



HKSCAN



From Farm to Fork Strategy

Jari Latvanen
28 August 2017

Introduction

Our strategy is to focus on the consumer by leading the food value chain through innovation and renewal. The strategy positions us uniquely within the Nordic food industry.

New Nordic operating model, including appointments in the Group Leadership Team, in effect since June 1st, enables the implementation of the strategy.



A photograph of a brown and white cow standing in a green field. In the foreground, the backs of several people are visible, including one wearing a blue and white striped shirt. The scene is outdoors with trees in the background.

Our mission film

Our From Farm to Fork strategy is a holistic approach to active **food value chain leadership**.

It has a strong **focus on consumers**.

It emphasises **innovation, cost competitiveness and sustainability**.

Our strategy validates our mission to make **daily life tastier** for consumers and customers – both today and tomorrow.

From Farm to Fork –strategy highlights

In **collaboration with consumers and farmers**, innovate and sustainably produce, tasty, premium food



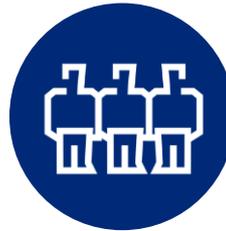
One Nordic Team enables leveraging capabilities and concepts to capture the commercial potential of offering



Strengthen market position in the Nordic home markets and explore export opportunities



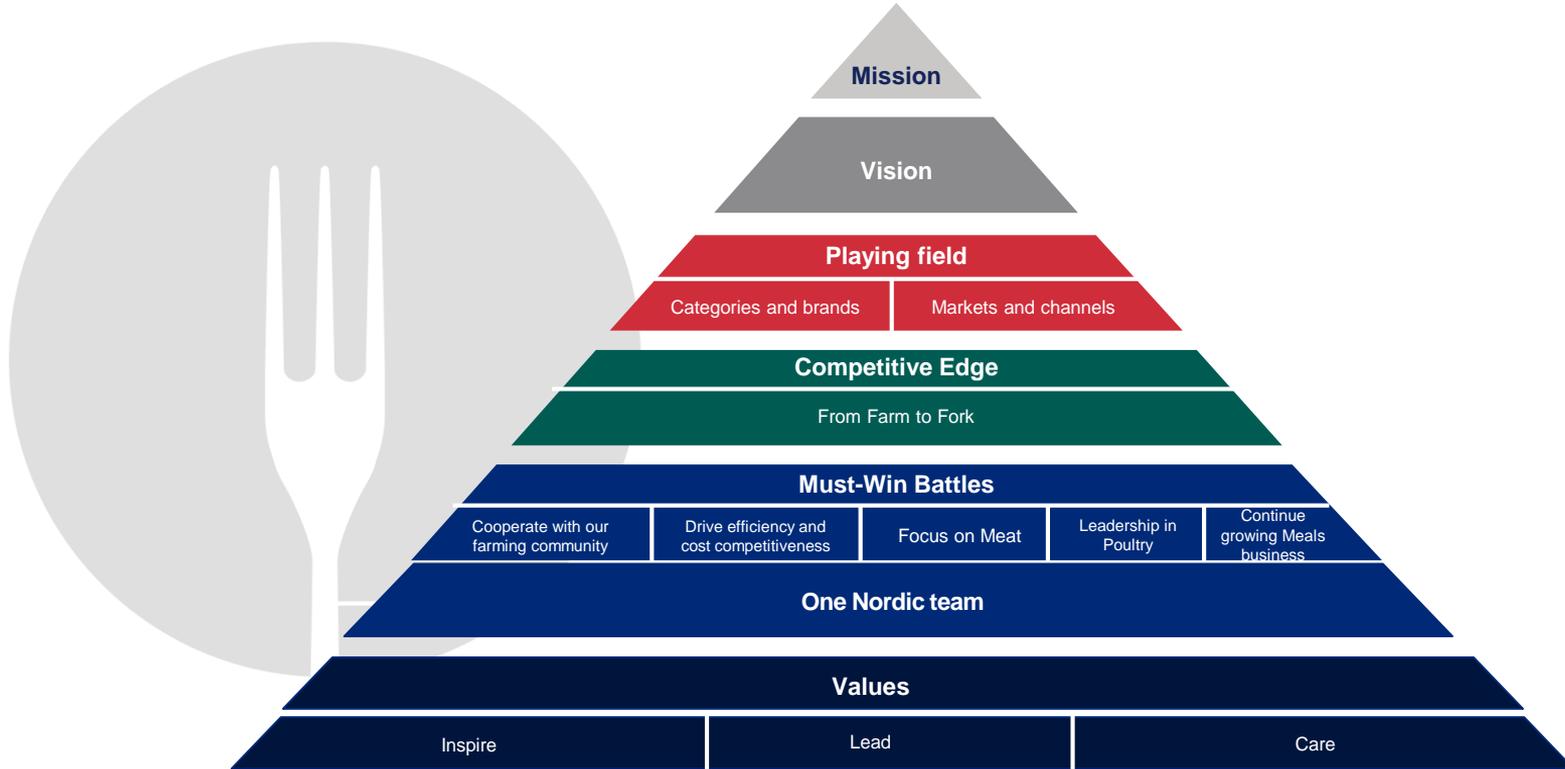
Continue **developing automation and the production network**, improve cost competitiveness



Expand route to market and improve **channel collaboration** to meet increasing consumer demand



From Farm to Fork strategy



We lead the food value chain and emphasise the consumer



We have rich sources of insight about consumer lifestyles and shopping baskets



**Attitudes to Food,
Cooking & Meat**



**Consumption
Behaviour**



**Occasion Specific
Behaviour**



**Shopping
Behaviour**



We stress high quality and sustainability

Quality

- We set **high quality standards in everything we do**
- By setting the bar high and striving for it, we can **reach the most attractive product and consumer segments**



Sustainability

- Our requirements for high quality are directly linked to sustainability and we want to become the **benchmark in sustainability**
- We **are well positioned to build sustainability** from our long-term development and our **farm to fork** approach
- By constantly developing our approach e.g. to reduce greenhouse gas emissions, waste and water consumption we can **build sustainability a differentiating edge** for both in home and international markets



We innovate to meet consumer demand

- Our innovation builds on our **high standards for product quality**
- We will continuously develop **consumer insight** which will guide our innovation efforts
- In addition, we will combine our innovation efforts with close **collaboration with our customers** to be able to create differentiating new concepts and products
- Examples include **Rypsiporsas rapeseed-fed pork** – our aim is to create new ones and further commercialise existing ones





We are partnering with the farming community

- Commercial innovations and **product quality** are **directly linked with our farmers**
- We never sacrifice our standards for **sustainability or animal welfare**
- We will **group farmer partnerships based on set of features** to secure our product quality and differentiated producer services
- What was animal sourcing before, becomes **producer partnerships** encompassing **farming, genetics and feed**, combined with our joint efforts to develop **productivity** throughout the value chain



We are building an efficient and sustainable operations network



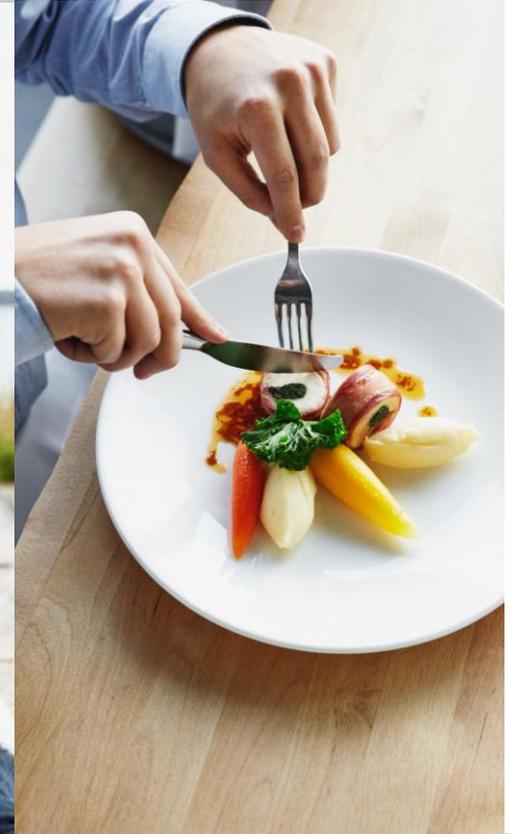
- Due to current gap versus best in class, cost efficiency will not become a *key* competitive edge for us in short-term
- We need to make several efforts to **close the efficiency gap** that we have
- We will improve our on-site **productivity** by implementing KPI measurement, sharing best practices and investing in automation and operational excellence
- In addition, we will develop our **production network** to improve asset utilisation and meet commercial needs
- We ensure that our processes meet all **quality and work place safety** standards
- An example of our already on-going efforts is the **Rauma site** providing us with both high quality and cost efficiency





We emphasise channel collaboration

- To reach our consumers and support new innovation, we emphasise **channel collaboration**
- We will do this e.g. by, **joint product development, joint business planning, measuring** our performance with profitability metrics
- In addition, we will **expand our route to market**
 - Channel collaboration requires **high-class commercial execution**
 - Last, we will utilise our **direct distribution** as a strength but prepare for changes in the retail distribution structure

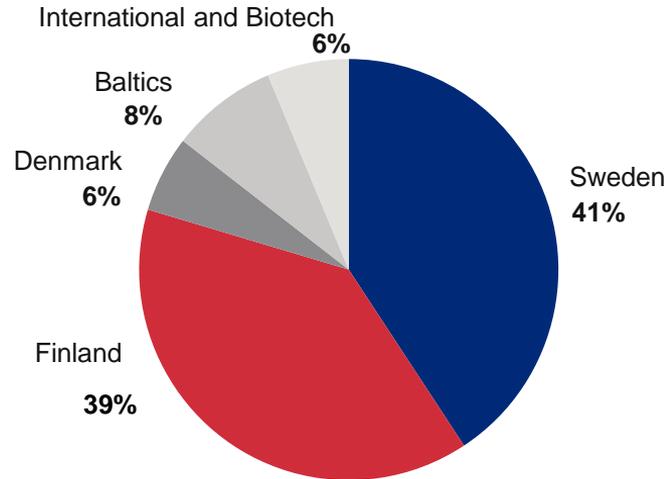


We aim to expand our playing field to reach
a **leading market position** and
presence in key sales channels in our Nordic home markets.

We will develop **international growth avenues**,
and build a stronger position in
upper mainstream and premium meats.

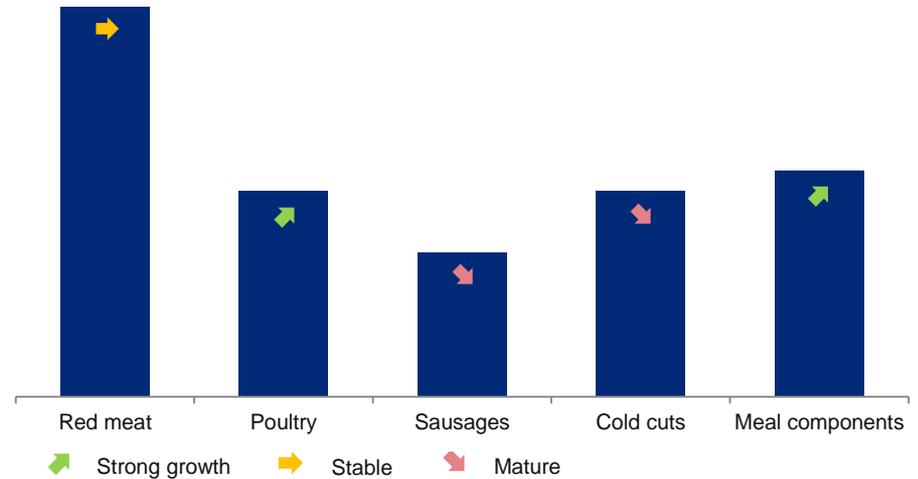
We strengthen our market leader position in home markets

HKScan's net sales 2016



- HKScan reaches consumers through retail, away from home, and industrial channels
- Total sales were nearly EUR 1.9 billion in 2016

Net sales and market development direction of main categories in HKScan home markets 2016



- Poultry and Meals are the strongest growing categories that HKScan is active in
- There is a need to focus on and revitalise Red meat

We focus on Meat and redefine Meals business

MEAT



Meat is the largest part of our business

Our aim is to **revitalise the meat category** and bring the pride back

We capitalise on the growth trend and aim for **leading position in poultry**

Focus on meat allows us to also develop **sausages and cold cuts**

MEALS



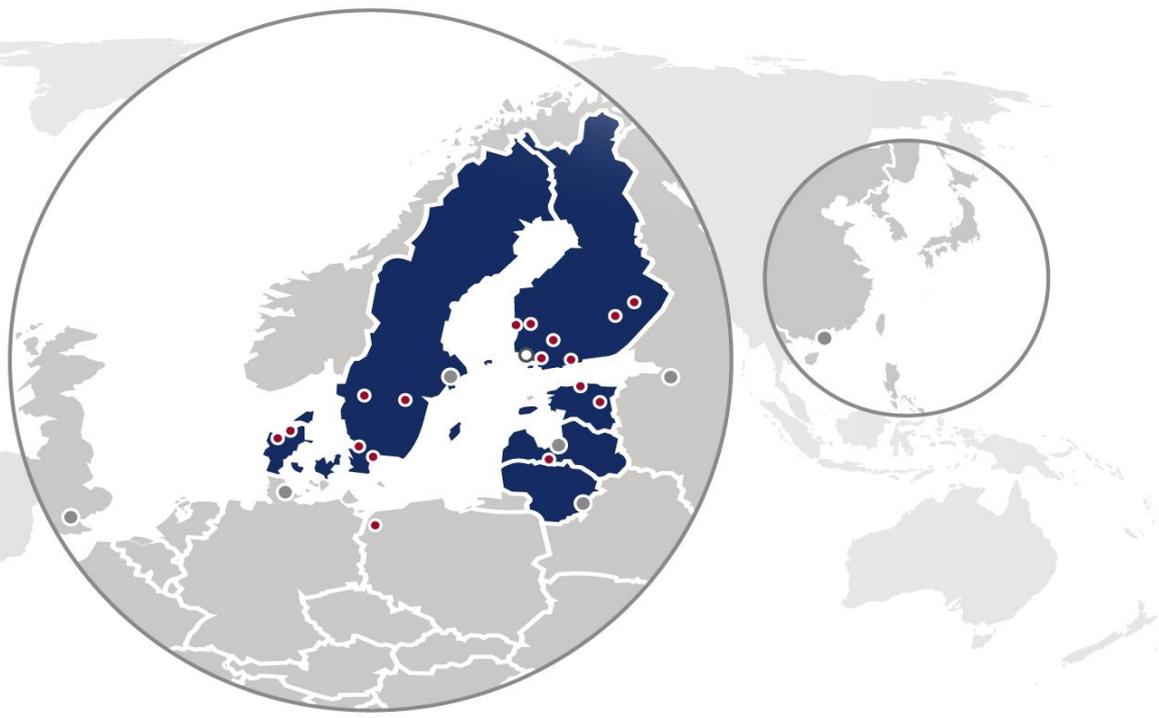
In meals our competitive edge builds on meat

Our aim is to **redefine the meals business** especially focusing on best **components for meals**

We will simplify and develop our portfolio and business model to be able to improve our productivity and efficiency

We see growth opportunities in international markets with a focus on Asia

- HKScan home markets
- Production facilities
- Sales offices
- Head office



Must Win Battles to reach our objectives

Cooperate with our farming community

- Secure **High quality raw material**
- Commercial **innovation and differentiation**



Drive efficiency and cost competitiveness

- Improve **on-site efficiency** by benchmarking and sharing
- Develop **production network** to bring up **asset utilisation**



Focus on Meat

- Invest in **new concepts, products** and **sustainability**
- **Differentiate** with **high quality** and full **control of the value chain**
- Build a position **closer to consumers**



Leadership in Poultry

- **Capitalise** on the **growth** trend and utilise full food value chain control and Rauma
- Invest in **new concepts** to defend from commoditising



Continue growing Meals business

- Tap into a **growing and high-margin market** with white spots and premiumisation opportunities
- **Reduce complexity** to gain resource and cost effectiveness

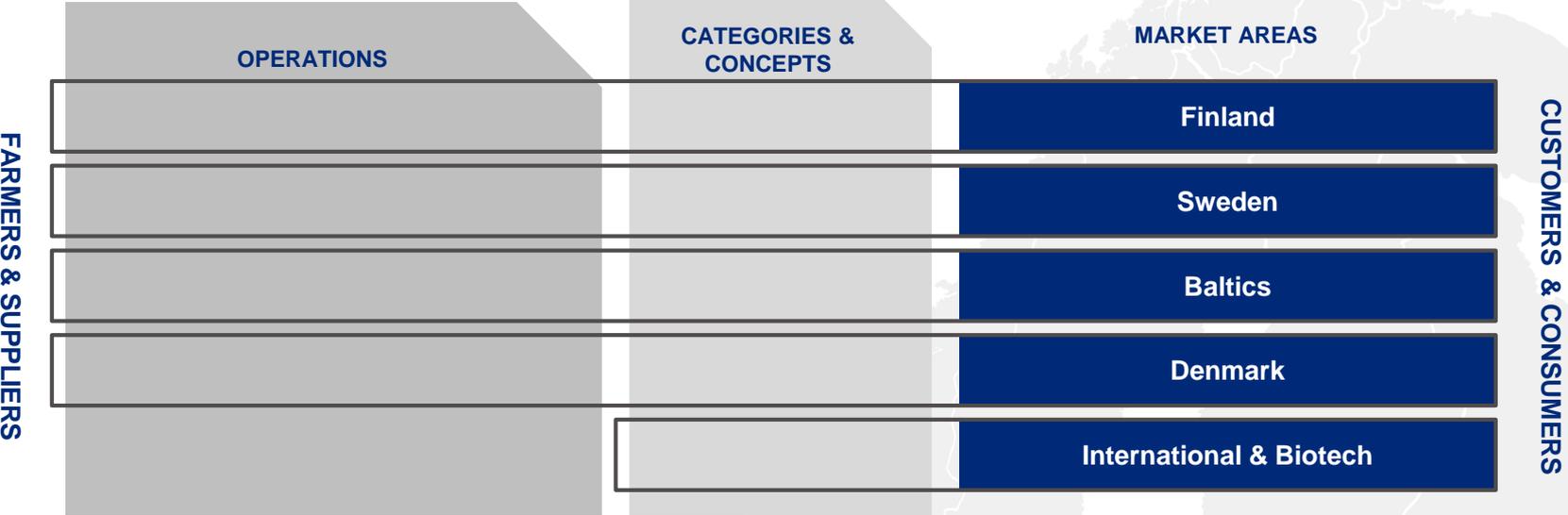


Our new **operating model** offers capability for **renewal**.

It strengthens our way of working effectively as
one Nordic team

and it enables us to execute our strategy in
a **cost-competitive** manner.

We operate as one Nordic team – Our structure supports the strategy



Group Leadership Team leads the transformation and strategy execution



Jari Latvanen
President and CEO



Jyrki Karlsson
EVP Market Finland



**Sofia Hyléen
Toresson**
EVP Market Sweden



Anne Mere
EVP Market Baltics



Svend Schou Borch
EVP Market Denmark



Jukka Nikkinen
EVP Market
International & Biotech



Aki Laiho
EVP Operations



Heli Arantola
EVP Categories &
Concepts



Tuomo Valkonen
CFO



Anu Mankki
EVP HR



Mikko Saariaho
EVP Corporate
Communications,
from 1 Oct onwards

We have a professional and dedicated Board of Directors



Mikko Nikula
Chairman of the Board,
M.Sc. (Physics)
Farm entrepreneur, broiler
meat producer



Marko Onnela
Deputy chairman of the Board,
M.Sc. (Agriculture)
Farm entrepreneur and
pork producer



Per Olof Nyman
Member of the Board,
M.Sc. (Industrial & Management
Engineering) President & CEO,
Lantmännen ek. för.



Riitta Palomäki
Member of the Board,
M.Sc. (Econ.)



Tuomas Salusjärvi
Member of the Board,
PhD Biochemistry
Valio Oy, Executive Vice President,
Product Groups and R&D



Pirjo Väliaho
Member of the Board,
Bachelor of Economic Sciences

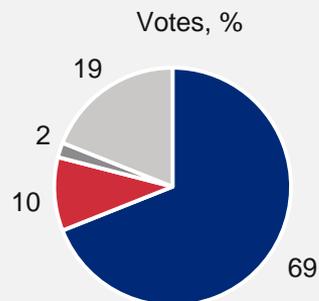
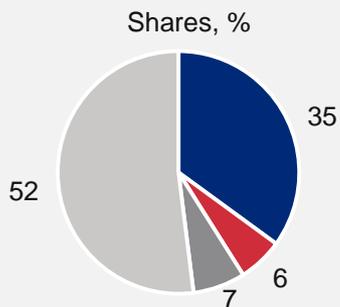


Veikko Kemppi
Deputy member of the Board,
M.Sc. Agriculture
LSO Cooperative,
Managing Director



Carl-Peter Thorvid
Deputy member of the Board, M.Sc.
(Industrial Engineering and Management)
Lantmännen Unibake, Group Business Lead
Fresh Bread and member of the management
team, Head of Integration

We have stable and dedicated owners with a long-term view to developing the food value chain from Farm to Fork



■ LSO Osuuskunta ■ Lantmännen
■ Sveriges Djurbönder ■ Others

July 31, 2017

THROUGH OUR
OWNERSHIP
WE HAVE A DIRECT
CONNECTION
WITH CLOSE TO

39 000
FARMS

IN SWEDEN AND
FINLAND



Our values drive how we work together, both internally and externally

INSPIRE

food passions



LEAD

the way in meat



CARE

Help people make better choices



We are building our way towards reaching financial targets

SALES IMPROVEMENT MEASURES

From Farm to Fork based innovation and renewal in:

Meals



Poultry



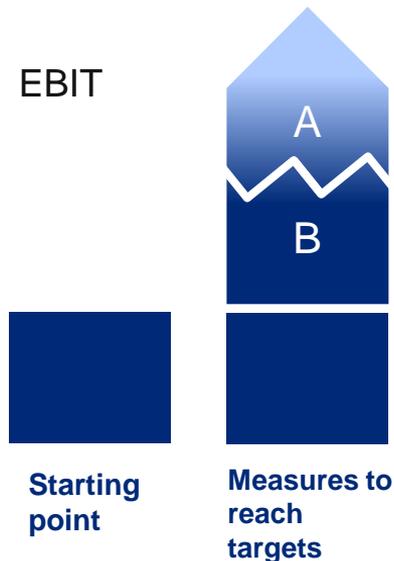
Meat



Improved channel collaboration

New markets - Asia

EBIT



PROFIT IMPROVEMENT MEASURES

A. Impact from growth

- Operating leverage from higher volumes
- Impact from better pricing

B. Improved efficiency

- Better capacity utilization
- Implementation of best practices
- Shared business services

Long-term financial targets remain unchanged

Operating profit (EBIT)

4%

of net sales

Net gearing

<100%

Return on capital
employed (ROCE)

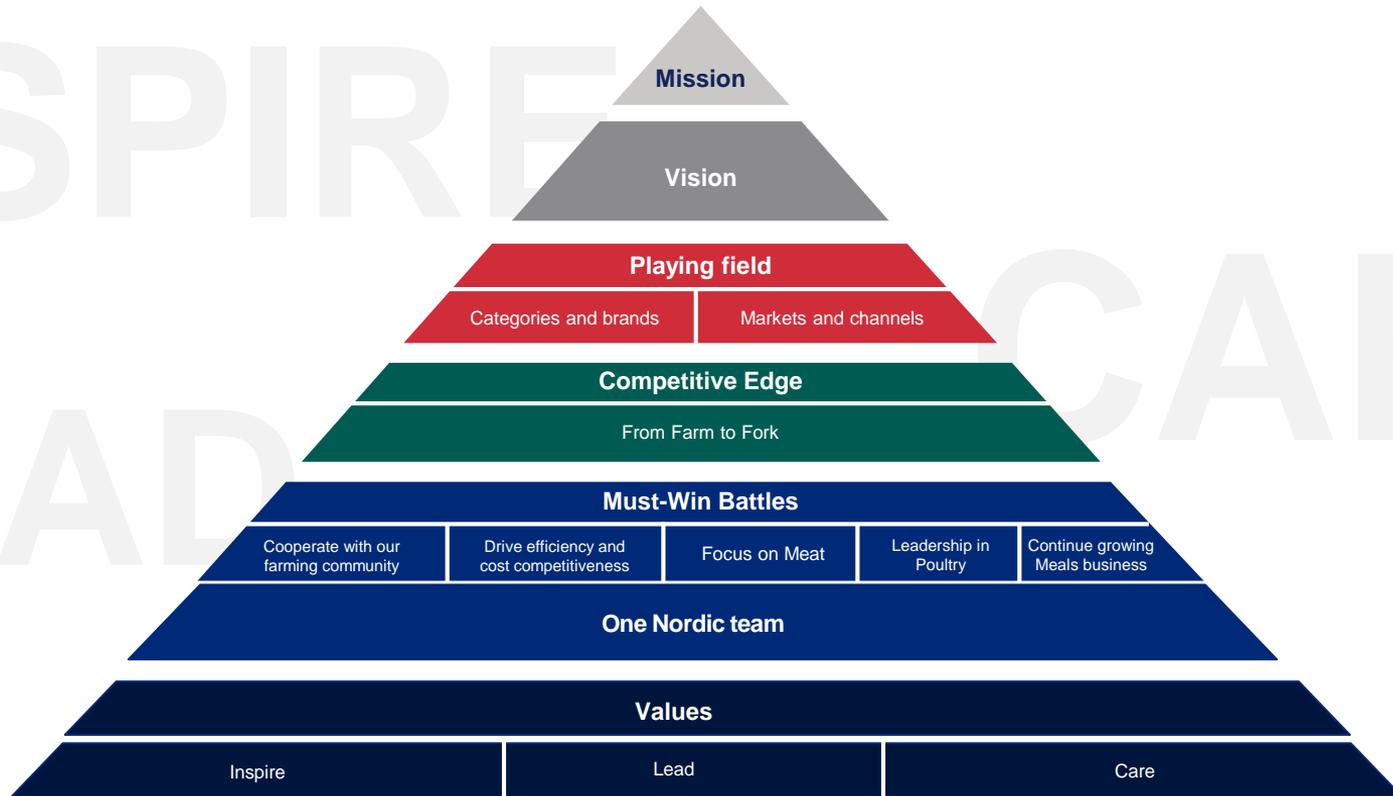
12%

Dividends

30%

of net profit

From Farm to Fork strategy





Thank you!