

HKSCAN

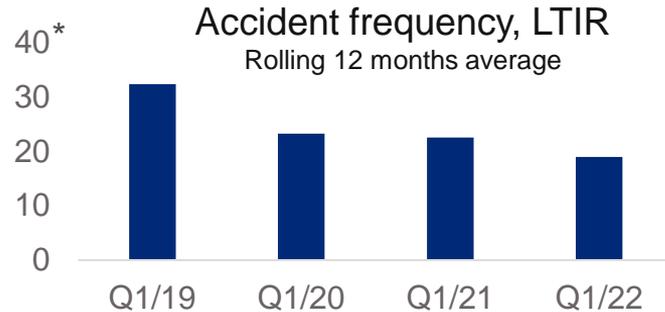
Interim Report Q1 2022

Tero Hemmilä, CEO
Jyrki Paappa, CFO

10 May 2022



Safety First: Goal-oriented work towards zero accidents at work



- Record low accident frequency 1-2/2022
- Days of absence due to accidents **-60%** from the comparison period

Exemplary work without a single lost-time accident:	Jelgava, Latvia	over 3 y.
	Halmstad, Sweden	almost 2 y.
	Mikkeli, Finland	1 y.
	Vinderup, Denmark	1 y.



* Lost-time accidents per million working hours

Q1/2022: Net sales increased, EBIT weakened as expected

- Net sales increased in all the company's market areas
- Food service sales increased by some 22% with the removal of pandemic restrictions
- The negative performance in the Baltics is a continuation of last year and caused the largest deviation from the Group's EBIT
- Comparable EBIT below the comparison period as expected, with the outlook for 2022 unchanged
- Due to the structural delay in pricing, increased sales prices and production efficiency measures did not fully compensate for strongly increased costs
- South Korean market with its strong purchasing power opened up for Finnish poultry products in January

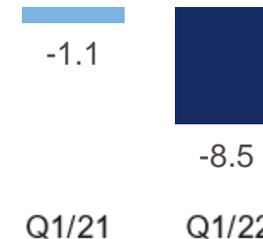
Net sales, M€

+2.3%

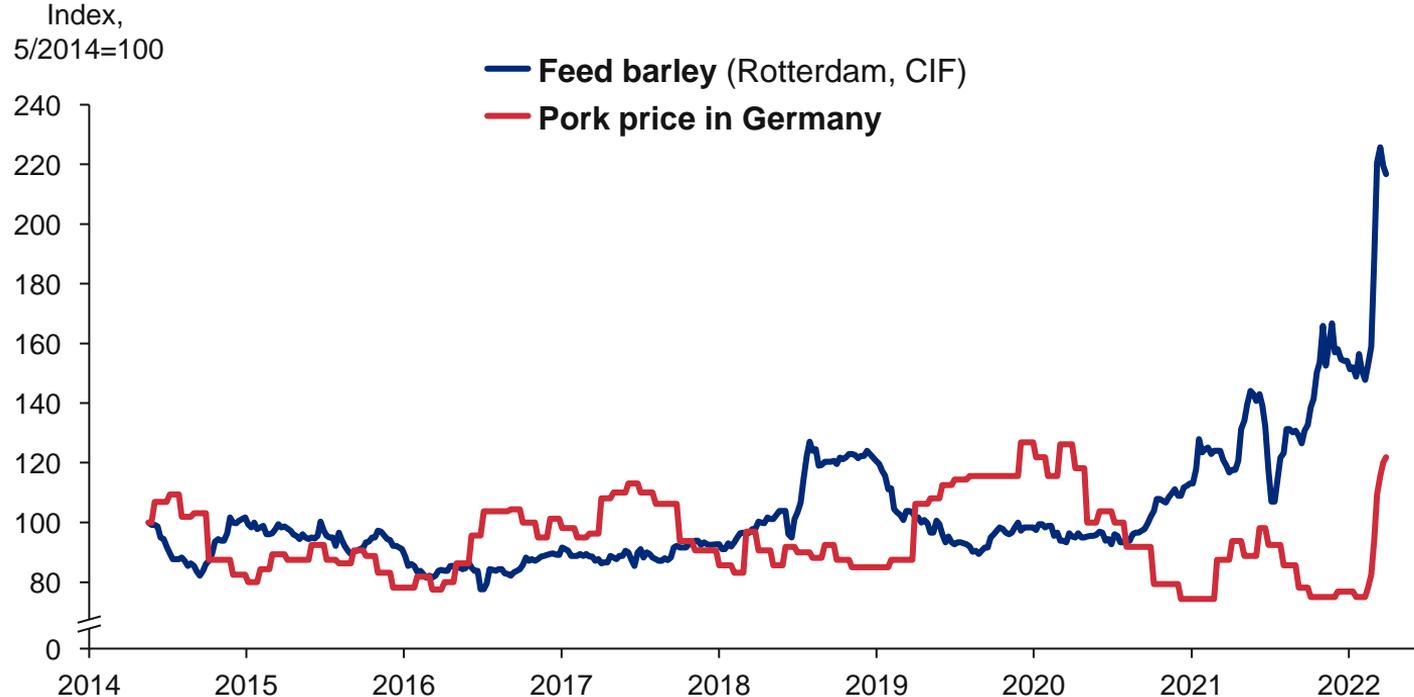


+4%
in comparable
figures

Comparable EBIT, M€



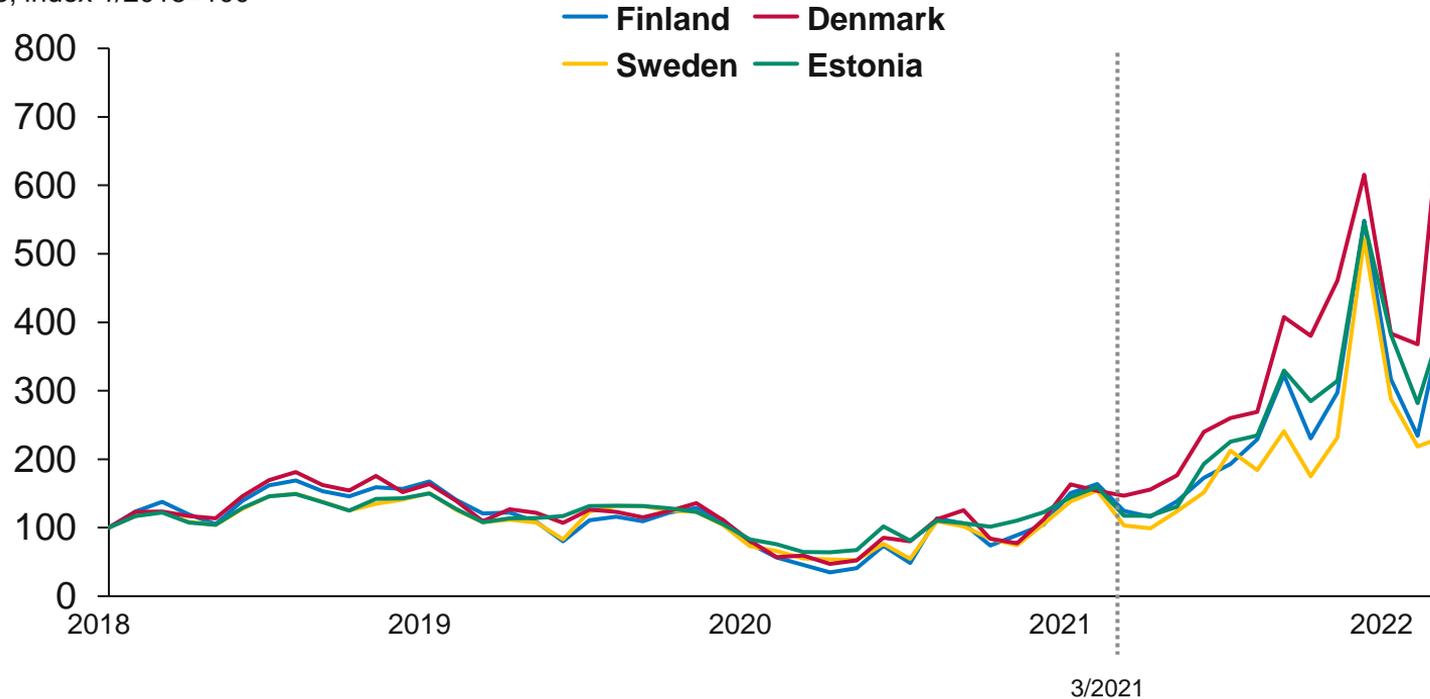
Feed barley and pork price development in 5/2014 - 3/2022



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

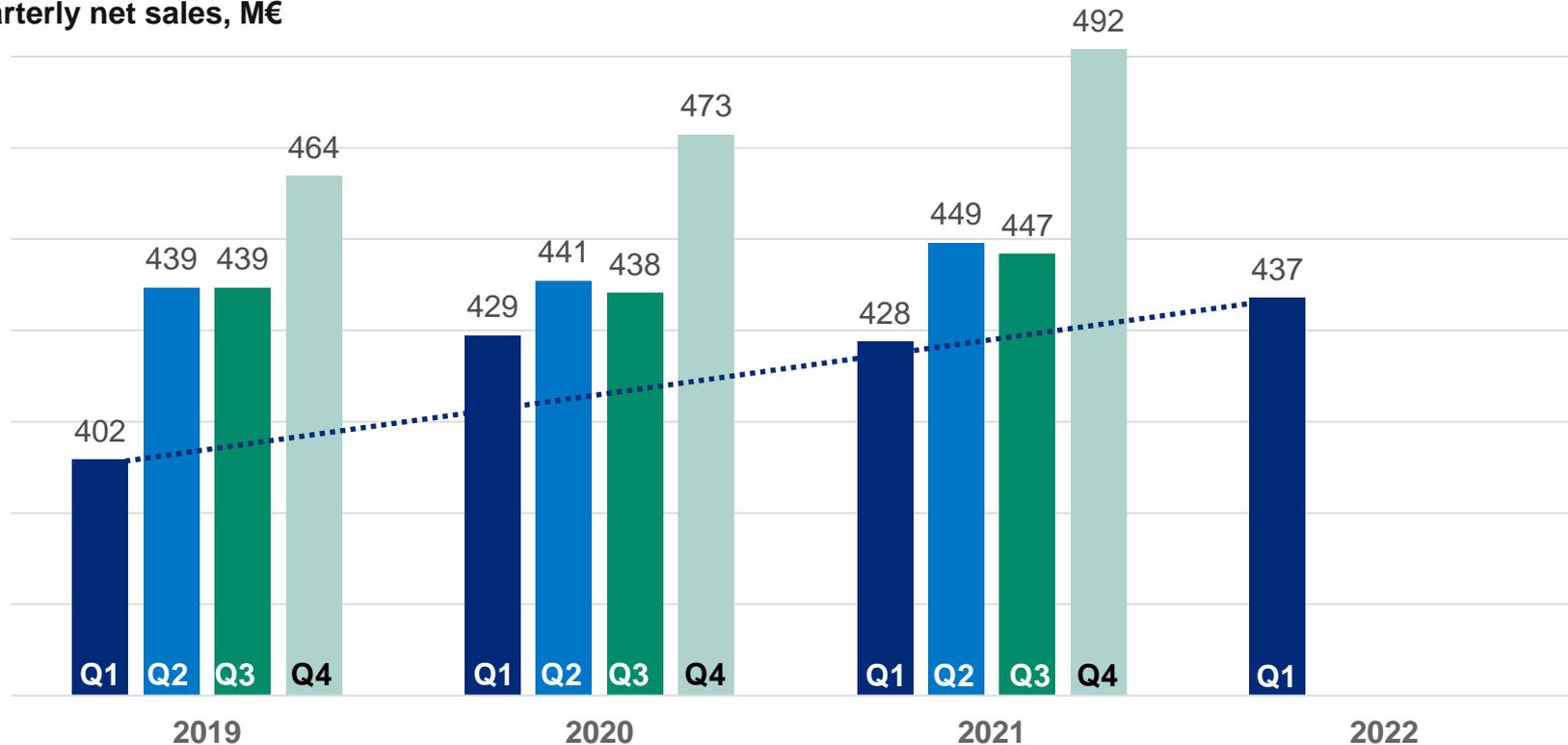
Electricity price development 1/2018 - 3/2022

Electricity stock exchange price, index 1/2018=100



Net sales growth continuing

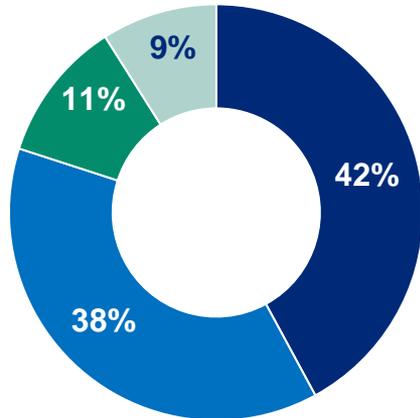
Quarterly net sales, M€



Poultry and meals account for an increasing share of net sales

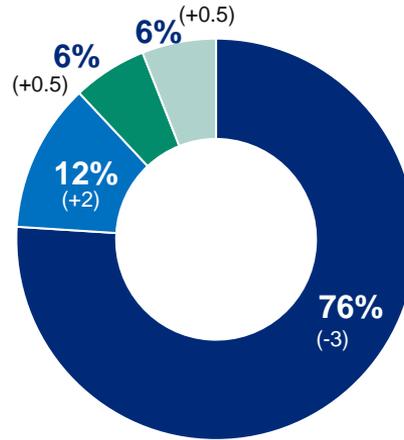
Net sales breakdown Q1/2022

Markets



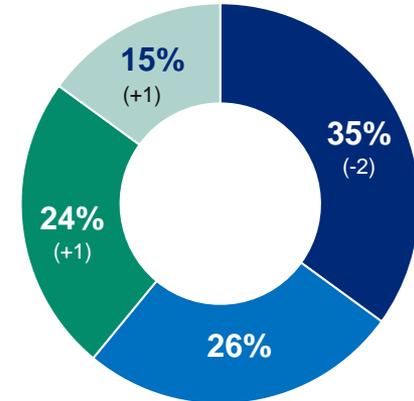
- Finland
- Sweden, incl. Poland
- Baltics
- Denmark

Sales channels



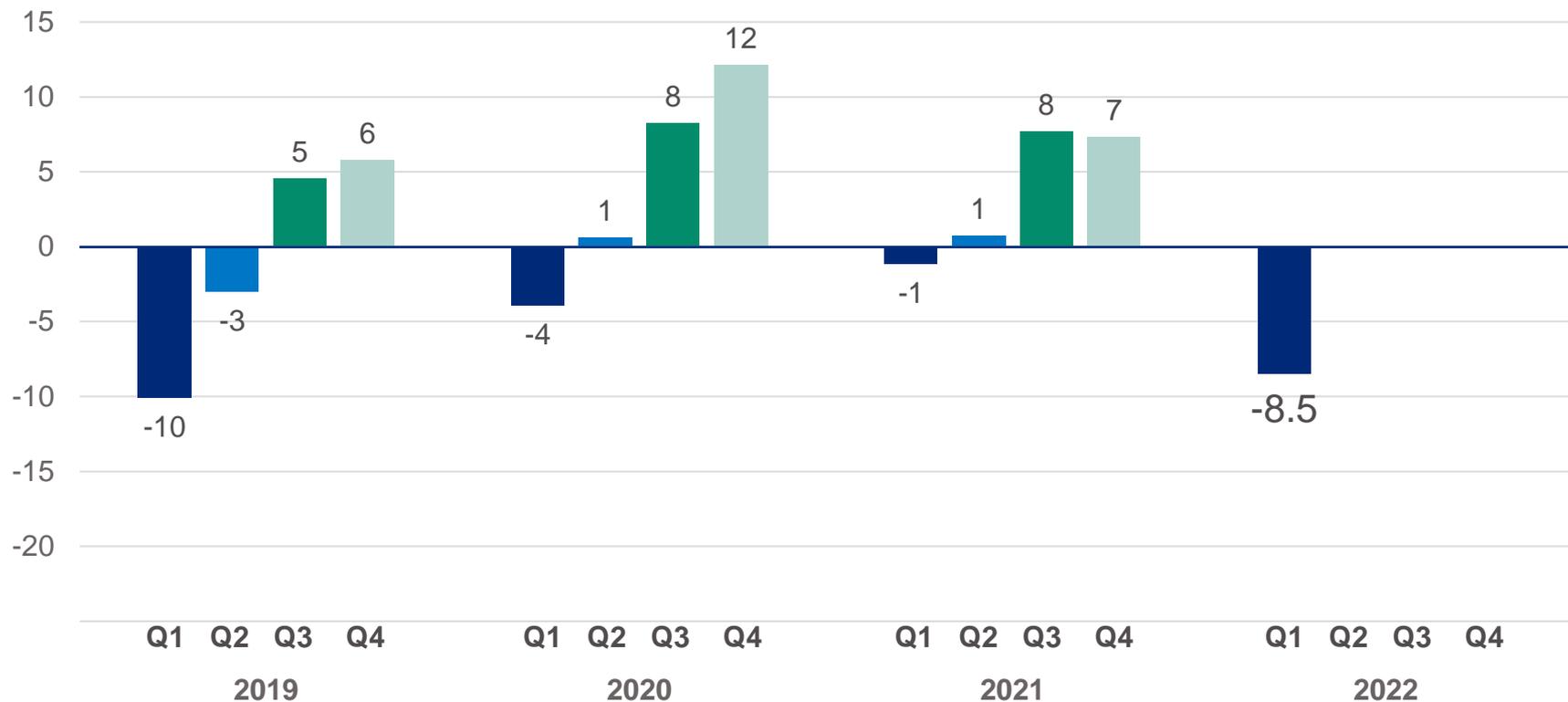
- Retail
- Food service
- Industry
- Export

Categories



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

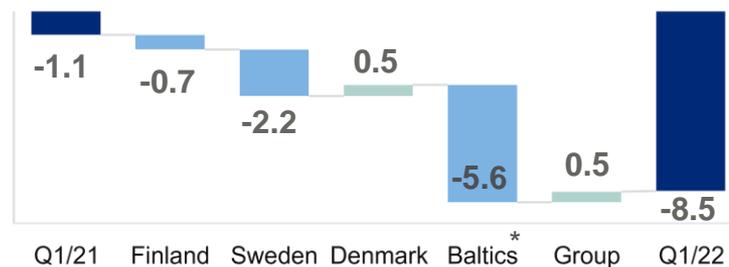
Quarterly comparable EBIT, M€



Comparable EBIT Q1/2022: The Baltics and pricing delays behind the performance downturn

- Due to the structural delay in pricing, increased sales prices and production efficiency measures did not fully compensate for strongly increased costs
- In Finland and Sweden, EBIT declined, but moderately in a difficult operating environment
- Denmark progressed in line with the strategy and became profitable
- The negative performance in the Baltics is a continuation of last year and caused the largest deviation from the Group's EBIT

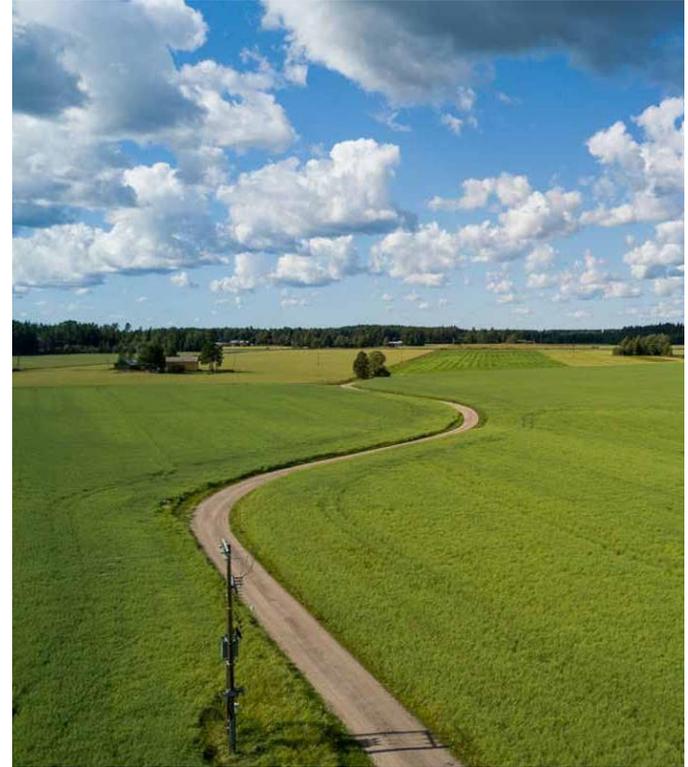
Change of comparable EBIT, M€



*Change of EBIT excluding biological asset revaluation -6.3 M€

The war in Ukraine has wide-ranging impacts

- HKScan has no business operations in Russia
- Since the sanctions imposed by Russia in 2014, HKScan has had no food exports to Russia
- The war in Ukraine has strongly accelerated the rise in prices of grain, energy and other inputs in Europe
- Ukraine and Russia are both major grain producers and exporters, the impact of the war will be reflected in the international grain market for a long time
- HKScan has recruited dozens of Ukrainian refugees for its production units



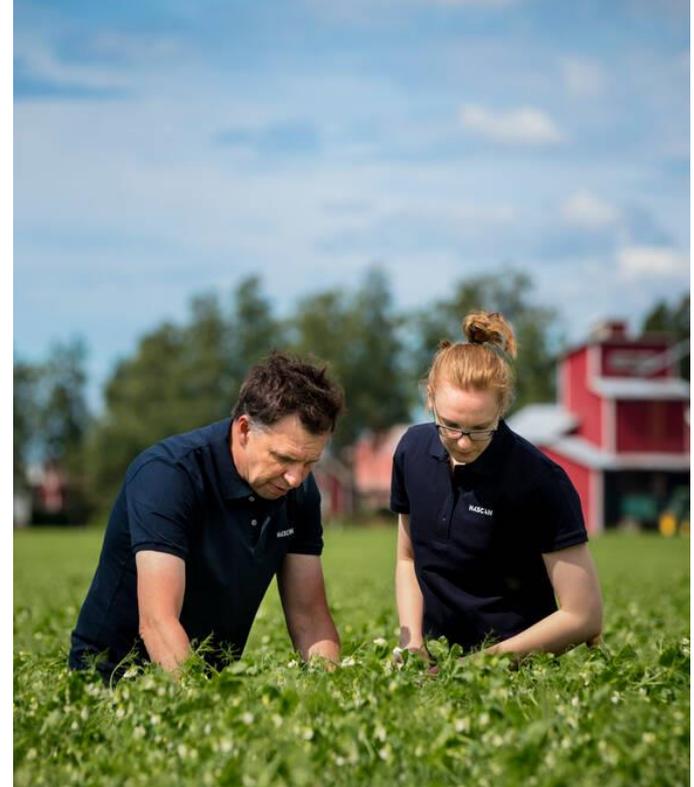
We secure the energy supply for our production units

- HKScan reviewed its energy mix in the unstable geopolitical situation
- The company has found alternatives for Russian fossil energy and will switch away from it in about 6 months
- Supplier changes and investments well underway
 - e.g. Tabasalu and Loo units in Estonia have moved away from Russian natural gas
- The measures taken will ensure uninterrupted continuity in the home markets



The continuity of local food production must be secured

- Domestic food is increasingly valued in all of HKScan's home markets
- Farm costs rose sharply in late 2021 and the war in Ukraine has further accelerated cost increases
- Taking cost increases further up the food chain is critical to safeguard domestic food production
- Price discussions between the food industry and customers will continue for the rest of the year
- There is still a long way to go to reach producer price levels that will also bring farm profitability up to the required level



HKScan is planning to improve the competitiveness and cost efficiency of its poultry business in Finland

- On 9 May, HKScan announced its plan to increase production efficiency, reorganise operations and renew working methods in its Rauma and Eura units
- The company targets to achieve annual savings of **more than 3 M€**, which are expected to be realised during 2023
- HKScan starts at its' Rauma and Eura units statutory negotiations concerning a total of approximately 600 persons
- The planned measures may affect up to 210 employment contracts in the Rauma unit, either through termination of employment or through substantial changes in the terms of employment



Outlook for 2022 - unchanged

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	Q1/2022	Q1/2021	2021
Net sales	437.2	427.5	1 815.3
EBITDA	5.9	14.7	78.1
EBIT	-8.9	-1.1	17.9
- EBIT margin, %	-2.0	-0.3	1.0
Comparable EBIT	-8.5	-1.1	14.5
- EBIT margin, %	-1.9	-0.3	0.8
Profit for the period	-10.9	-6.2	-1.2
EPS, EUR	-0.12	-0.07	-0.06
Comparable EPS, EUR	-0.11	-0.07	-0.10

HKScan – key figures

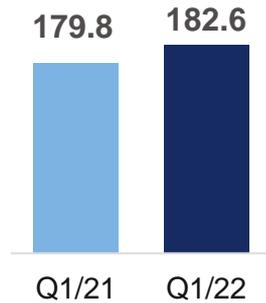
EUR million	Q1/2022	Q1/2021	2021
Cash flow from operating activities	-34.4	3.3	54.6
Cash flow after investing activities	-38.5	69.6*	81.2*
Return on capital employed (ROCE) before taxes, %	2.5	4.3	3.6
Interest-bearing net debt	355.0	308.0	314.5
Net gearing, %	110.6	95.6	95.2

* Includes sale of Vantaa property (land and buildings) with EUR 76.1 million.

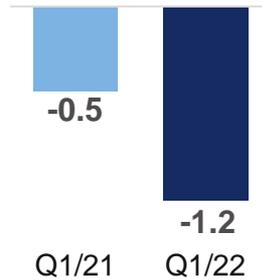
Finland Q1/2022: Sales of meals and snacks increased

Net sales, M€

+1.6%



Comparable EBIT, M€



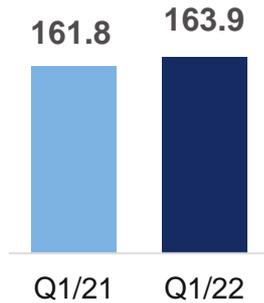
- Net sales boosted by recovering food service sales and higher sales prices
- Sales of strategically important meals and snacks increased
- Export of Finnish poultry products to South Korea started



Sweden Q1/2022: Continued sales growth for Scan products

Net sales, M€

+1.3%



Comparable EBIT, M€



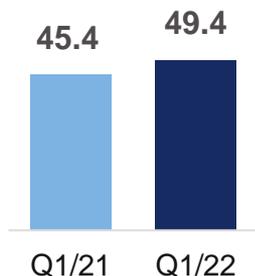
- In comparable figures, net sales increased by 5%
- Recovered food service sales clearly increased net sales
- Growth in retail sales of Scan branded products continued
- Plant-based Scan products launched in March
- Sales of Gårdsfisk fish products and Maten é klar premium ready meals transferred to HKScan in early 2022



Denmark Q1/2022: Strategy implementation progressed as planned

Net sales, M€

+8.7%



Comparable EBIT, M€

+0.5 M€



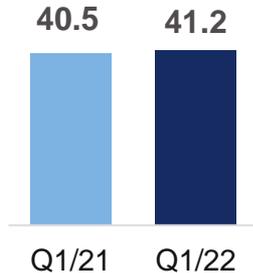
- Recovery in food service sales increased net sales
- Strategy implementation progressed as planned and sales in ready-to-eat poultry products continued to grow
- Sales of Danish poultry products increased in Sweden
- Investment in the development of value-added products, sales channel choices and increased production efficiency improved EBIT



Baltics Q1/2022: Performance following last year's development

Net sales, M€

+1.8%



Comparable EBIT, M€
excluding change of biological
asset revaluation

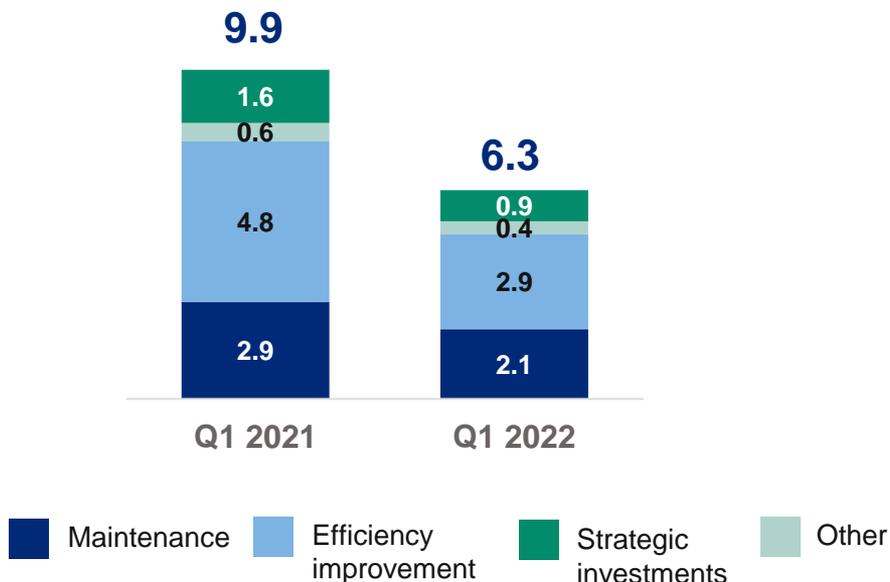


- Food service sales growth increased net sales
- Operations of the Riga distribution centre transferred to a new logistics centre near Tallinn, serving the entire Baltic market area
- Investments in energy solutions, with the Tabasalu and Loo units already switched away from the Russian natural gas use
- German pork prices indicate a recovery of the market situation



Investments to promote strategy and increase productivity

Group investments, M€



Productivity improvements

- Increased automation in Skara and Linköping
- In Tabasalu, Estonia, processing capacity increased at the front end of production

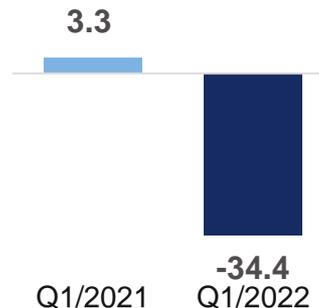
Strategic investments

- In Finland, the multifunctional snacks line to be launched in Eura in the summer progressed as planned
- In Poland, new bacon production lines to meet growing food service demand
- Expansion of dumpling production launched in Jelgava, Latvia, to meet growing demand in Central Europe

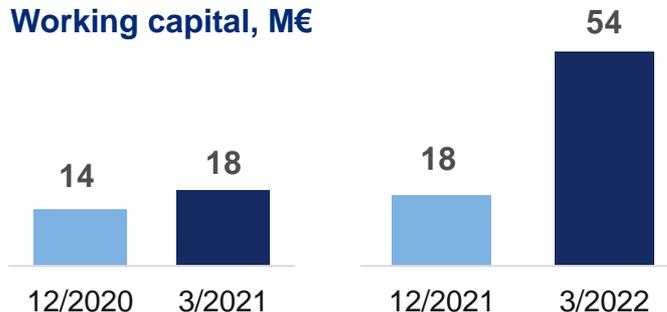
Q1/2022: Cash flow from operating activities

- Cash flow weakened as a result of performance and a change in working capital
- Timing of payments on accounts payable increased working capital
- Inventory levels higher than in the comparison period; most of the increase from the change in inventory value due to inflation

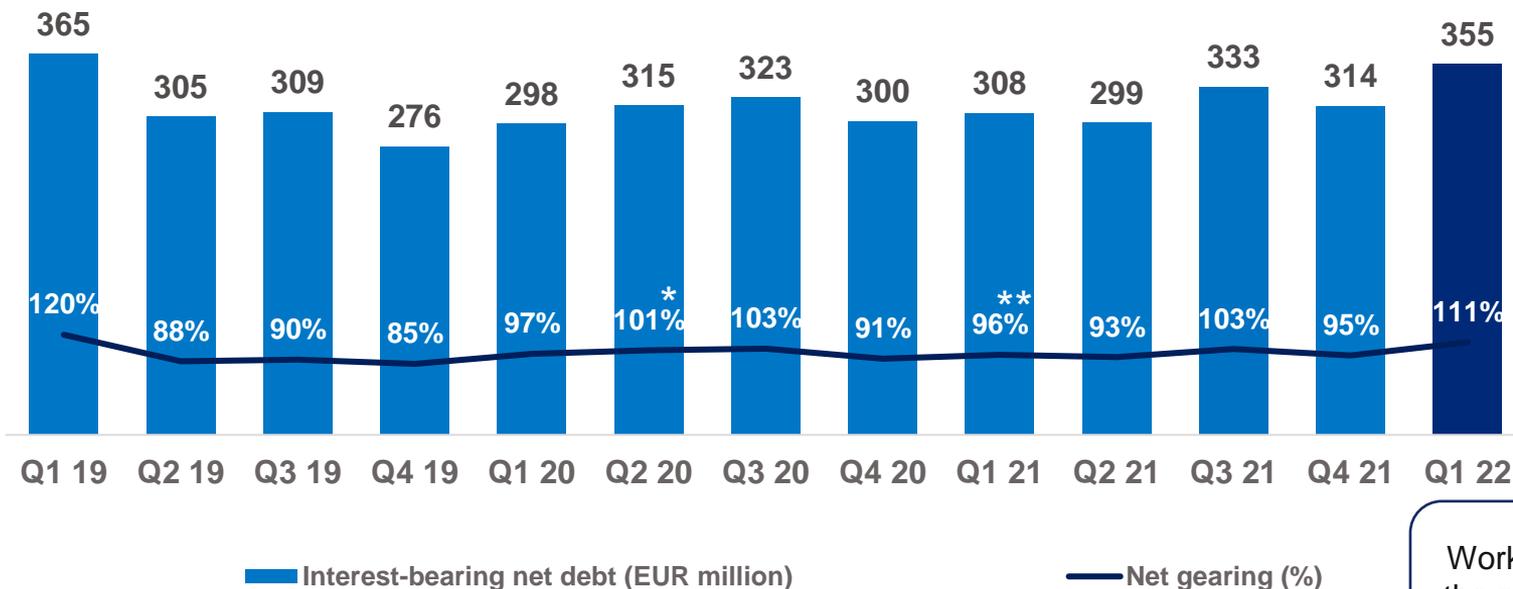
Cash flow from operating activities, M€



Working capital, M€



Interest-bearing net debt and net gearing



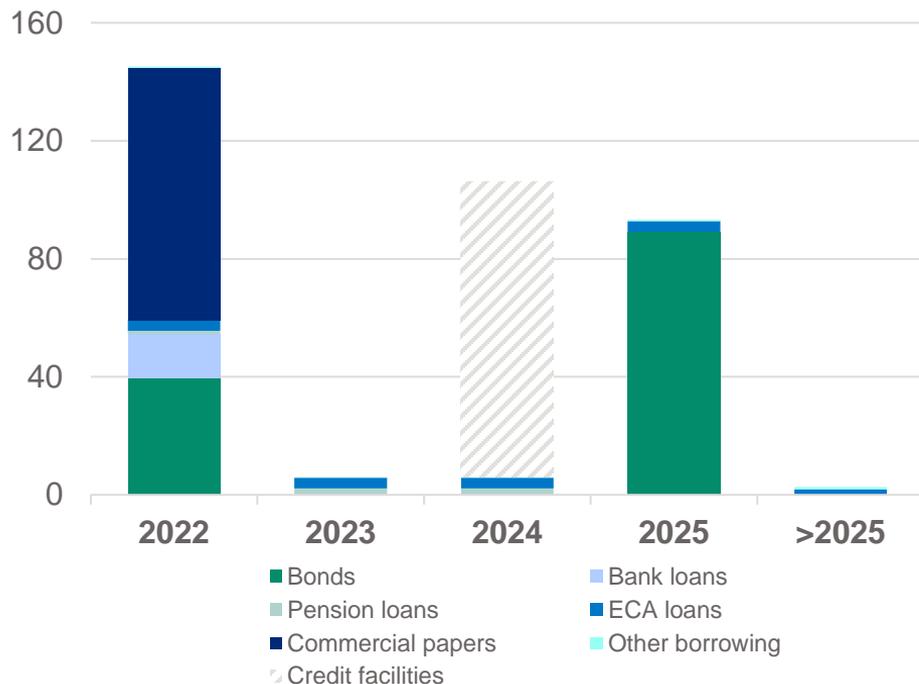
Working capital growth the main reason for the increase in net gearing.

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

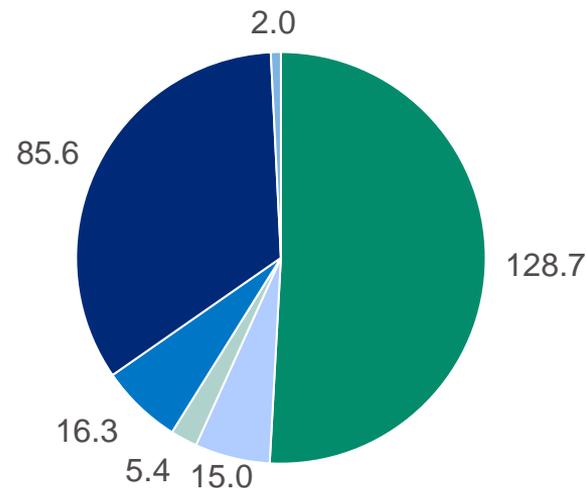
** Q1/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million and a lease liability in accordance with IFRS.

Debt profile and maturity structure as of 31 March 2022

Maturity of the Group's interest-bearing debt*, M€



Interest-bearing debt by credit type, M€*



**Total interest-bearing debt without IFRS 16:
EUR 253 million**

*Without lease liabilities

*EUR 26 million hybrid bond is treated as equity



Strategy

HKSCAN

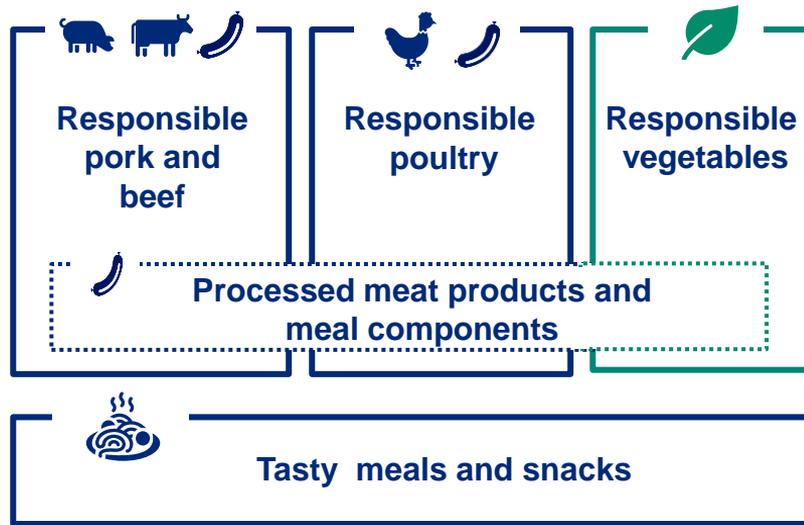
HKScan's transformation into a versatile food company



Digital solutions and strengthening consumer experience



HKSCAN



SALES CHANNELS



CUSTOMERS



HKScan expanding into fresh vegetable products together with Vihannes-Laitila

- In April, HKScan and Vihannes-Laitila founded a joint venture Kasviskonttori Oy
 - Shareholding: HKScan 80% and Vihannes-Laitila 20%
- Vegetable use in the diet growing and accelerating with new products
- Added value of fresh vegetable products increasing
- Within a year, the company will launch ready-to-use and ready-to-cook fresh vegetable products with higher added value
- The cooperation contributes to HKScan's strategic target to grow into a versatile food company



Into new raw material bases using the Scan brand

- The well-known Scan brand used in new product categories to support strategic growth as a food company
- Swedish raw material base behind the Scan brand



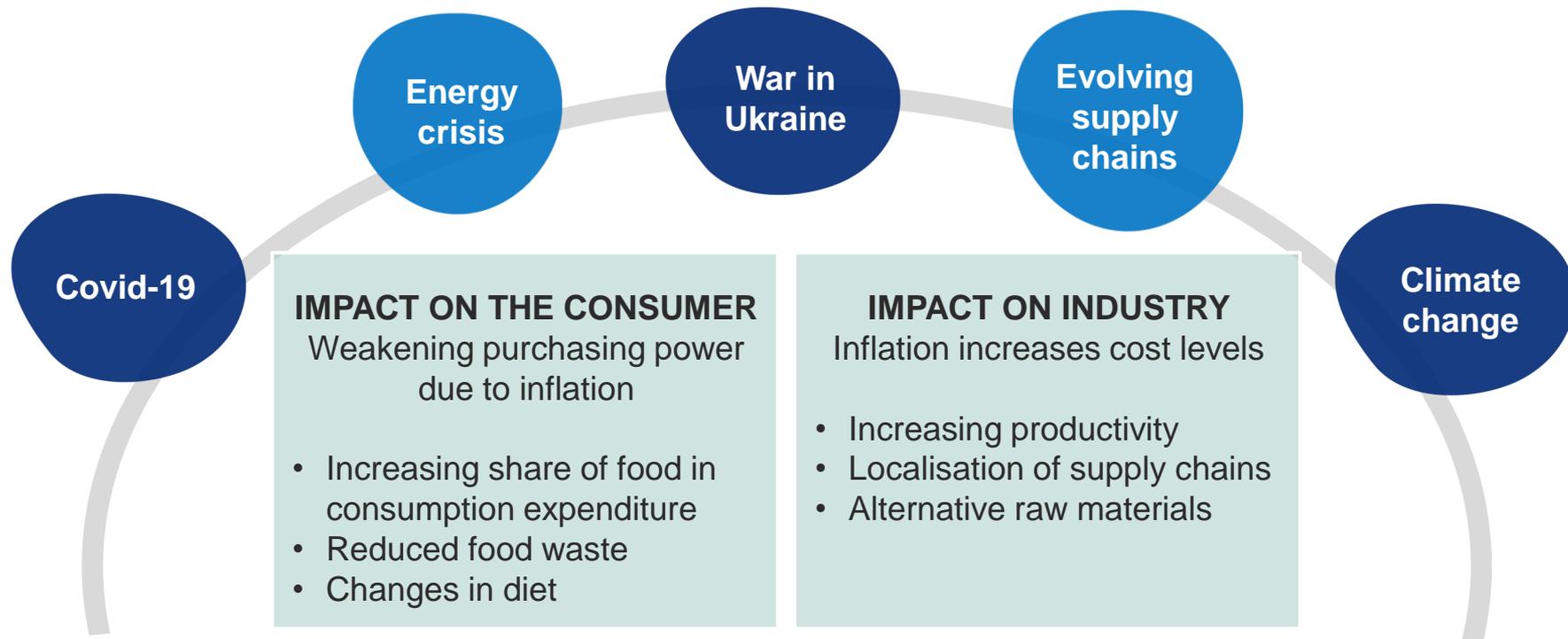
Added value and profitability through higher level of processing



We increase added value for our products



Changing operating environment driving strategic changes across the global food chain





HKSCAN

*We make
life tastier*
- today and tomorrow

