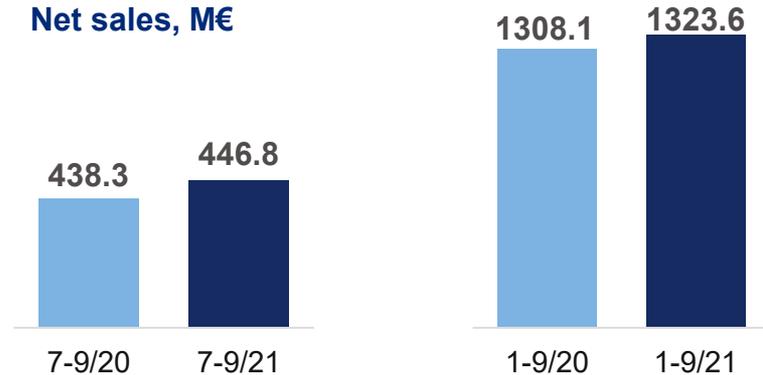
Net sales

- Clear growth in retail sales of own branded products continued
 - Good sales growth in meals and meal components
- Food service sales increased with the gradually removed pandemic restrictions

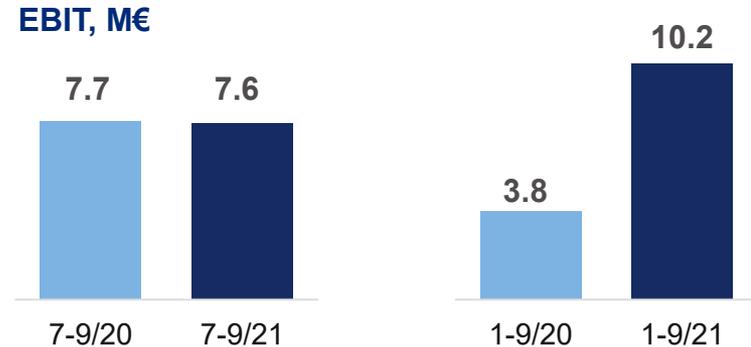
EBIT

- Good profit development continued in Finland and Sweden
- EBIT in Denmark and the Baltics was clearly down from the comparison period in a very exceptional market situation
- Exceptionally high increase in energy prices increased costs in all the home markets

Net sales, M€



EBIT, M€



Key EBIT impacts of an exceptional market situation

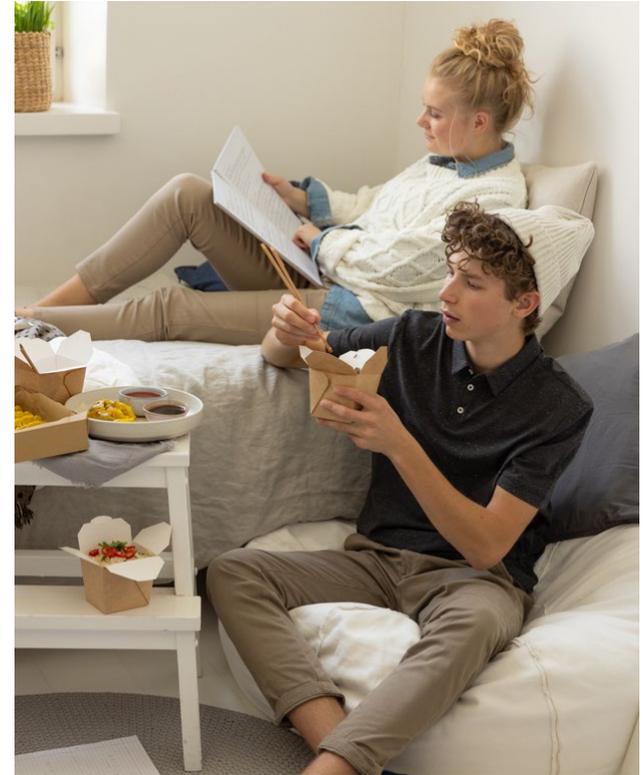
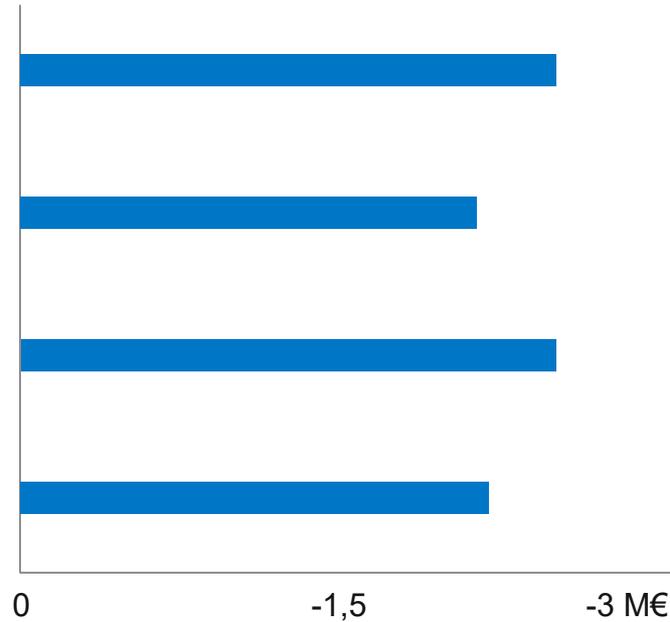
Estimated direct impacts on EBIT 1-9/2021

Baltics: increased feed prices and decreased pork market prices

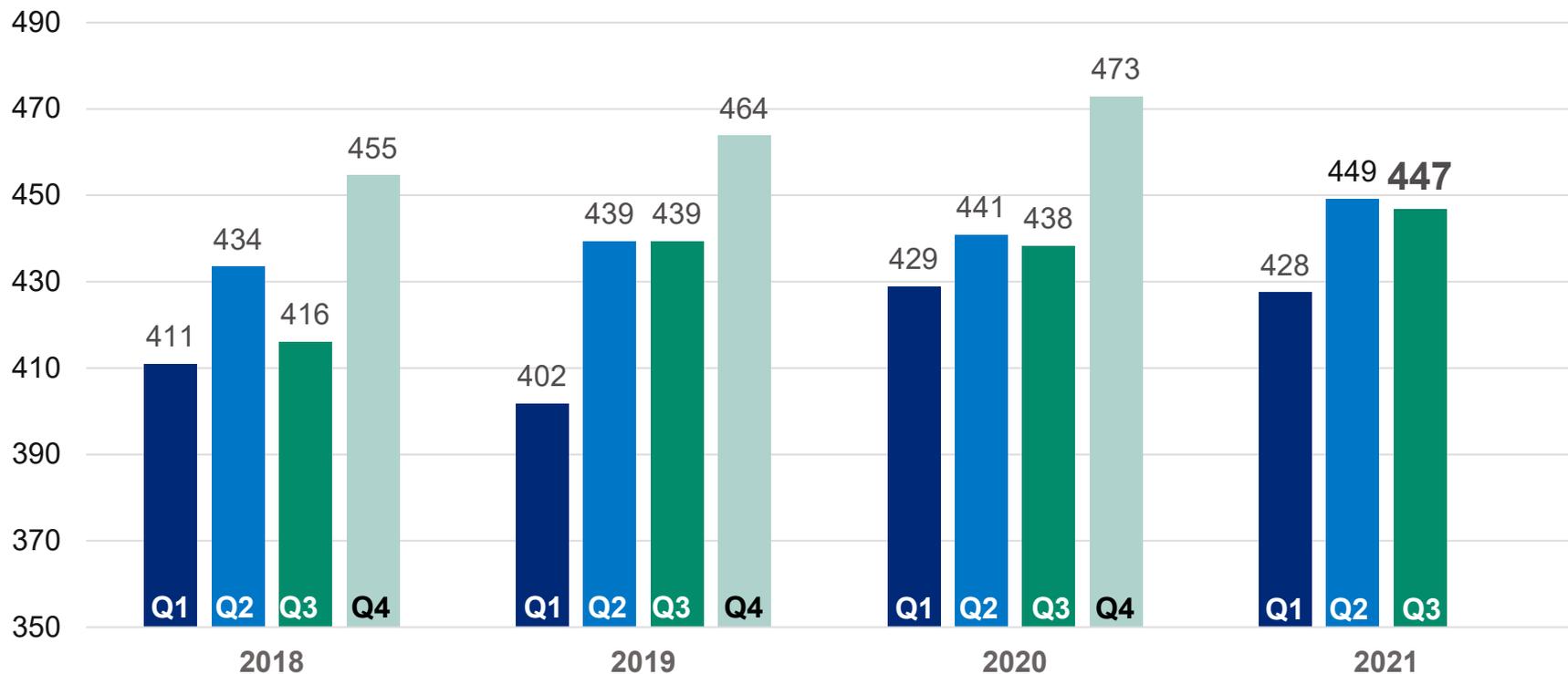
Denmark: impact of avian flu on exports

The whole Group: increased energy prices

The whole Group: Costs of Covid-19 pandemic

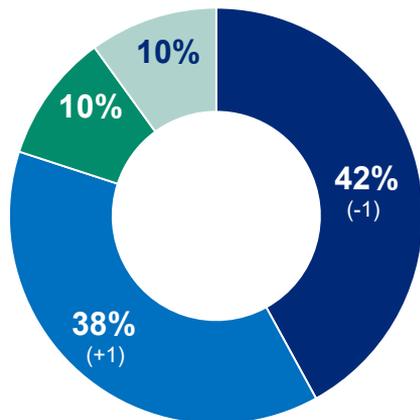


Quarterly net sales, M€



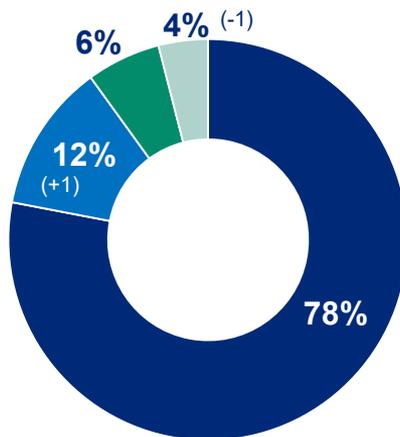
Net sales breakdown Q3/2021

Markets



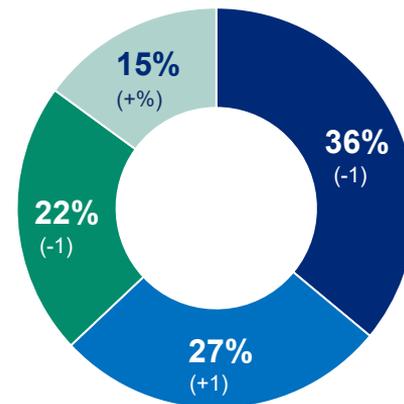
- Finland
- Sweden, incl. Poland
- Baltics
- Denmark

Sales channels



- Retail
- Food service
- Industry
- Export

Categories



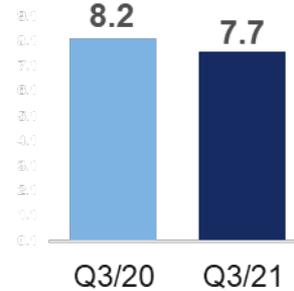
- Beef and pork
- Charcuterie, sausages and bacons
- Poultry
- Meals and meal components

Changes in percentage points vs. Q3/2020 in parantheses

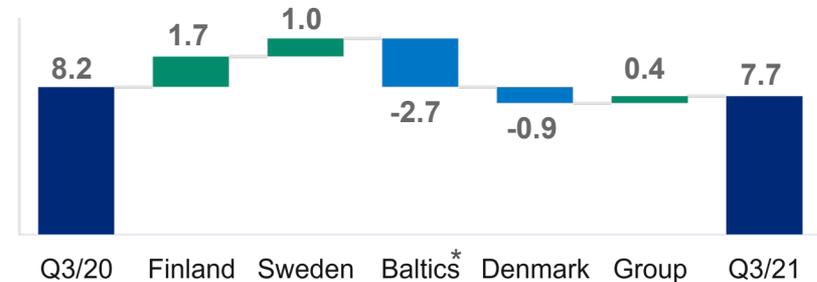
Q3/2021: Profit improvement continued in Finland and Sweden

- Group's profit development was two-fold and the reasons are clear
- Finland and Sweden continued positive profit development
- In Denmark, the export restrictions due to avian flu continued to have a significant negative impact on EBIT. For other parts, strategy to increase added value progressed.
- In the Baltics, price pressure continued due to meat imports and defending the market position weakened EBIT. Significantly risen feed and energy prices increased costs.

Comparable EBIT, M€

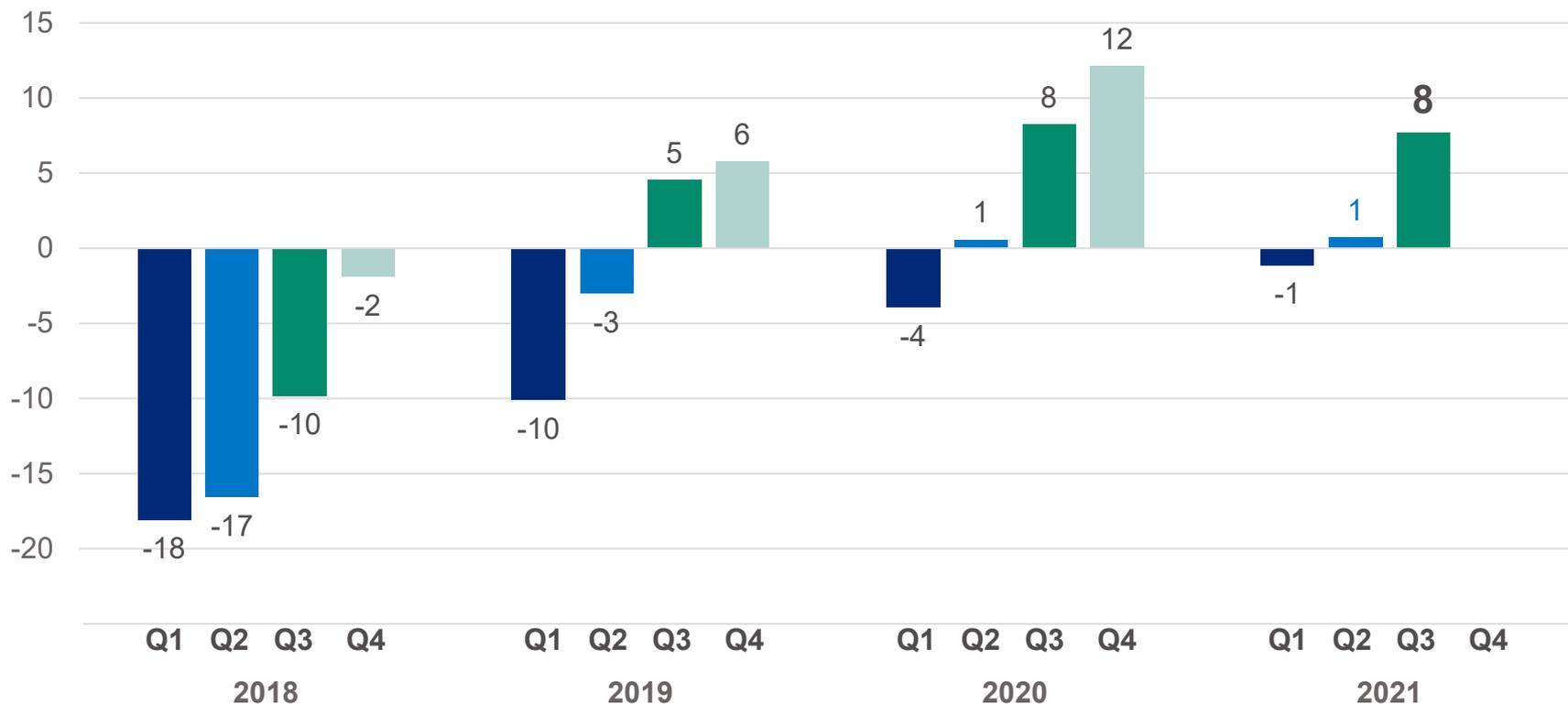


Change of Comparable EBIT, M€

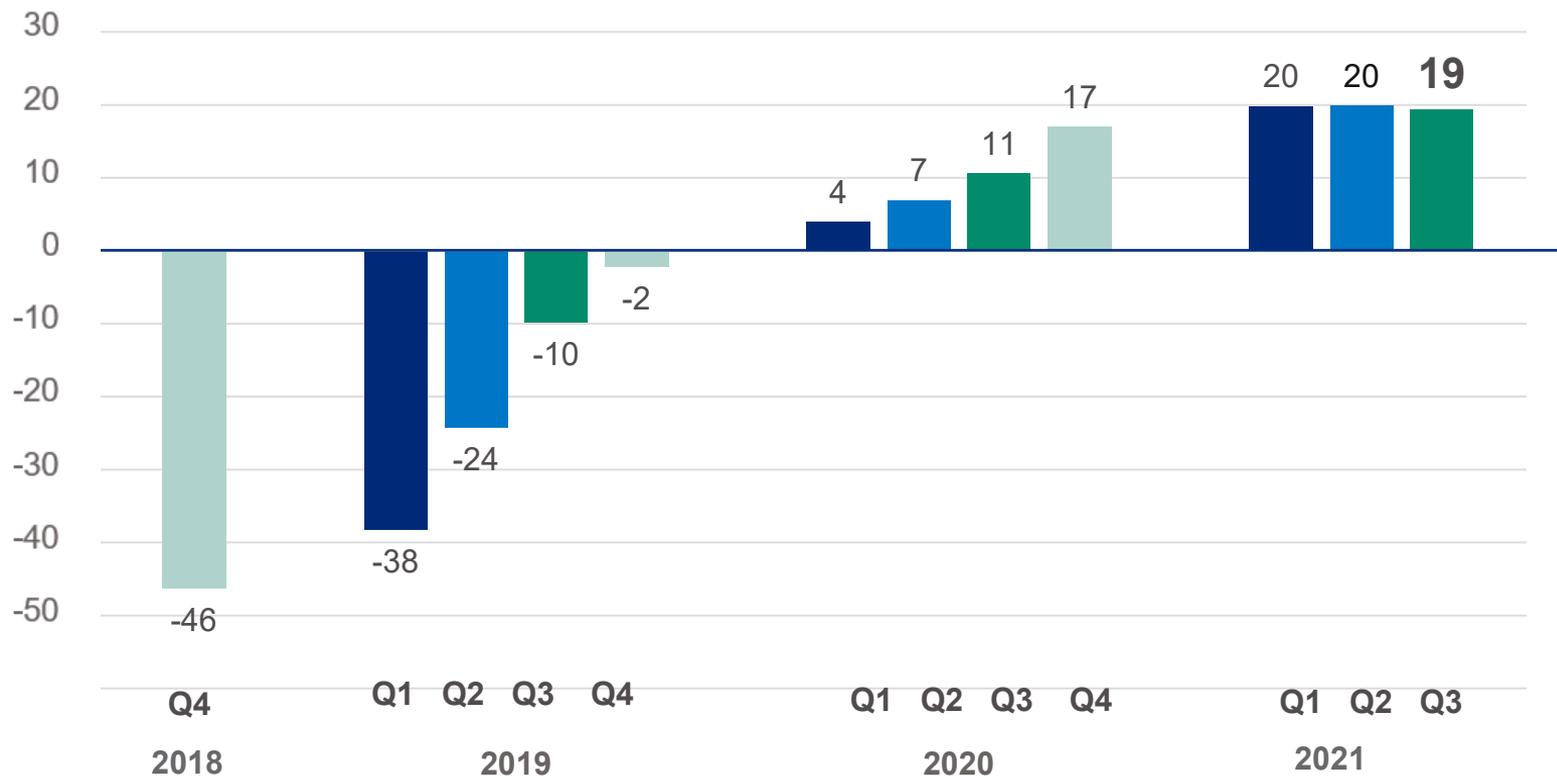


*Change of Comparable EBIT excluding biological asset revaluation -2.4 M€

Quarterly comparable EBIT 2018–2021, M€



Comparable EBIT rolling 12 months, M€





Outlook 2021

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

HKScan – key figures

(EUR million)	7-9/2021	7-9/2020	1-9/2021	1-9/2020
Net sales	446.8	438.3	1 323.6	1 308.1
EBITDA	23.5	24.0	54.5	53.1
EBIT	7.6	7.7	10.2	3.8
- EBIT margin, %	1.7	1.7	0.8	0.3
Comparable EBIT	7.7	8.2	7.2	4.9
- EBIT margin, %	1.7	1.9	0.5	0.4
Profit for the period	3.6	3.7	-2.1	-6.4
EPS, EUR	0.03	0.03	-0.06	-0.10
Comparable EPS, EUR	0.03	0.03	-0.10	-0.09

HKScan – key figures

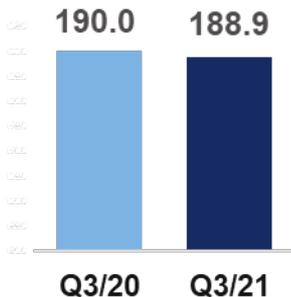
(EUR million)	7-9/2021	7-9/2020	1-9/2021	1-9/2020
Cash flow from operating activities	-15.6	2.8	12.5	23,3
Cash flow after investing activities	-23.9	-5.2	59.9*	-47.9*
Return on capital employed (ROCE) before taxes, %			5.1	0.1
Interest-bearing net debt			333.3	323.1
Net gearing, %			102.5	103.2

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

1-9/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million.

Finland Q3/2021: Clear EBIT improvement due to increased sales of value-added products

Net sales, M€



Comparable EBIT, M€



- Sales growth continued in value-added products, such as meals, meal components and processed meat products
- Strong growth in meal sales was driven by better-than-expected sales in our partner's, Mäkitalon Maistuvat, ready-to-eat salads
- Increased sales of value-added products and subsidiaries reduced the need for less profitable pork exports
- Performance in the poultry business improved and operational development progressed
- Rapid increase of energy prices weakened EBIT



Sweden Q3/2021: Sales growth for Scan branded products

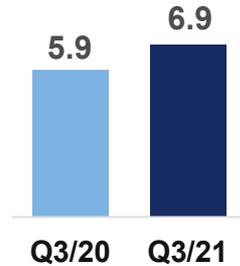
Net sales, M€

+5.3%



Comparable EBIT, M€

+1.0 M€



- Increased retail sales for Scan branded products
- Recovery in food service sales continued
- Clear improvement in production efficiency through optimised product flows and investments
- EBIT weakened by the rapid rise in energy prices
- Commercial organisation renewed to support strategic growth

Baltics Q3/2021: Price pressure in pork imports decreased the EBIT

Net sales, M€



Comparable EBIT, M€
excluding change of biological
asset revaluation

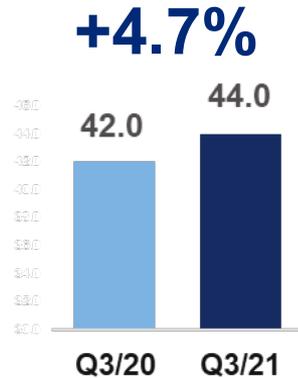


- Clear decline in net sales due to decreased volumes and prices of pork
- Sales clearly increased in poultry products
- Costs increased due to the rapid and exceptionally high increases in feed and energy prices
- Holding the market position as price pressure due to pork imports continued, weakened EBIT
- Profitability in the poultry business and processed meat products better than in other product categories
- Measures initiated to decrease the cost level of the business

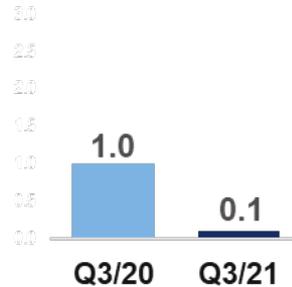


Denmark Q3/2021: Sales growth for Rose branded products

Net sales, M€



Comparable EBIT, M€

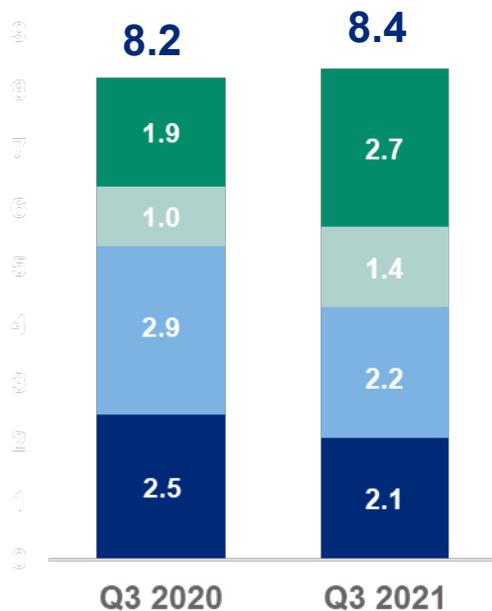


- Clear growth in retail sales of the Rose branded products
- Strategy implementation progressed as planned through the sales growth in ready-to-eat poultry products
- Restrictions on exports due to avian flu affecting the entire industry had a negative impact on net sales and EBIT



Investments driving efficiency and strategy implementation

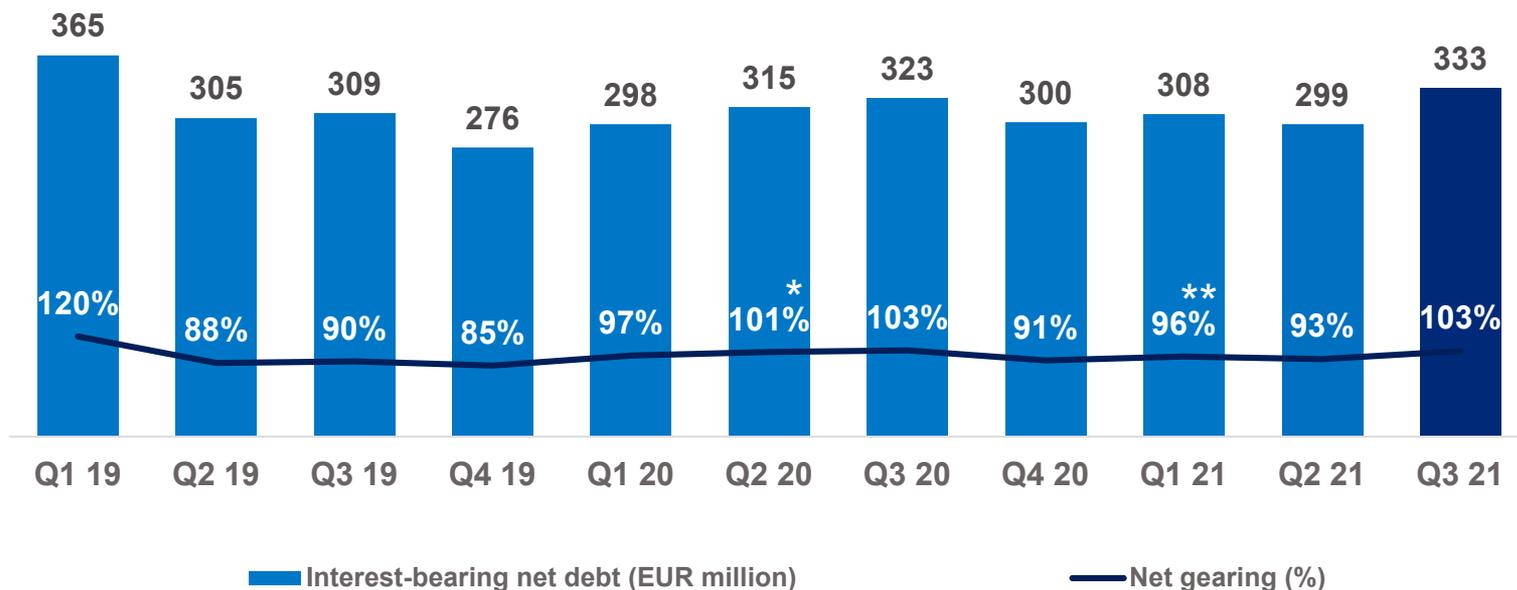
Investments,
M€



Maintenance **Efficiency improvement** **Strategic investments** **Other**

- New logistics centre near Tallinn taken into use; all Baltic market area deliveries will be centralised in the new centre.
- In Sweden, clear improvement in production efficiency through product flow optimisation projects.
- In Vantaa unit, a modern restaurant kitchen completed to make premium fresh meals.
- In July 2021, we announced an investment in a new snack product line to be completed in Eura in summer 2022.

Interest-bearing net debt and net gearing



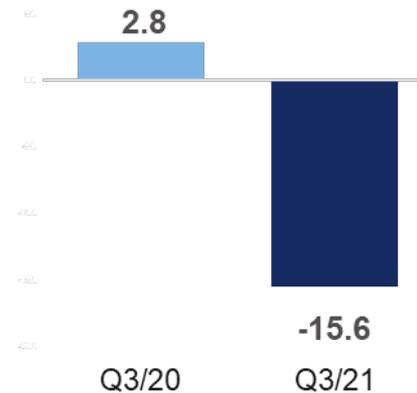
* Q2/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

**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.

Q3/2021: Cash flow from operating activities

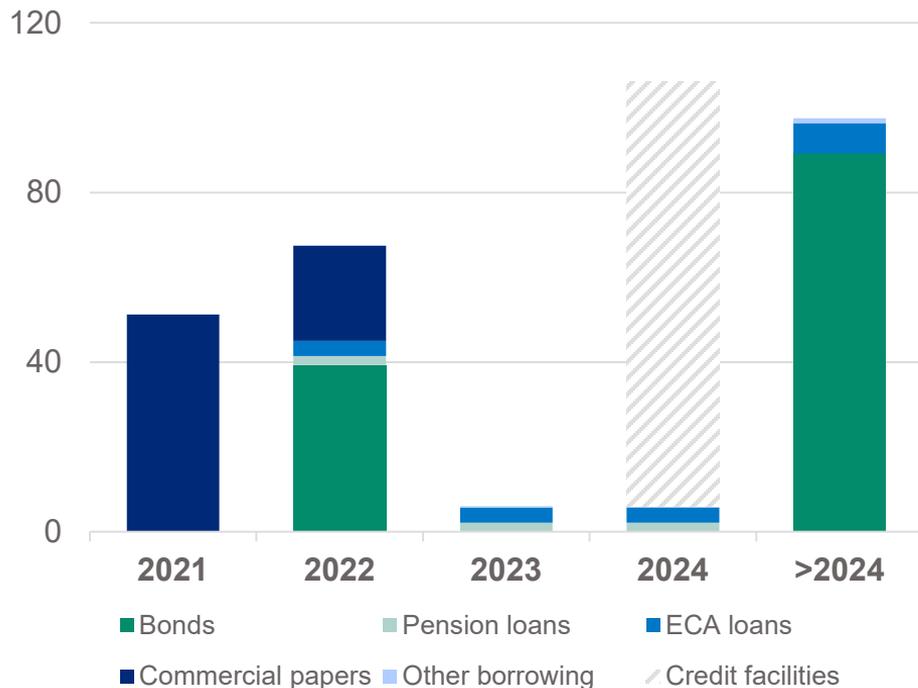
- The development of cash flow from operating activities was due to normal temporal variations in the amount of trade payables and other non-interest-bearing payables
- Capital tied up in inventories decreased

Cash flow from operating activities, M€

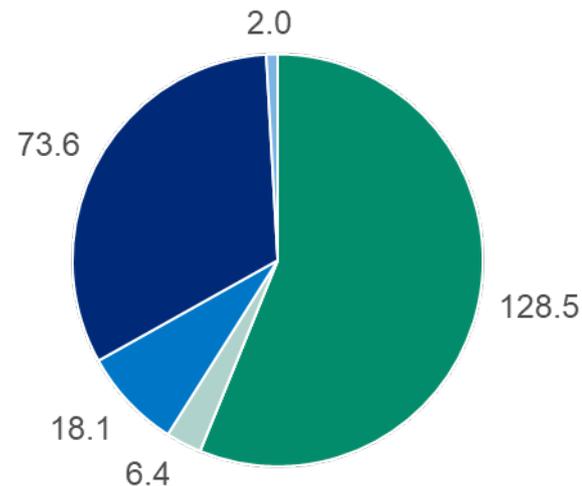


Debt profile and maturity structure as of 30 September 2021

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 228.6 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

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

Nature, people, responsible prosperity



On a journey into a versatile food company: Vietävä – restaurant-level fresh meals

- Delicious Vietävä fresh meals developed by chef Kape Aihinen
- Made in our Vantaa unit's new modern, restaurant-level kitchen
- Food handmade by chefs
- Everyday food and classics with style
- Sales expanding to new pilot stores in Finland during the rest of the year
- The fresh meals kitchen fully operational in early 2022

Restaurant-
level fresh
meals



On a journey into a versatile food company: Ready-to-eat snacks and meals

Our target:
growth in snacks
and meals



On a journey into a versatile food company: Tasty, quick-to-use plant-based products

Our target:
expanding into
plant-based raw
materials



On a journey into a versatile food company: Easy and delicious for home kitchens

Our target:
developing our core
business and
increasing
the added value
of our products



On a journey into a versatile food company: New channels to engage consumers with our brands

Our target:
new ways to engage
with consumers



**Implementation of
the commercial
cooperation agreement
related to the Maten é
klar meal concept will
start early 2022
in Sweden**



**Collaboration
in Swedish
travel
destinations**

**Cooperation
with Foodora
in Sweden**

Zero Carbon climate plan proceeding throughout the food chain

Logistics centre in the Baltics: renewable energy with solar panels, 400,000 km/year less transports



Biogas trucks in Finland and Sweden

Targeting a carbon-neutral food chain by the end of 2040



Promoting **carbon sequestration** in fields on pilot farms: up to 500 kg CO₂e/ha/year



Goal-oriented reduction of packaging plastic progressing: **novelties with less packaging plastic**





HKSCAN

*We make
life tastier*

- today and tomorrow

