

HKSCAN

Interim Report Q3 2023

Juha Ruohola, CEO

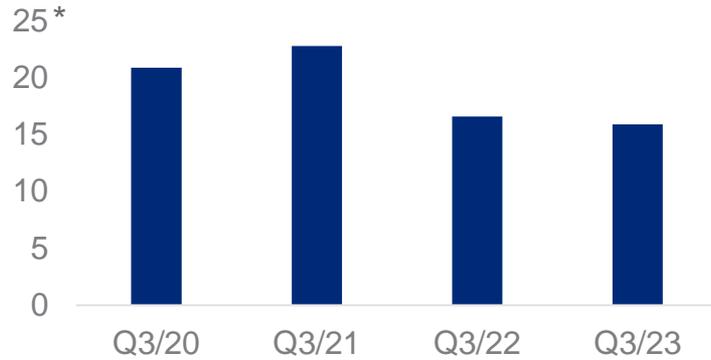
8 November 2023



Goal-oriented work towards zero accidents at work

Accident frequency, LTIR

Continuing operations, rolling 12M average



*lost-time accidents per million working hours

Safety First



Q3/2023: HKScan's EBIT showed a clear improvement

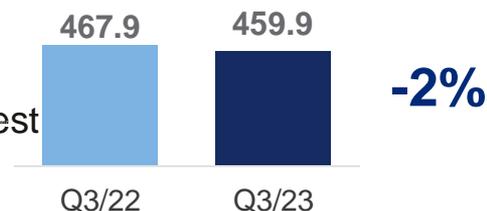
Net sales

- At comparable exchange rates, net sales increased
- Net sales were weighed down by the weakened Swedish krona by EUR 18.4 million
- Net sales were boosted by higher sales prices than in the comparison period
- Value of retail sales grew clearly in Finland, with the strongest growth coming from HKScan's own branded products

EBIT

- Profitability improved by the better sales mix, production efficiency improvements and successful commercial measures
- Consumer demand remained at the same level as the previous quarter, but focused in particular, on lower-priced products
- Cost level remained high

Net sales, M€, continuing operations

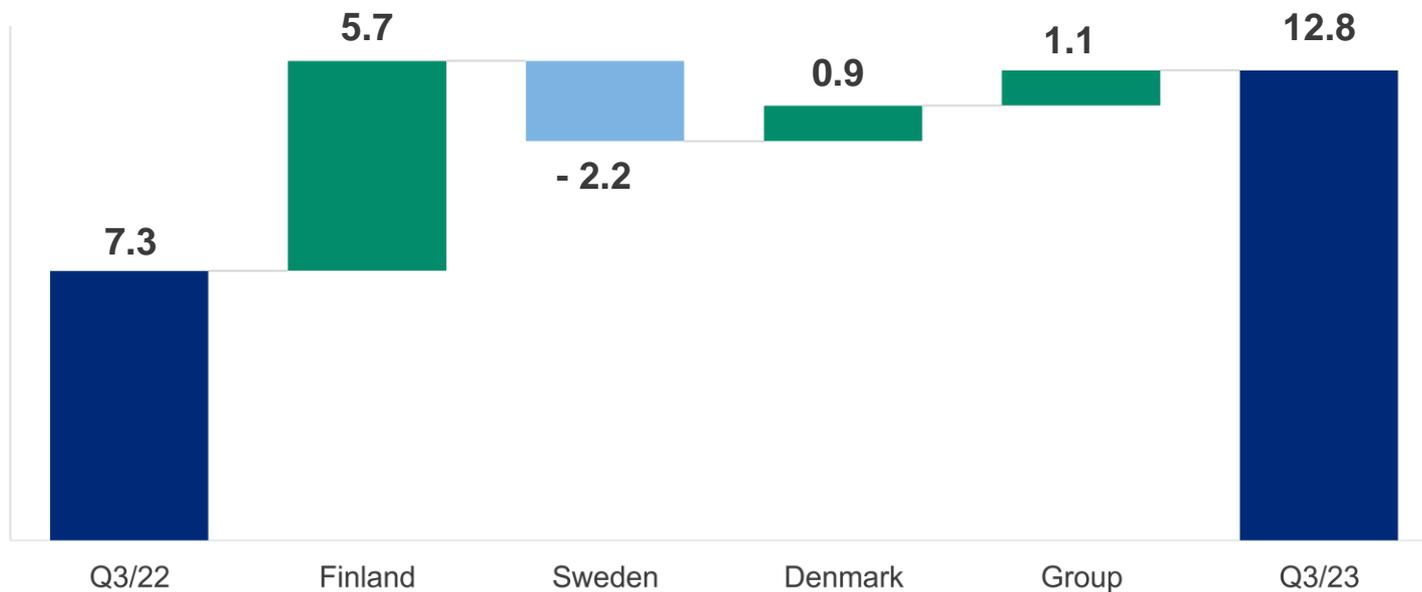


Comparable EBIT, M€, continuing operations

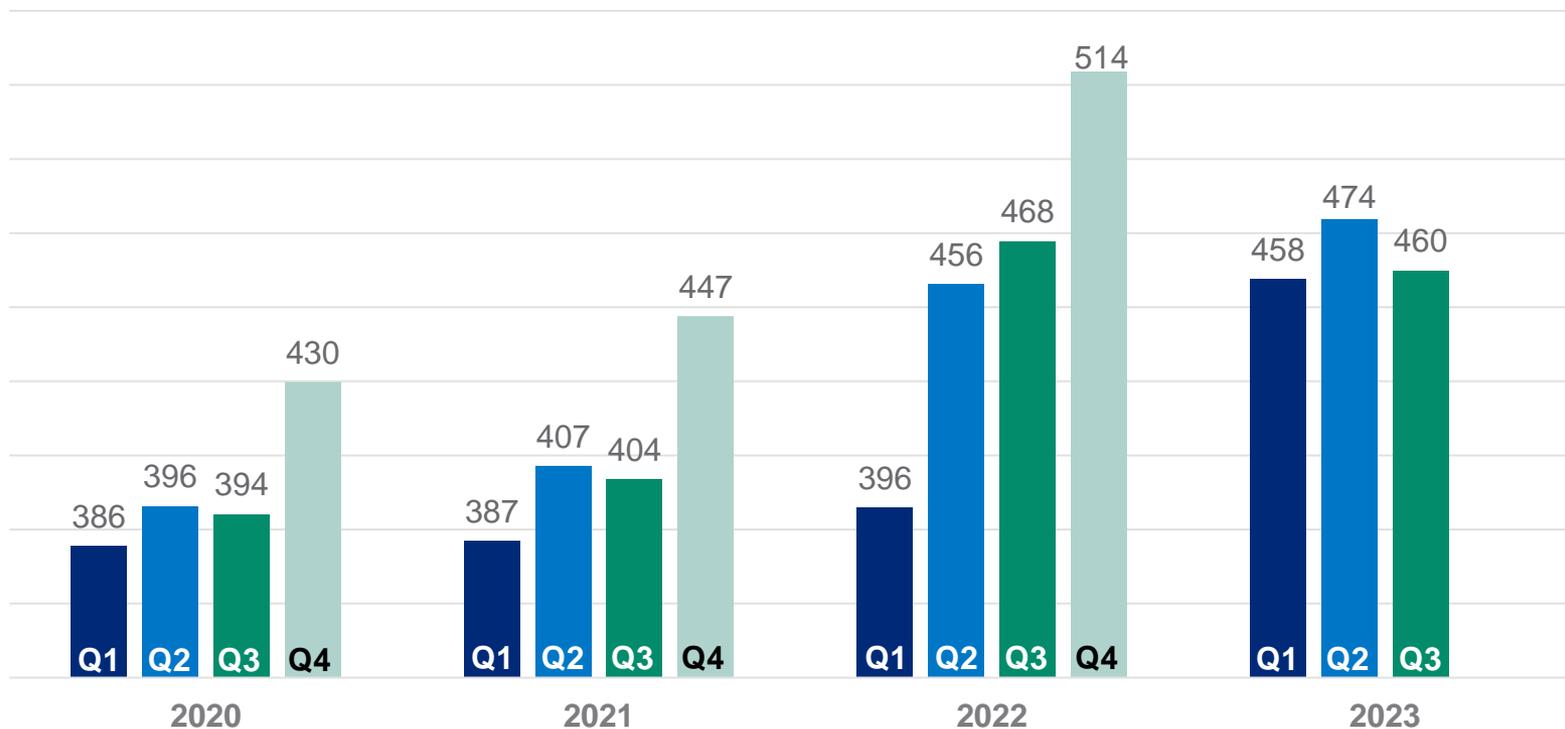


Q3 EBIT improved in Finland and Denmark

Change of comparable EBIT, M€, continuing operations

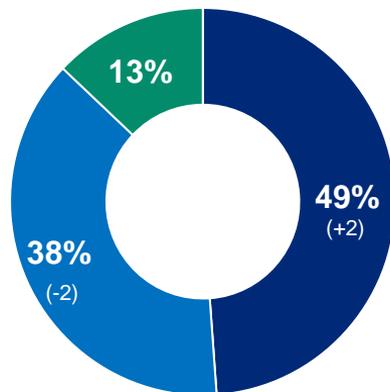


Quarterly net sales, M€, continuing operations



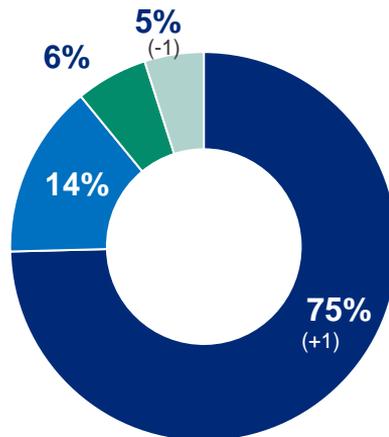
Net sales breakdown Q3 2023, continuing operations

Markets



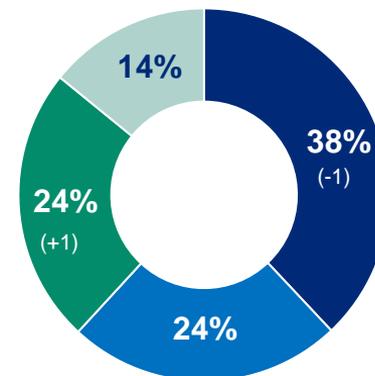
- Finland
- Sweden, incl. Poland
- Denmark

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. Q3/2022 in parantheses

Quarterly comparable EBIT from continuing operations, M€



Annual estimated cost savings of 12.6 M€ from the investments and development measures decided

Unit	Measure	Estimated annual savings	Realisation of savings
Group functions	Change of operating model and development measures, staff adjustments	3 M€	After Q1/2023
Rauma and Eura	Efficiency measures decided in 2022: improving production efficiency and reorganising operations, staff adjustments	3 M€	During 2023
Linköping	Investment of 5 M€ in to increase the efficiency and capacity of beef production	1.6 M€	After Q1/2024
Forssa	Investment of over 5 M€ in meat packaging, reorganisation of operations, staff adjustments and renewal of operating methods	2 M€	During 2024
Rauma	Development investment of 4.6 M€ in poultry cutting department, reorganisation of operations, staff adjustments and renewal of operating methods	3 M€	From H2/2024

Outlook for 2023 unchanged

In 2023, HKScan expects the Group's comparable EBIT from continuing operations to improve compared to 2022. The full-year performance will be significantly affected by inflation and the development of consumer purchasing power in the company's home markets. On the other hand, in the beginning of 2023, energy and logistics costs were on a more moderate level than in the peak of 2022.



The divestment of Baltic businesses completed

- HKScan sold its Baltic businesses to the Estonian AS Maag Grupp on 31 August 2023
 - The debt-free purchase price was EUR 90 million, of which EUR 20 million is conditional
 - Of the EUR 70 million fixed price, EUR 55 million was paid at the closing of the transaction and the remainder will be paid over the next three years
- The divestment improved HKScan's profitability and strengthened its balance sheet
- The proceeds of the sale were used to repay the company's loans



Strategic renewal requires better profitability and stronger balance sheet

Improving the profitability of the core business

Increasing production efficiency, cost control, optimising the product portfolio to meet changing consumer demand and commercial measures

Strengthening the financial base

E.g. divestment of the Baltic business

Renewal into a versatile food company

Profitable growth

2023

CASH FLOW · PROFITABILITY · BALANCE SHEET

2030

HKScan's responsibility work themes

HKSCAN
Food that does good
- because we care

NATURE
Carbon-neutral food chain
Sustainable packaging
Biodiversity

PEOPLE
Work safety
Work well-being

FARMER COMMUNITY SAFE FOOD ANIMAL WELFARE GOOD GOVERNANCE

HKScan was awarded the prestigious CSR People Prize 2023 in Denmark

- HKScan received the CSR People Prize 2023 in Denmark for its significant work in promoting diversity and inclusion in the workplace
- For many years, HKScan has employed people whose employment is challenging for various reasons and has invested in diversity and inclusion

Better Together



Financial review



Key figures, continuing operations

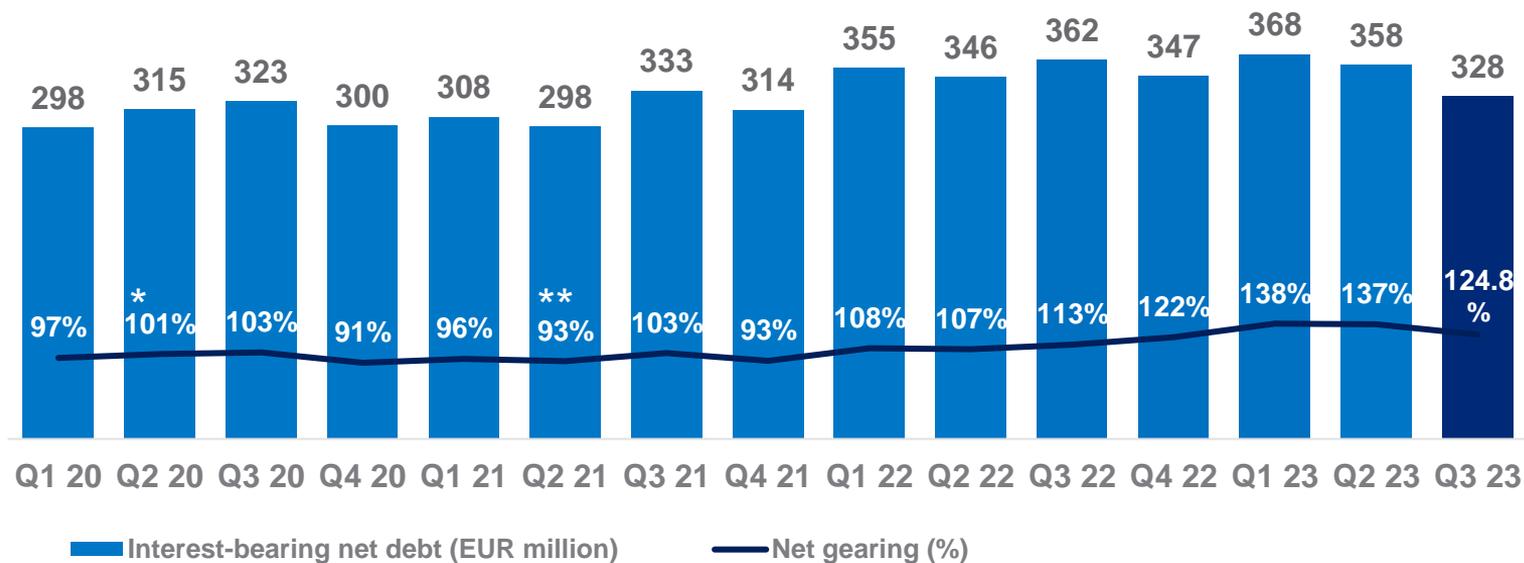
EUR million	7-9/2023	7-9/2022	2022
Net sales	459.9	467.9	1 833.8
EBITDA	25.2	18.3	55.8
EBIT	13.3	6.3	10.1
- EBIT margin, %	2.9	1.3	0.5
Comparable EBIT	12.8	7.3	9.7
- EBIT margin, %	2.8	1.6	0.5
Profit for the period	4.8	2.7	-4.9
EPS, EUR	0.04	0.02	-0.11
Comparable EPS, EUR	0.03	0.03	-0.11

Key figures

EUR million	7-9/2023	7-9/2022	2022
Cash flow from operating activities, incl. discontinued operations	3.5	-6.2	18.9
Cash flow after investing activities, incl. discontinued operations *	34.9	-12.1	-21.9
Return on capital employed (ROCE) before taxes, %, incl. discontinued operations	0.0	-0.5	-6.4
Interest-bearing net debt	327.8	362.5	347.2
Net gearing, %	124.8	112.6	121.6

* The closing of the Baltic transaction generated a positive cash flow on investments EUR 38 million

Interest-bearing net debt and net gearing

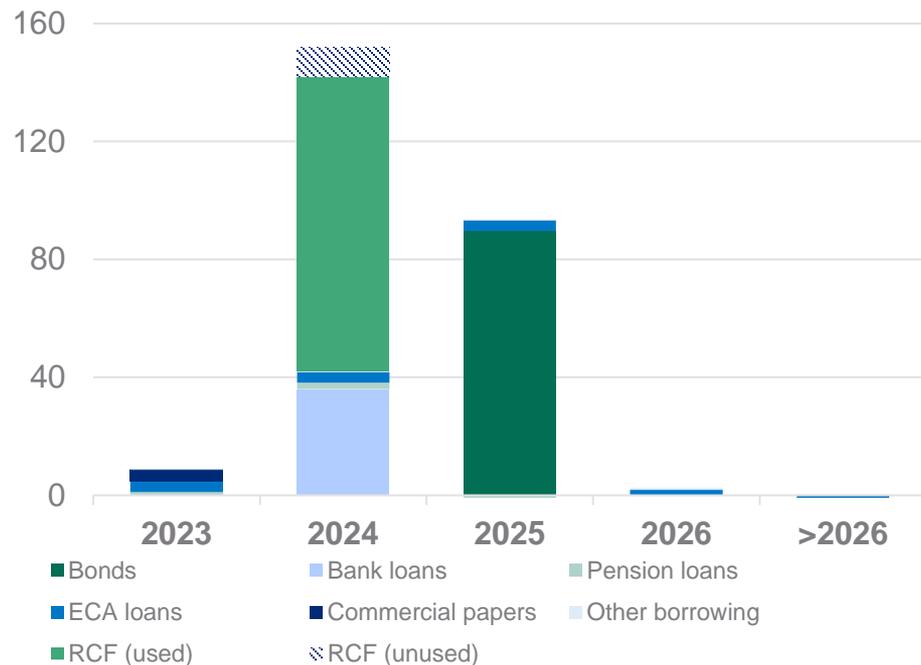


* Q2/2020 includes the investment to the plot of the Vantaa unit EUR 37.7 million.

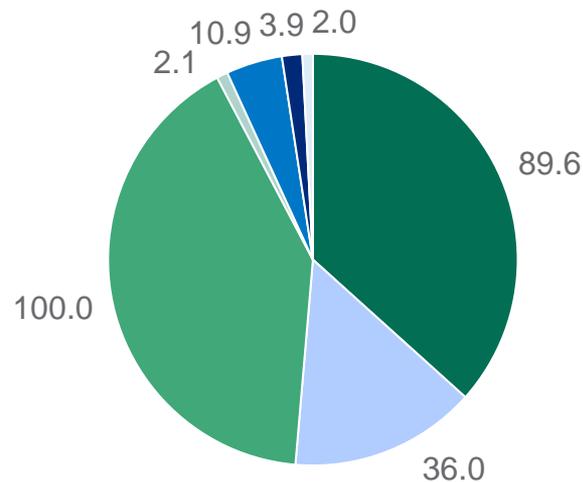
** Q1/2021 includes the sale of Vantaa property (land and buildings) with EUR 76.1 million and a lease liability in accordance with IFRS.

Debt profile and maturity structure as of 30 September 2023

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



Interest-bearing debt by credit type, M€*

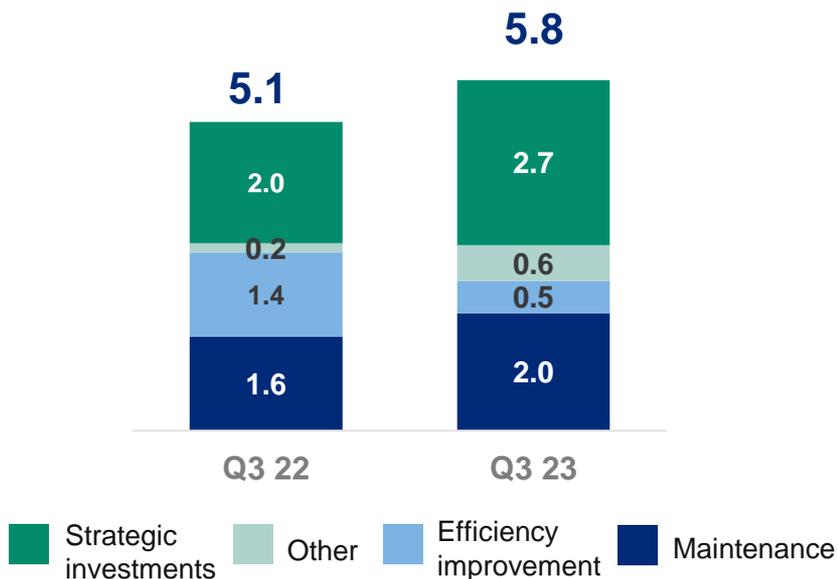


**Total interest-bearing debt without IFRS 16:
EUR 244.5 million**

*Without lease liabilities
 EUR 26 million hybrid bond is treated as equity
 The company intends to redeem the hybrid loan in 2024.

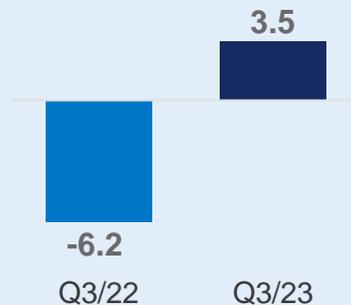
Investments

Group investments, M€, continuing operations

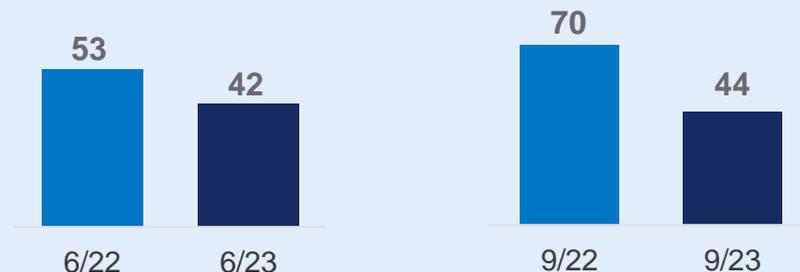


Cash flow and working capital

Cash flow from operating activities, M€, incl. discontinued operations



Working capital, M€, incl. discontinued operations



Finland Q3/2023

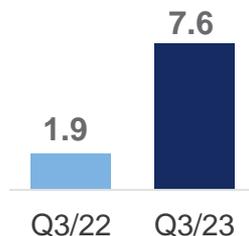
Net sales, M€

+3%



Comparable EBIT, M€

+5.7M€



- Retail sales value increased clearly especially in higher added-value branded products
- Better sales structure and higher sales prices increased net sales
- Rauma and Forssa units' investments to improve the competitiveness and cost-efficiency of production progressed as planned



EBIT improved by better sales mix, production efficiency improvements and successful commercial measures

Examples of novelties in Finland

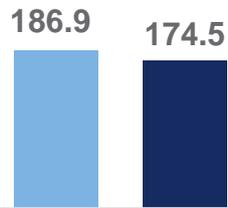
Kariniemen Wingfest[®] products and HK[®] pizzas



Sweden Q3/2023

Net sales, M€

-7%



Q3/22 Q3/23

Comparable EBIT, M€

-2.2M€



Q3/22 Q3/23

- At comparable exchange rates, net sales increased
- The negative effect of the exchange rate change of the Swedish krona on net sales was EUR 18.4 million and on EBIT EUR 0.6 million
- Particularly sales of private label brands and the share of promotional sales increased
- Food service sales continued to grow
- EBIT weakened by high price of meat raw material and general cost inflation



Retail sales value and sales volumes continued to grow at comparable exchange rates

Examples of novelties in Sweden

Scan brand sausages made from plant-based protein



Denmark Q3/2023



Net sales, M€

Comparable EBIT, M€

-3%

+0.9M€



Q3/22 Q3/23

Q3/22 Q3/23

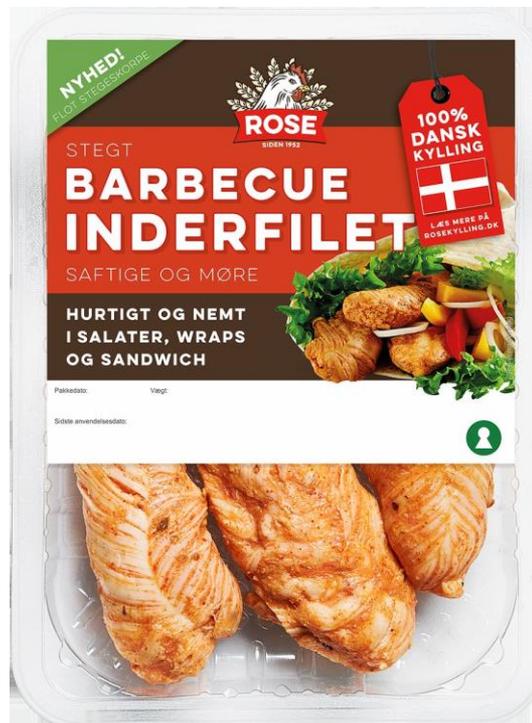
- Food service sales increased by 15%
- Cost inflation levelled off in the spring and remained moderate
- EBIT improved through successful commercial measures, strong consumer demand and long-term improvements in production efficiency
- Production on the new poultry cooking line started in August

Good demand for poultry products continued in Denmark



Examples of novelties in Denmark

Higher value-added poultry products from the cooking line



*We make
life tastier*
- today and tomorrow

HKSCAN

www.hkscan.com

