

HKSCAN

Half Year Report Q2/2017

Tuomo Valkonen, CFO
Info meeting, 19 July 2017, Vantaa

Challenges continued – operational restructuring finalized

HKScan Group Q2/2017

- Group's net sales decreased
 - All market areas declined – the Baltics stayed unchanged
- Group's EBIT declined
 - Finland in particular, but also Sweden declined
 - Denmark succeeded in decreasing its loss on EBIT and the Baltics stayed on par with previous year
 - Additional consultation costs and ramp-up costs of the Rauma plant impacted EBIT negatively
- Group's cash flow before investments improved slightly
 - Net working capital decreased – inventories decreased from Q1 and were on the previous year's level
- Reported EBIT includes significant amount of cost items affecting comparability

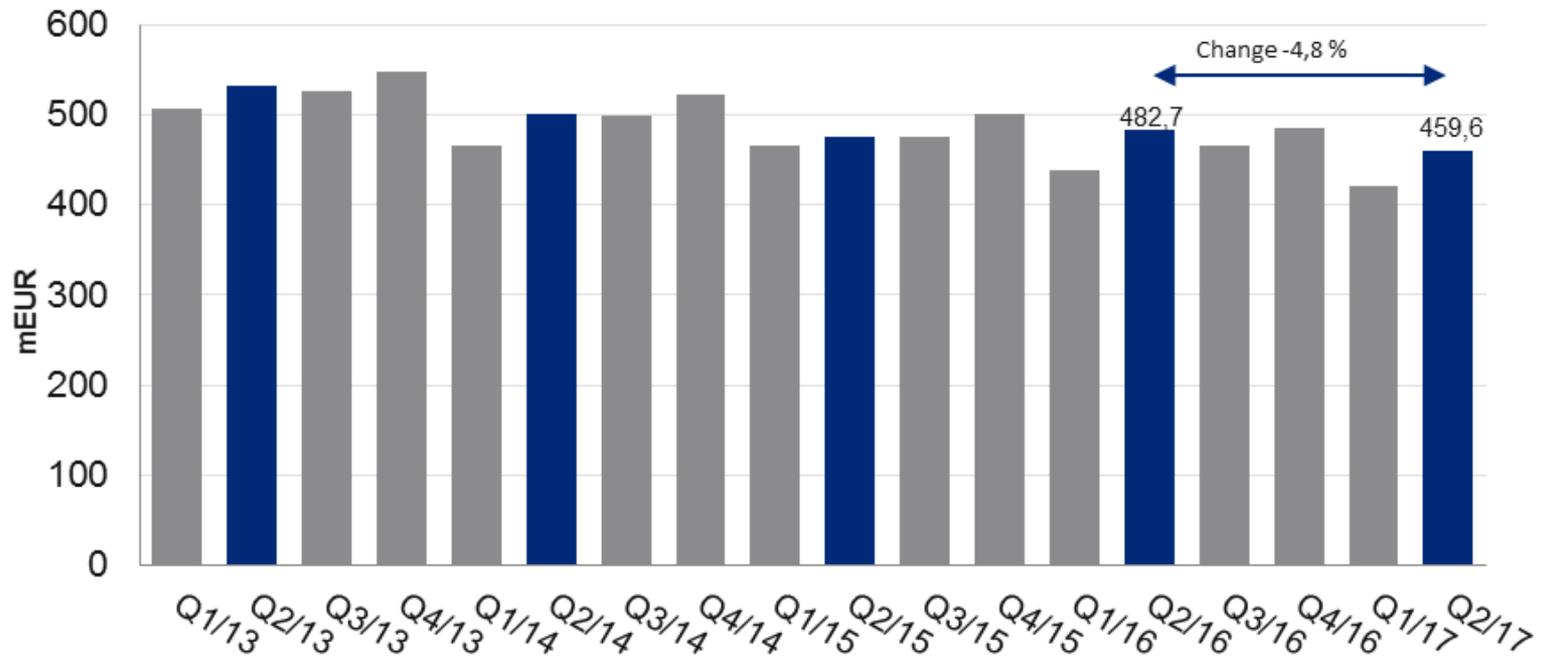
- Highlights
 - All market areas: sales of meal components developed positively
 - Sweden: sales of beef recovered
 - Finland: pork meat balance and pork margin improved, slight gain in market share despite the declining market, production line testing started in Rauma
 - Denmark: operational cost efficiency continued to improve, export sales relatively good
 - Baltics: margins in pork and poultry recovered

- Lowlights
 - Cold weather delayed the start of the BBQ season
 - All market areas: challenges in processed products – both volumes and sales prices of sausages and cold cuts declined
 - Sweden; loss of market share continued but slowed down, the market continued to grow
 - Finland; shortage of beef, lower sales prices
 - Denmark; domestic sales declined – growth in fresh products did not compensate for decline in frozen products
 - Baltics: ASF continues to restrict sales and causes additional handling costs

HKScan Group Q2/2017

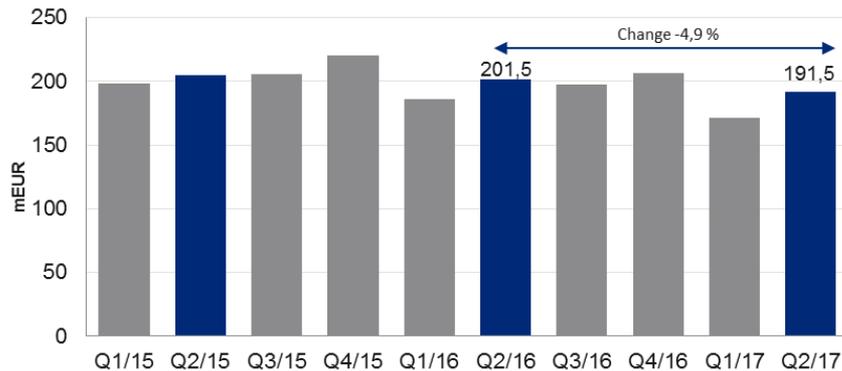
| EUR million | Q2/2017 | Q2/2016 | Q1-Q2/2017 | Q1-Q2/2016 | 2016 |
|---|---------|---------|------------|------------|---------|
| Net Sales | 459,6 | 482,7 | 880,3 | 921,8 | 1 872,9 |
| EBIT | -10,5 | 1,7 | -17,3 | -2,6 | 9,7 |
| - % of net sales | -2,3 % | 0,4 % | -2,0 % | -0,3 % | 0,5 % |
| Profit/loss before taxes | -12,6 | 0,2 | -20,8 | -7,1 | 0,9 |
| - % of net sales | -2,7 % | 0,0 % | -2,4 % | -0,8 % | 0,0 % |
| Profit/loss for the period | -11,3 | -0,2 | -18,3 | -9,6 | -3,6 |
| Comparable EBIT | -1,2 | 2,2 | -8,0 | -0,9 | 13,2 |
| - % of net sales | -0,3 % | 0,5 % | -0,9 % | -0,1 % | 0,7 % |
| Comparable profit/loss before taxes | -3,3 | 0,7 | -11,6 | -5,4 | 4,4 |
| - % of net sales | -0,7 % | 0,1 % | -1,3 % | -0,6 % | 0,2 % |
| EPS, EUR | -0,22 | -0,01 | -0,36 | -0,18 | -0,10 |
| Return on capital employed (ROCE) before taxes, % | -0,3 % | 1,3 % | -0,3 % | 1,3 % | 2,1 % |
| Comparable ROCE before taxes, % | 1,6 % | 3,7 % | 1,6 % | 3,7 % | 2,7 % |
| Net gearing, % | 46,8 % | 38,6 % | 46,8 % | 38,6 % | 33,5 % |
| Personnel | | | 7 367 | 7 341 | 7 319 |

Group net sales

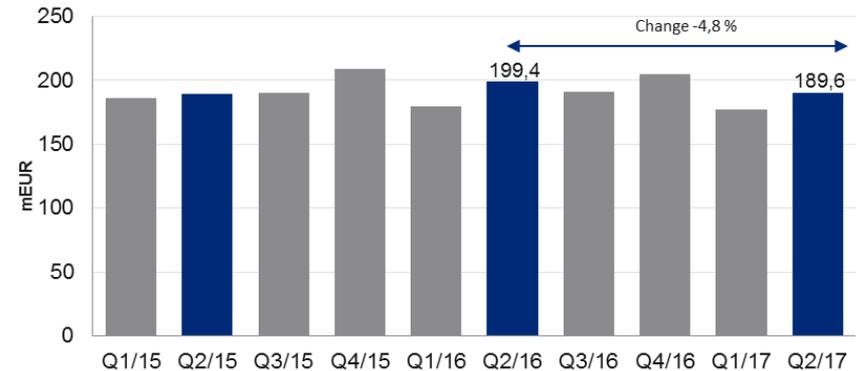


Net sales by market area

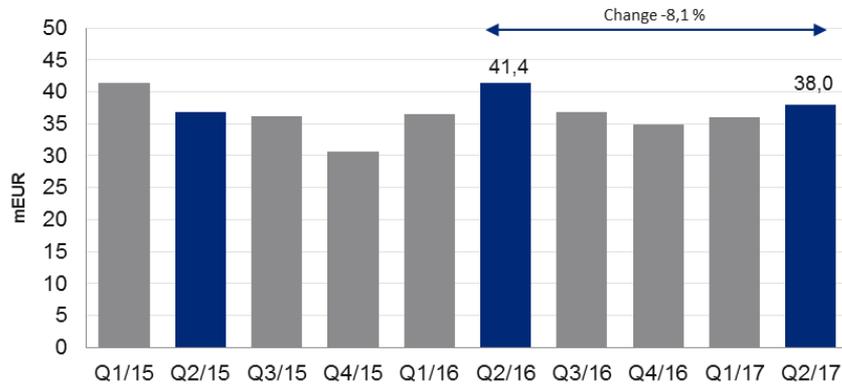
Sweden



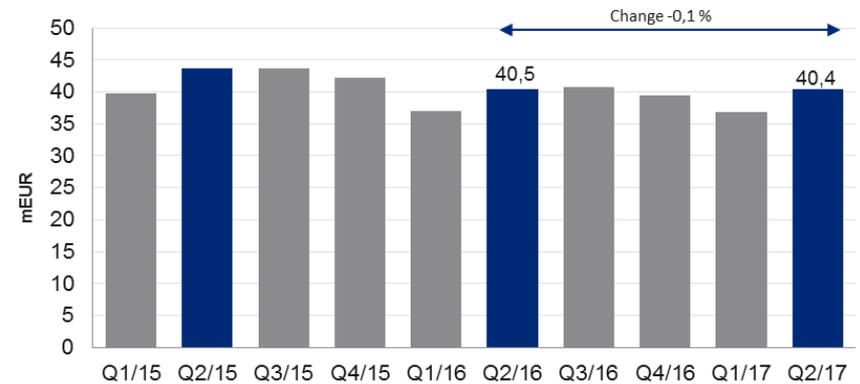
Finland



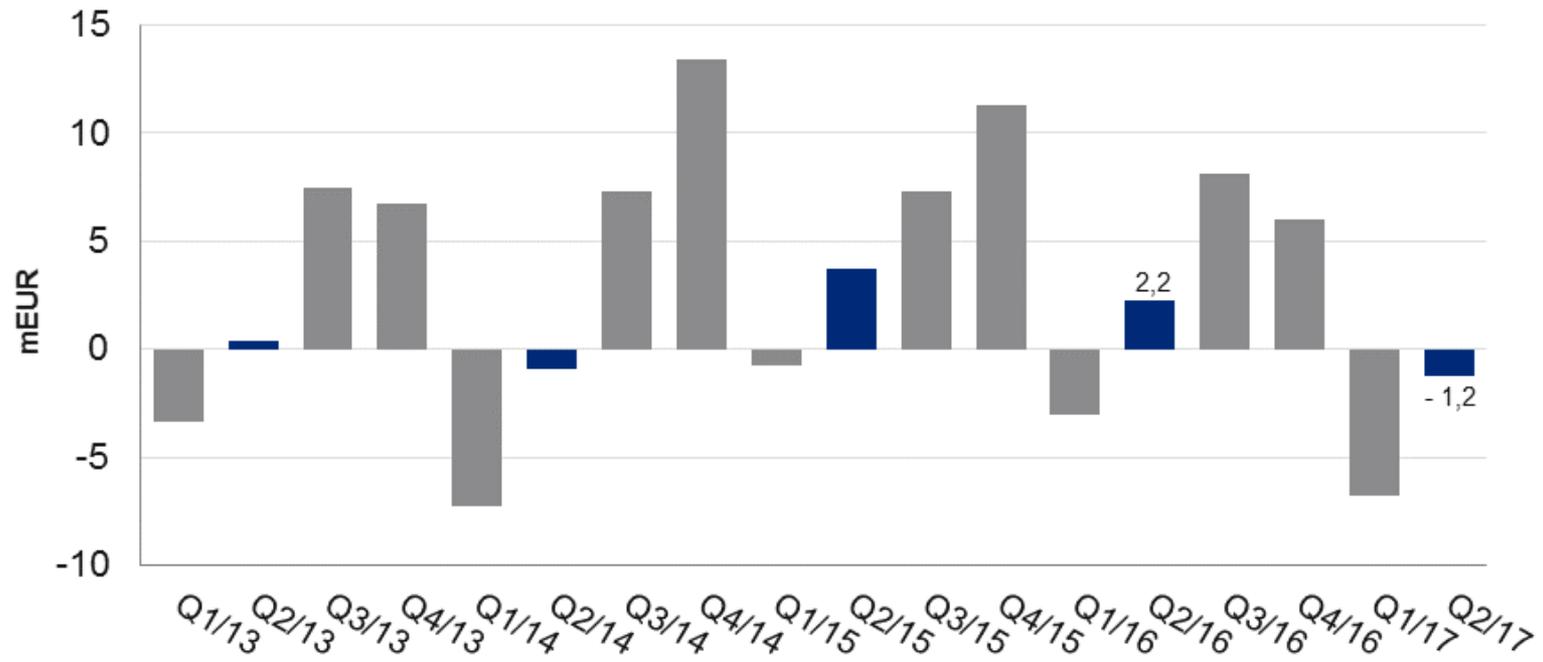
Denmark



Baltics

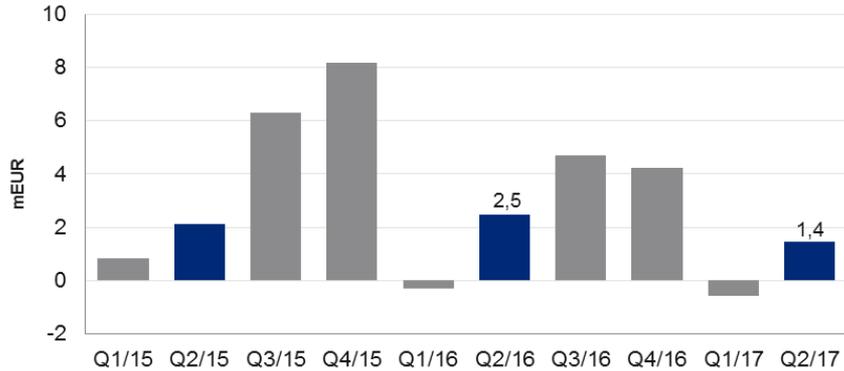


Group comparable EBIT

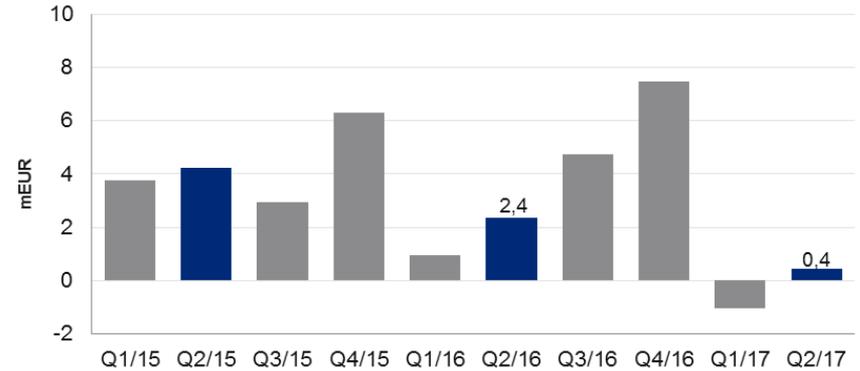


Comparable EBIT by market area*

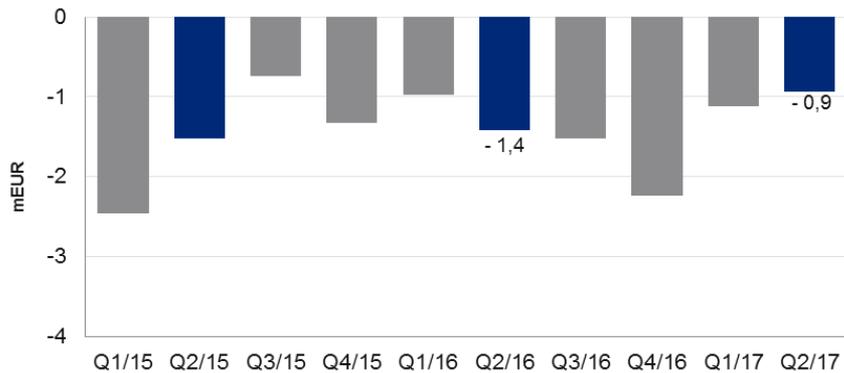
Sweden



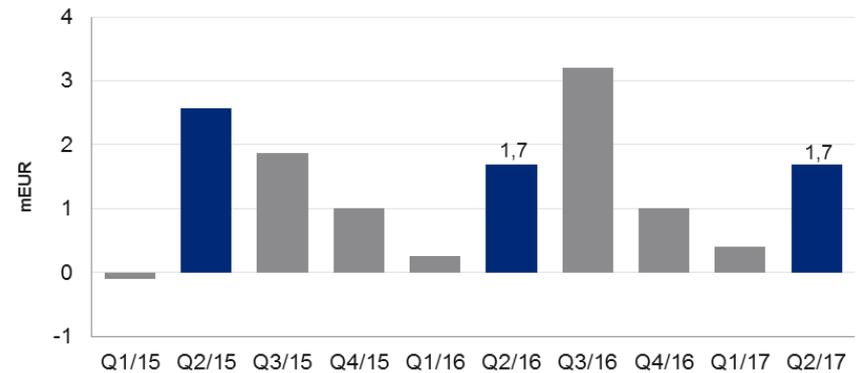
Finland



Denmark

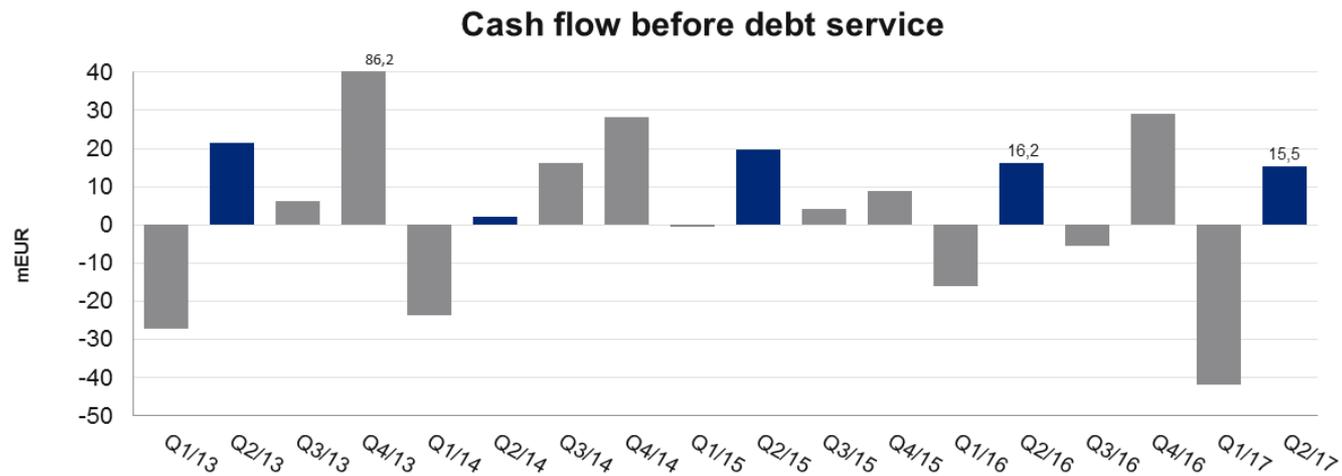
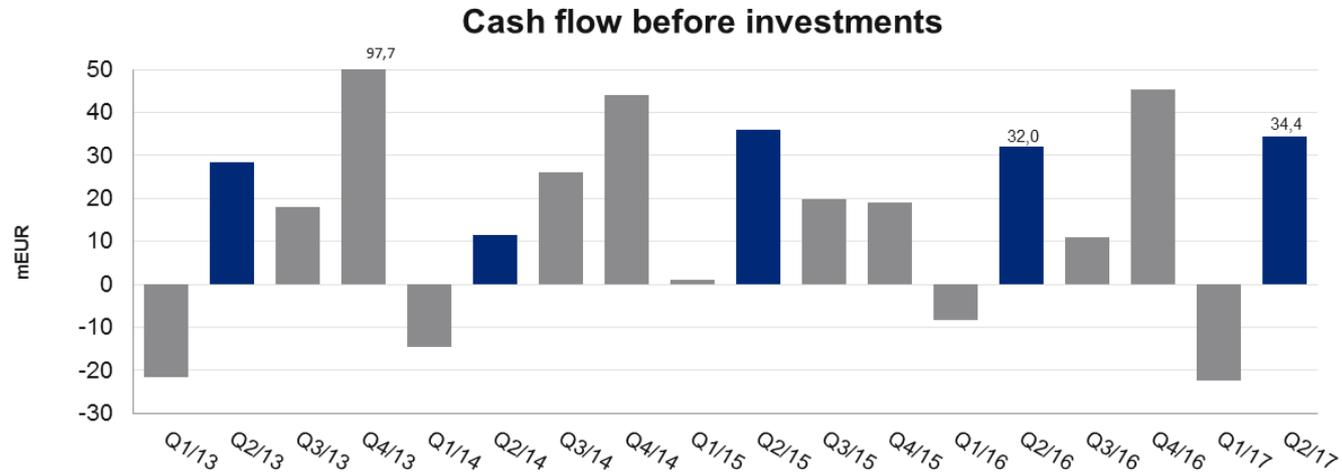


Baltics



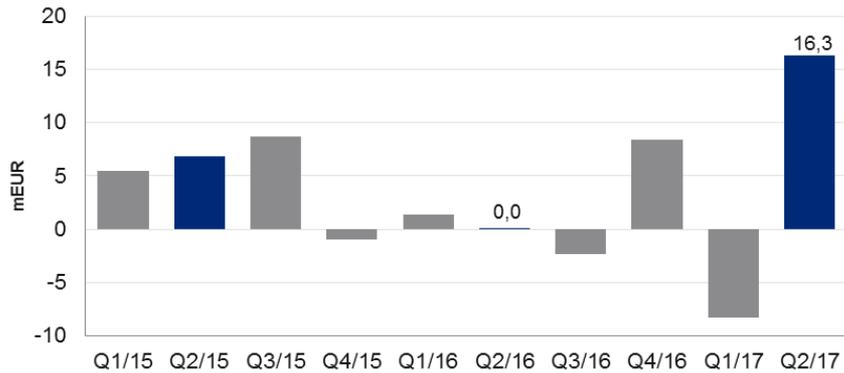
*Restated according to group margin principle

Group cash flow

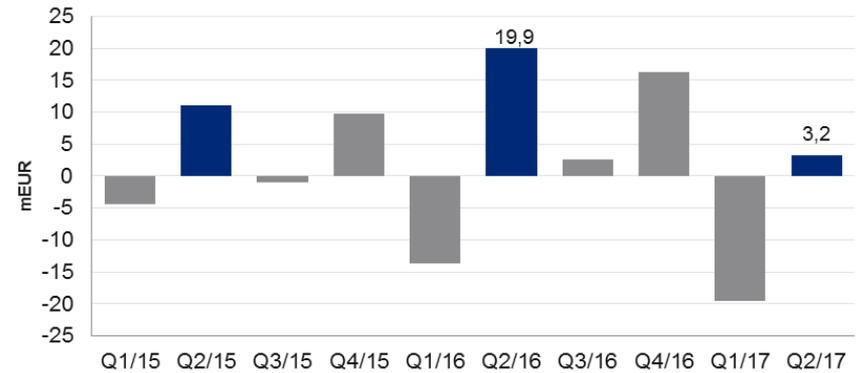


Cash flow before debt service by market area

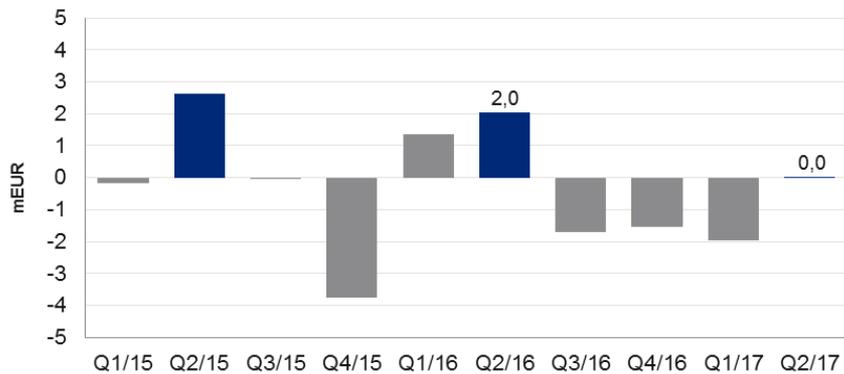
Sweden



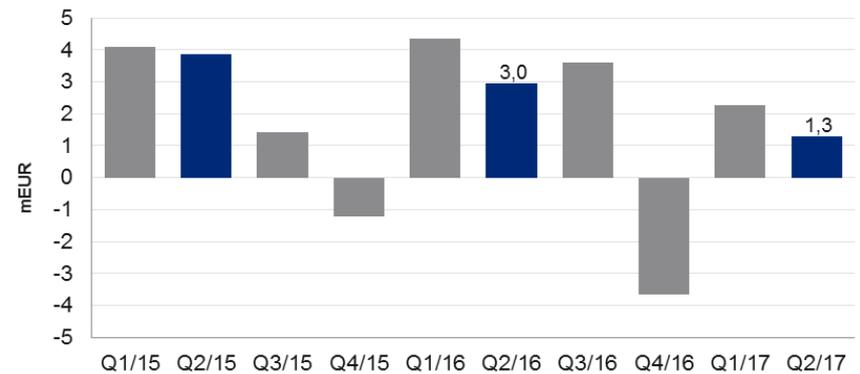
Finland



Denmark

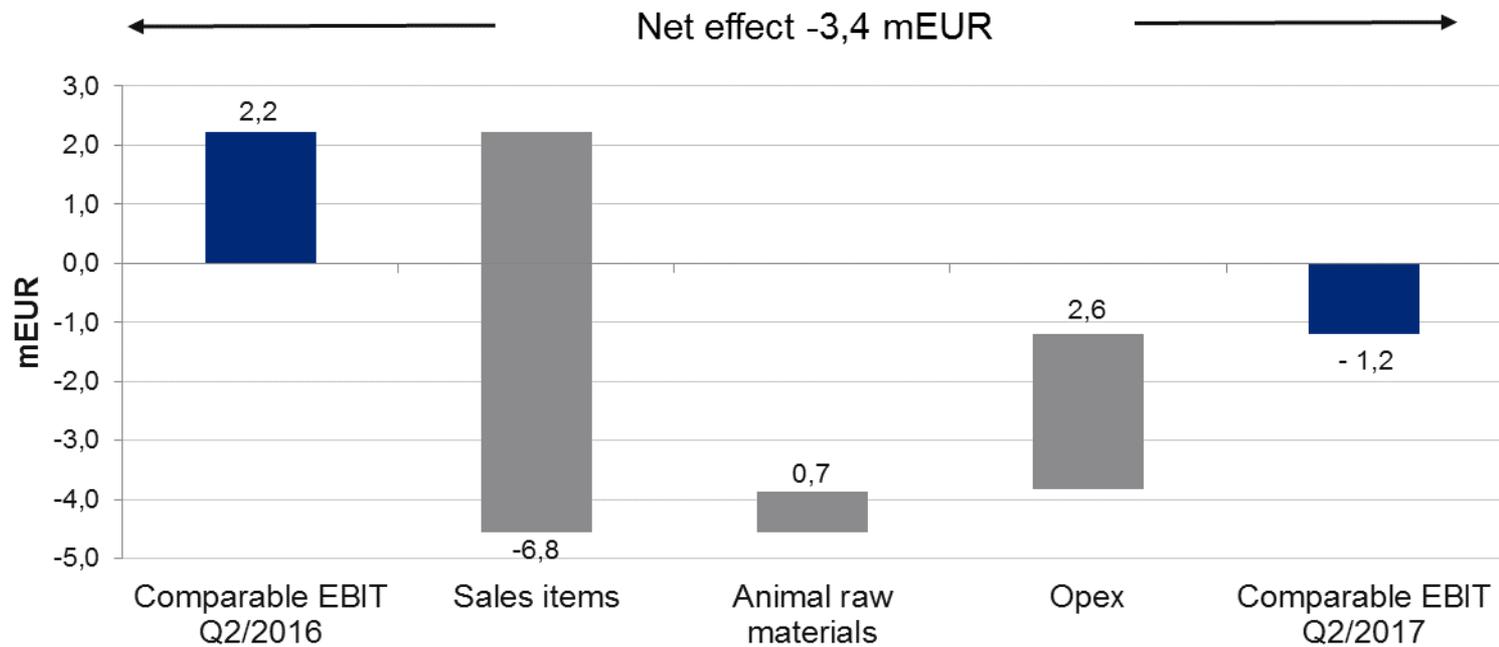


Baltics



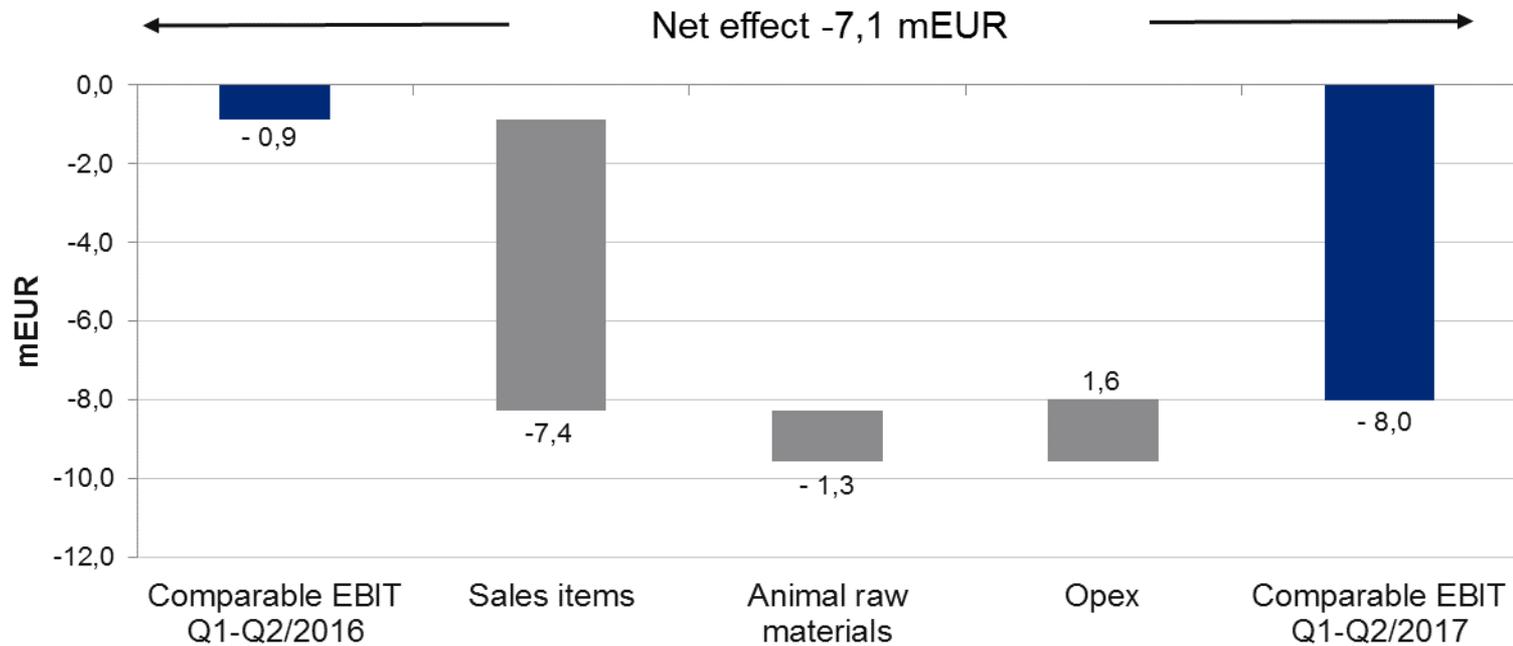
Group EBIT

Q2/2016 vs Q2/2017

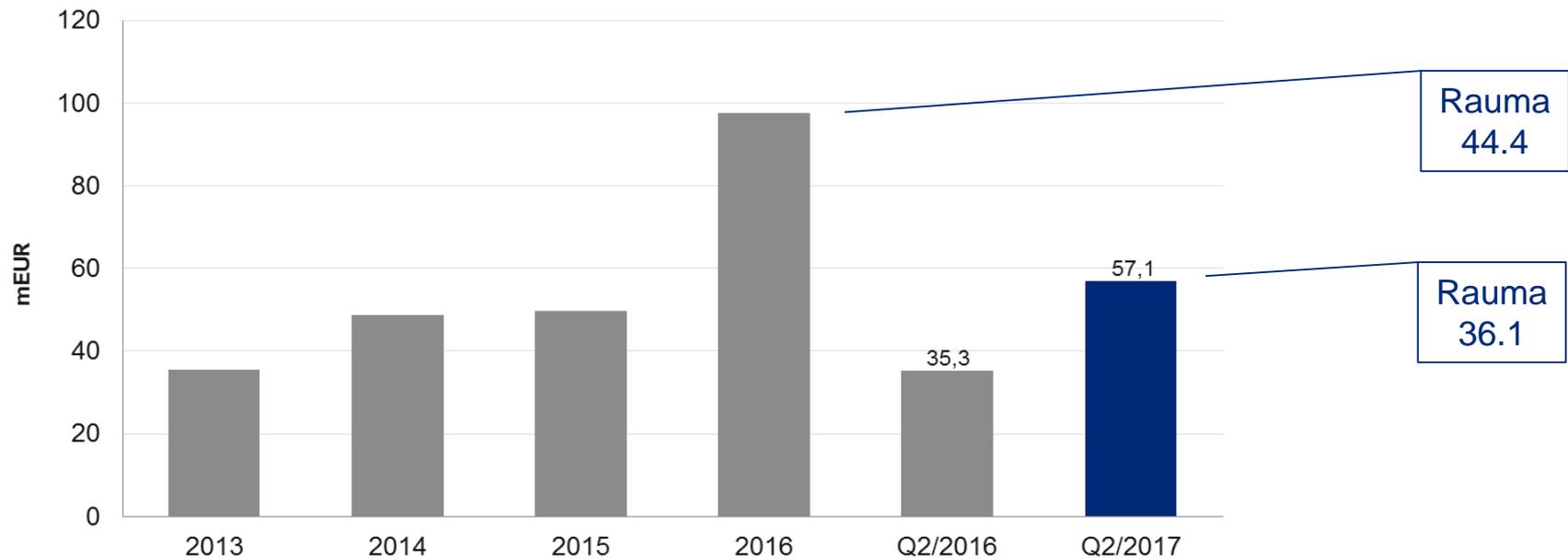


Group EBIT

Q1-Q2/2016 vs Q1-Q2/2017



Group capital expenditure



Financial performance

HKScan financial targets

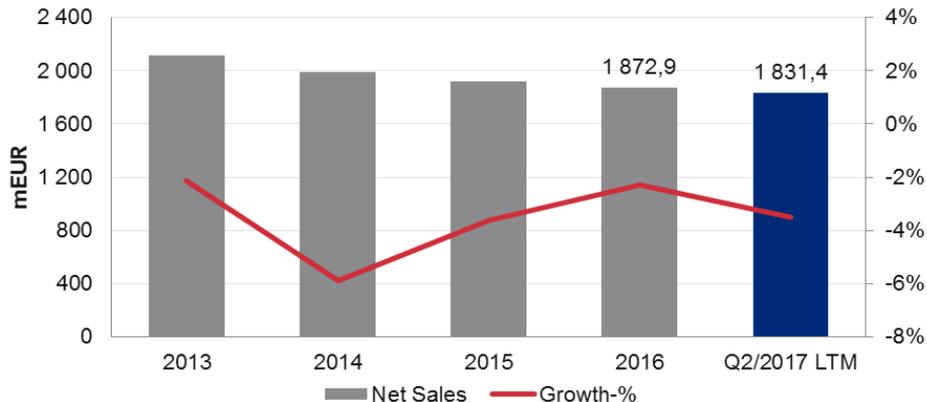
EBIT (operating profit)
more than 4%

Return on Capital Employed:
greater than 12%

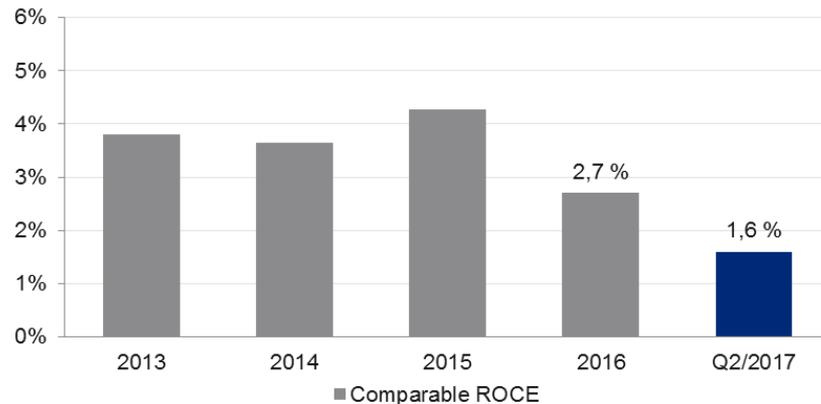
Net gearing:
less than 100%

Dividend Policy:
at least 30% of net profit

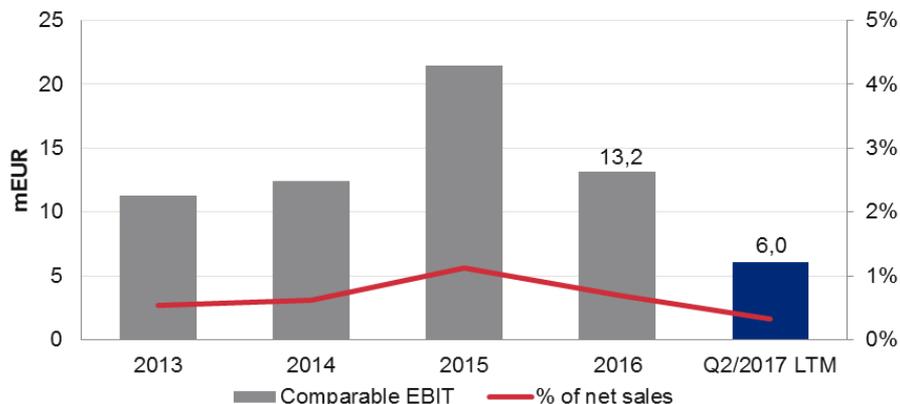
Net Sales



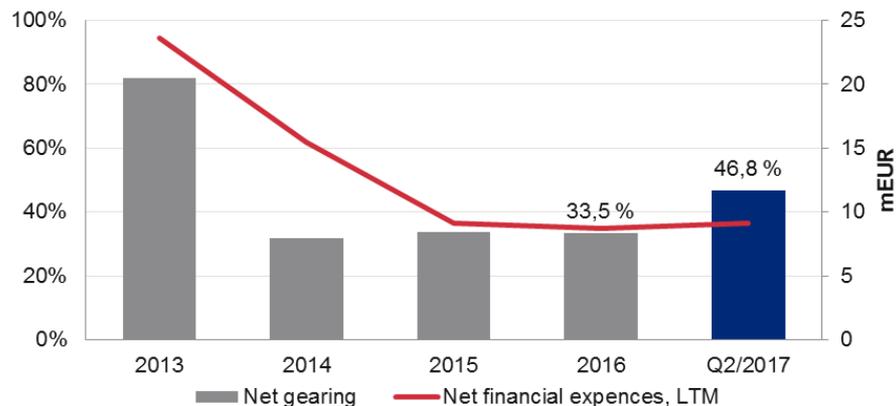
ROCE



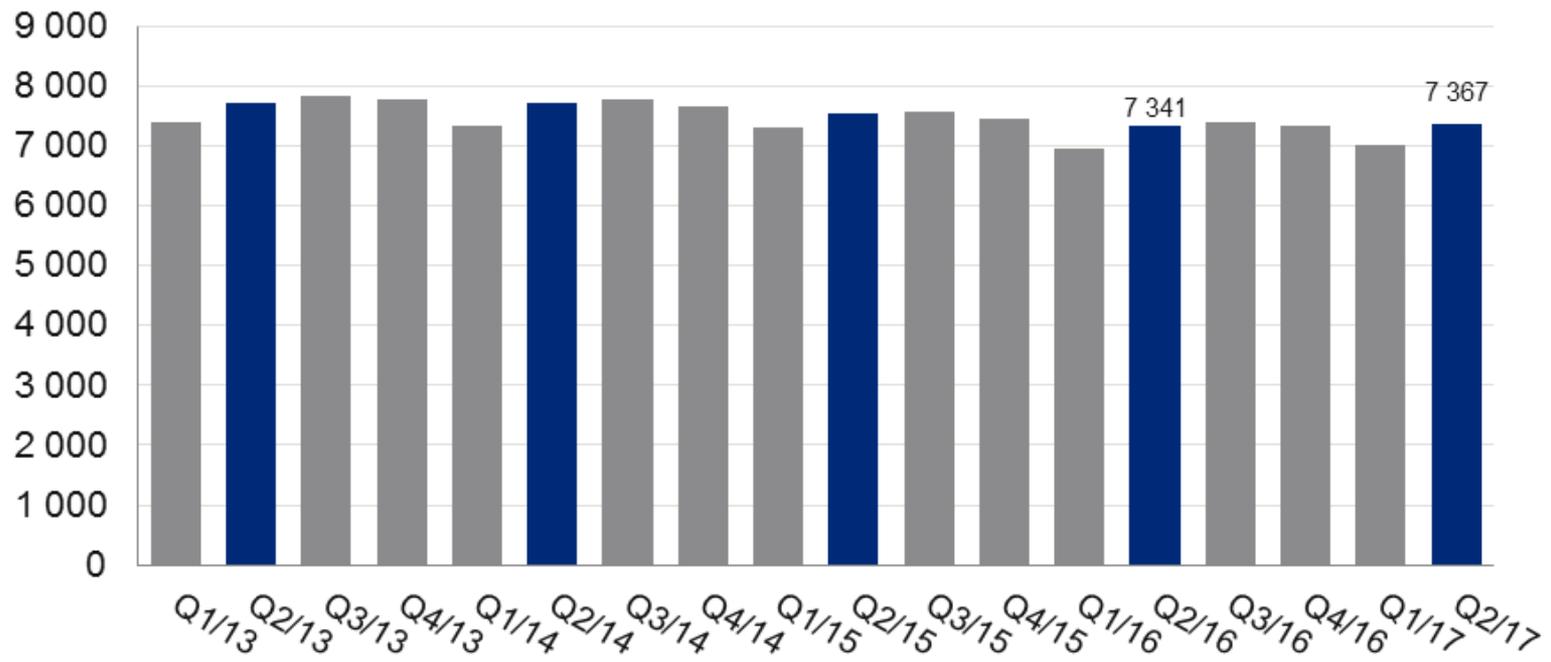
Comparable EBIT



Net gearing

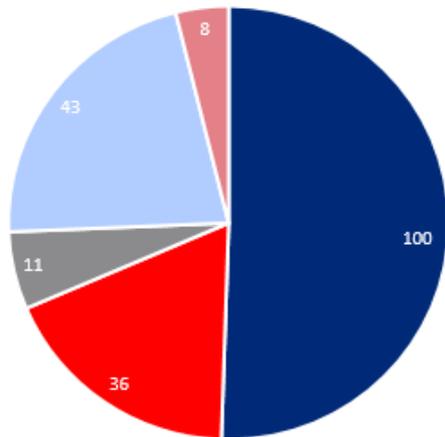


Personnel



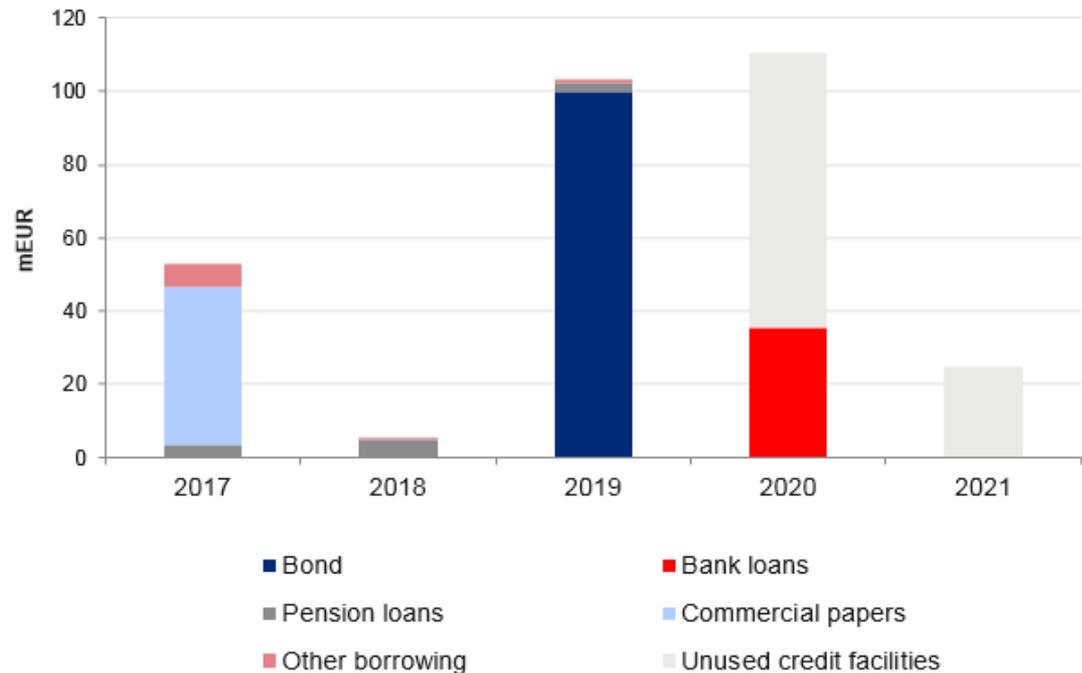
Interest-bearing debt and maturity structure

Interest-bearing debt by credit type



Total interest-bearing debt: 197,3 mEUR

Maturity of Group's interest-bearing debt (EUR million)



Outlook for 2017 (revised 12 July 2017)

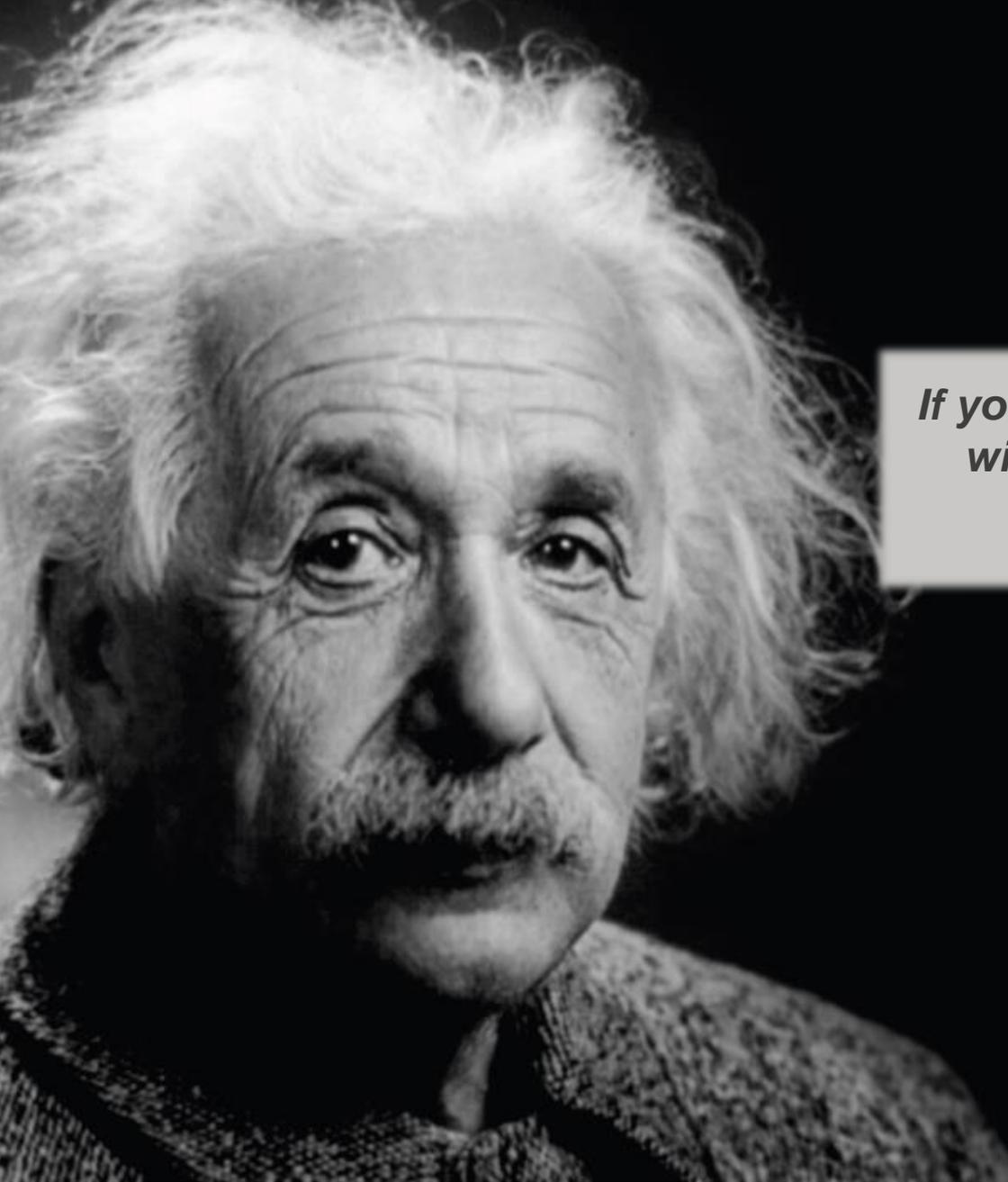
- HKScan estimates its comparable operating profit (EBIT) for 2017 to stay below the previous year's level (EUR 13.2 million).
 - The reason for the revised outlook is weaker than expected sales and lower profitability in market area Sweden and Finland. The ramp-up costs of the new Rauma poultry production plant will also burden profitability in 2017, as earlier communicated.
 - Previous outlook: HKScan aims to reach the comparable operating profit (EBIT) of the year 2016 (EUR 13.2 million).



HKSCAN

**Development roadmap
proceeds according to plan**

**Jari Latvanen, President and CEO
19 July 2017**



***If you do what you always did, you
will get what you always got.”***

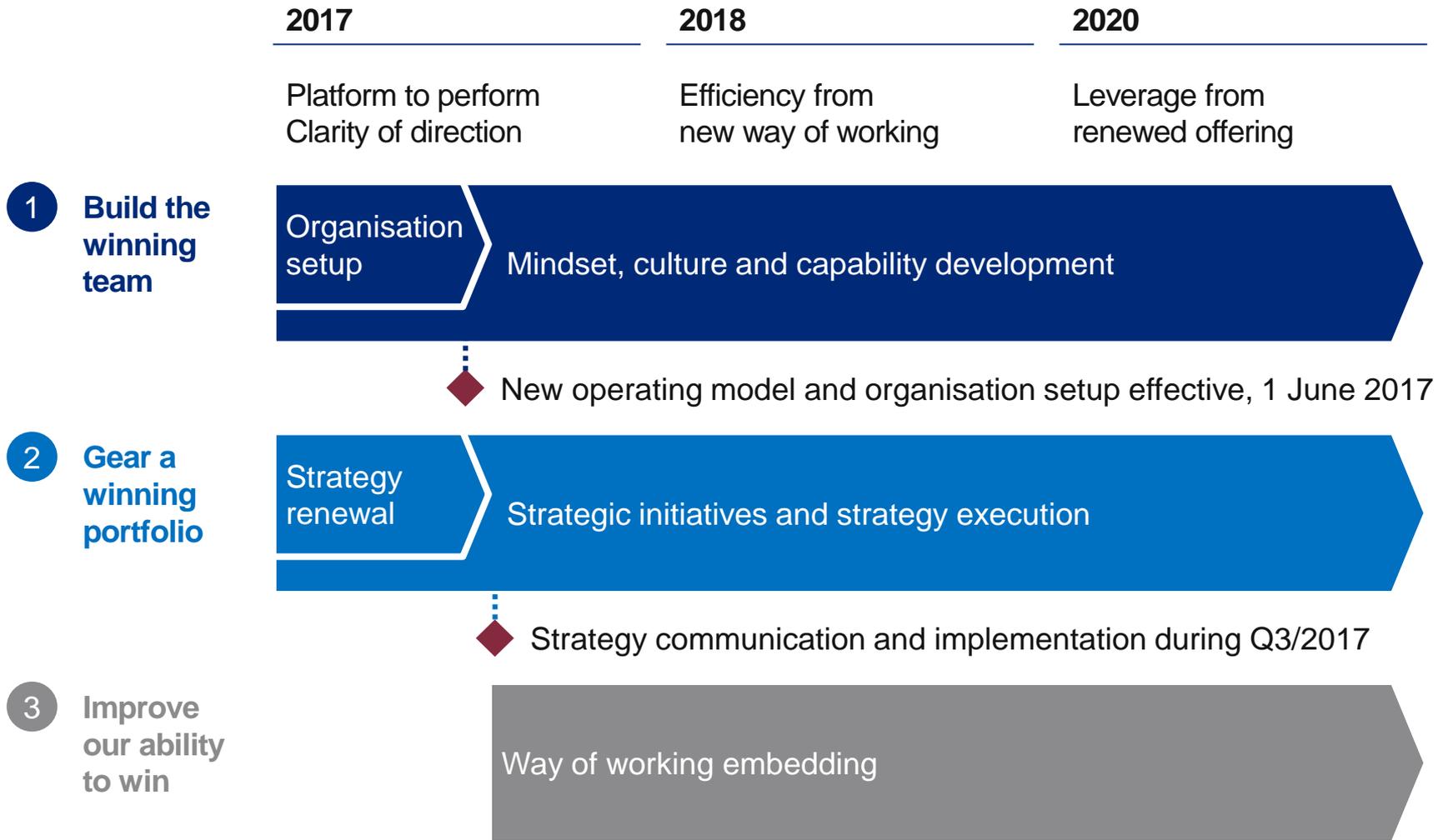
Albert Einstein

HKScan team's top three expectations to the new CEO (30 Oct. 2016)

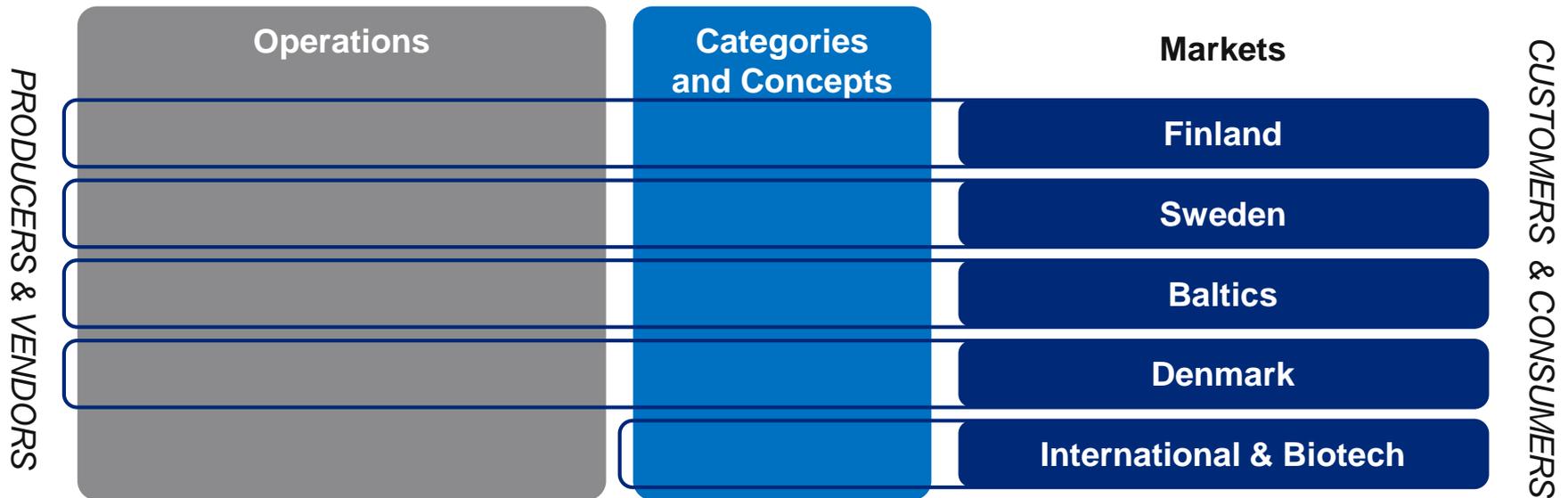


1. Create a **winning team** with good *alignment* and *leadership* – **Ready**
2. Clarify the overall **organisational model** to enhance common *way of working* and *accountability* – **Ready**
3. Create a compelling and simple **vision and strategy** that is based on *real choices* and is *actionable* – **Work on final path**

Development roadmap, including the strategy renewal, is proceeding according to plan



New operating model effective on 1 June 2017



- Group's operating model review was started in February
- The review and country-based statutory negotiations were completed on 3 May
- **New operating model has been effective as of 1 June**
- **The Group-wide headcount reduction was 160 employees**

An important milestone reached in Rauma – testing in production started with success (1/2)



- Testing in the Rauma poultry plant started on 4 July according to plan
- The first stages of the testing have been successful
- As of week 28, slaughtering will take place three times a week at Rauma
- A date for shifting to single-poultry-plant operating model (in Finland) and for closing down the Eura production plant will be specified in September
- **In the future, the new, state of the art poultry production plant will support our strategy execution in various ways**

An important milestone reached in Rauma – testing in production started with success (2/2)



Truck loaded with birds to be delivered to Rauma



Unloading of the crates at the poultry reception hall and transfer to the storage area for birds to rest



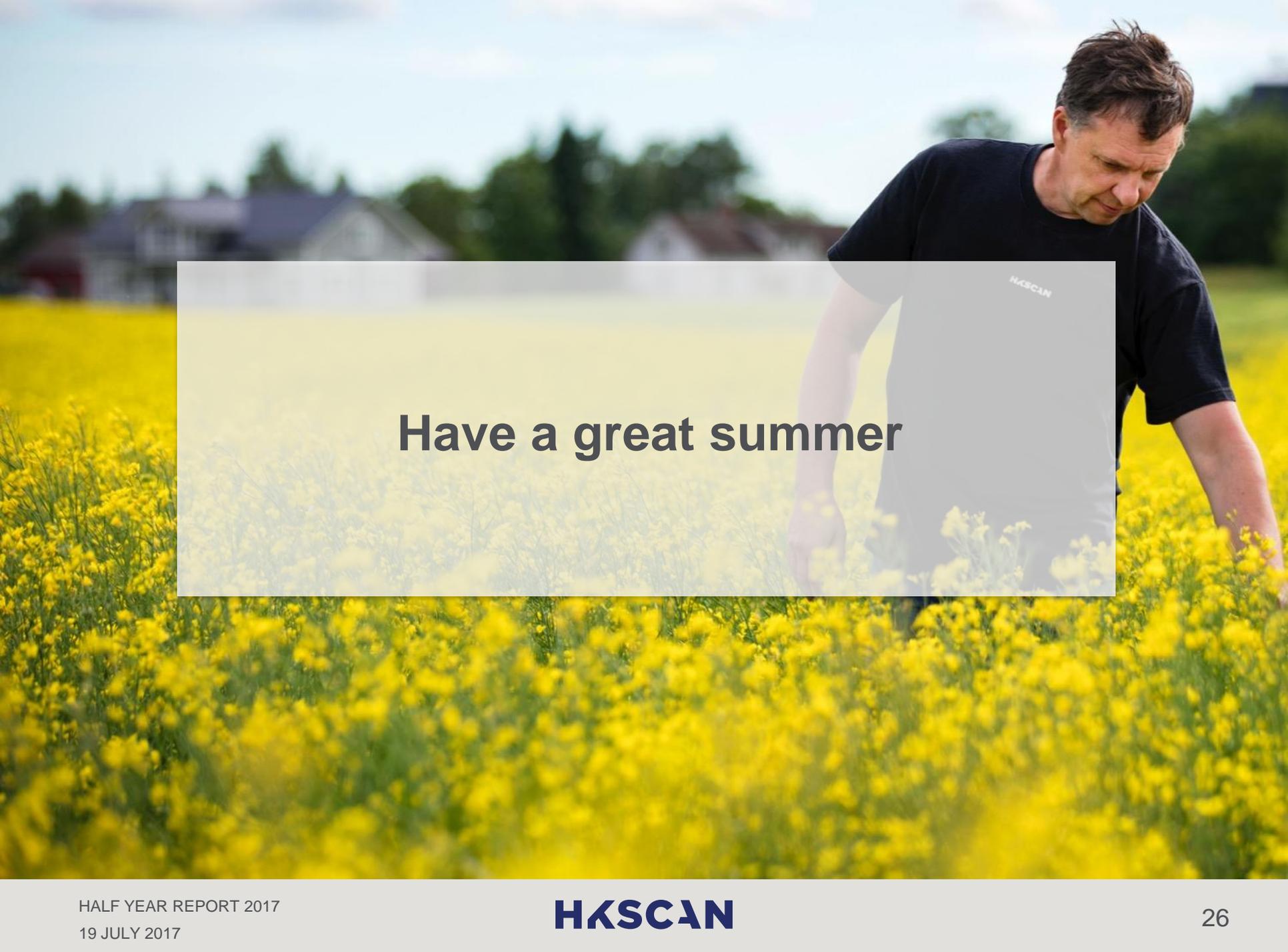
Birds are being stunned at their transportation crates in a stunning tunnel



First process step (hanging) after stunning



**We will turn the steering wheel
towards a new direction**



Have a great summer