



HKSCAN

Half Year Report 2018

Mikko Forsell, CFO
19 July 2018

Q2 result still heavily burdened by the Rauma poultry unit ramp-up costs, Sweden improved



Highlights

- EBIT increased in Sweden as a result of improved operational efficiency
- Rauma ramp-up proceeded well and Eura unit was closed at the end of the quarter
- Good development in branded sales and novelties in Baltics
- Exports from Finland to China commenced and the first deliveries took place in April



Lowlights

- Rauma poultry unit ramp-up proceeded but still burdened the Group's performance
 - Postponed poultry product campaigns lowered sales and market share in poultry
 - Measures to secure delivery capability still caused additional costs and material waste
- Cost increases burdened the performance in Baltics

HKScan Group Q2/2018

EUR million	Q2/2018	Q2/2017	Q1-Q2/2018	Q1-Q2/2017	2017
Net Sales	433,5	459,6	844,5	880,3	1 808,1
EBIT	-17,0	-10,5	-35,5	-17,3	-40,3
- % of net sales	-3,9 %	-2,3 %	-4,2 %	-2,0 %	-2,2 %
Profit/loss before taxes	-19,6	-12,6	-40,8	-20,8	-49,2
- % of net sales	-4,5 %	-2,7 %	-4,8 %	-2,4 %	-2,7 %
Profit/loss for the period	-16,6	-11,3	-33,7	-18,3	-42,4
Comparable EBIT	-16,9	-1,2	-35,2	-8,0	-17,6
- % of net sales	-3,9 %	-0,3 %	-4,2 %	-0,9 %	-1,0 %
Comparable profit/loss before taxes	-19,5	-3,3	-40,4	-11,6	-26,5
- % of net sales	-4,5 %	-0,7 %	-4,8 %	-1,3 %	-1,5 %
EPS, EUR	-0,31	-0,22	-0,63	-0,36	-0,84
Return on capital employed (ROCE) before taxes, %	-9,1 %	-0,3 %	-9,1 %	-0,3 %	-6,3 %
Comparable ROCE before taxes, %	-6,8 %	1,6 %	-6,8 %	1,6 %	-2,4 %
Net gearing, %	102,6 %	46,8 %	102,6 %	46,8 %	59,3 %
Personnel			7 261	7 367	7 292

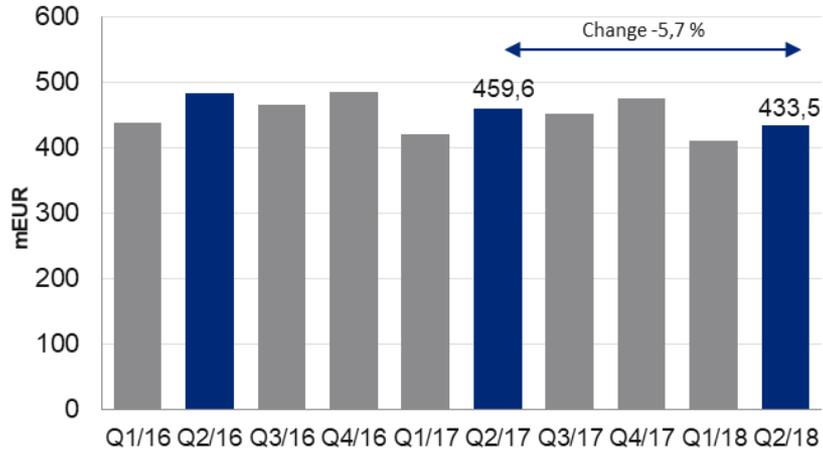
HKScan's Group-wide efficiency improvement programme targets 40 million euros annual savings



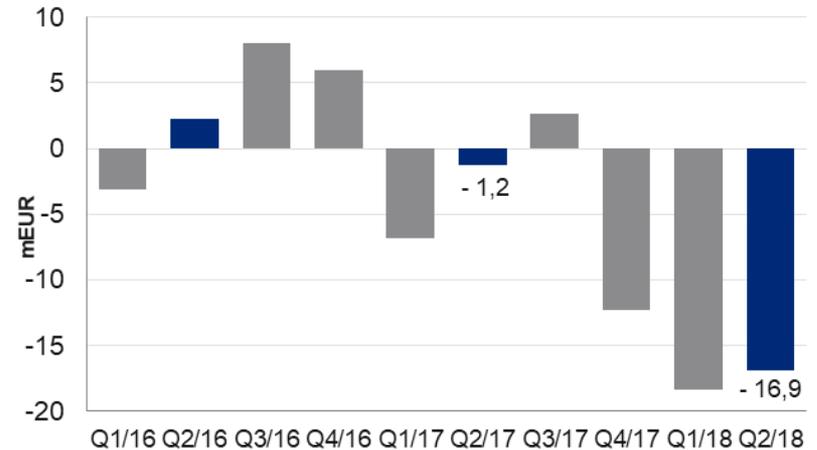
- HKScan initiated efficiency improvement measures in the third quarter of last year
- On 19 July 2018, the Group has specified further the content, financial targets and schedule of its ongoing efficiency improvement programme
- The goal of the extensive programme is to improve profitability and its full impact will be **40 million euros annual savings during the year 2020 and onwards**
- The programme **covers all HKScan's home markets**
- The most significant benefits of the programme are expected to stem from improved operational efficiency. Administrative costs will also be reduced further and Group synergies will be utilized to a greater extent than before.

HKScan Group – Net sales and profitability decreased

Net sales



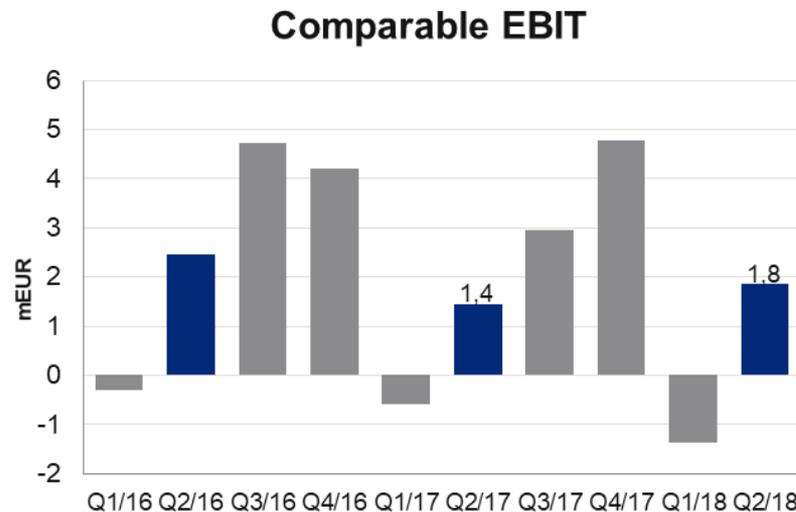
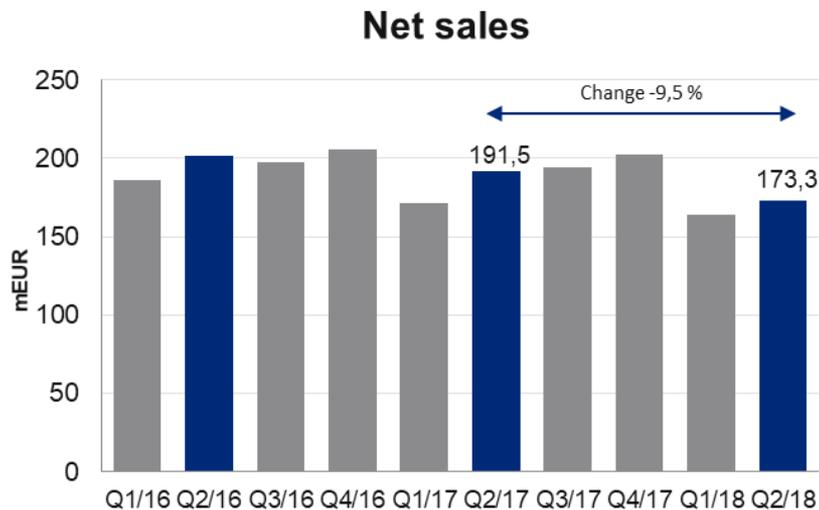
Comparable EBIT



- Net sales decreased due to weakening of Swedish krona as well as postponed poultry campaigns in Finland

- Additional production costs, material losses and lost sales due to the Rauma ramp-up burdened Group's EBIT
- Rauma ramp-up EBIT impact per quarter:
Q2/17: -1 mEUR, Q3/17: -6 mEUR, Q4/17: -18 mEUR, Q1/18: -10 mEUR
Q2/18: -13 mEUR

Sweden – EBIT increased due to improved operational efficiency

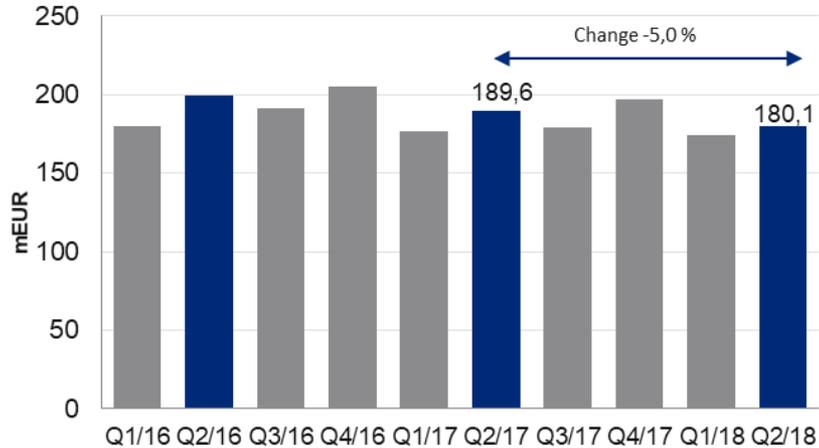


- Net sales decreased mainly due to weakening of Swedish krona. A slight net sales decrease was seen also in local currency.
- Good development in processed categories continued

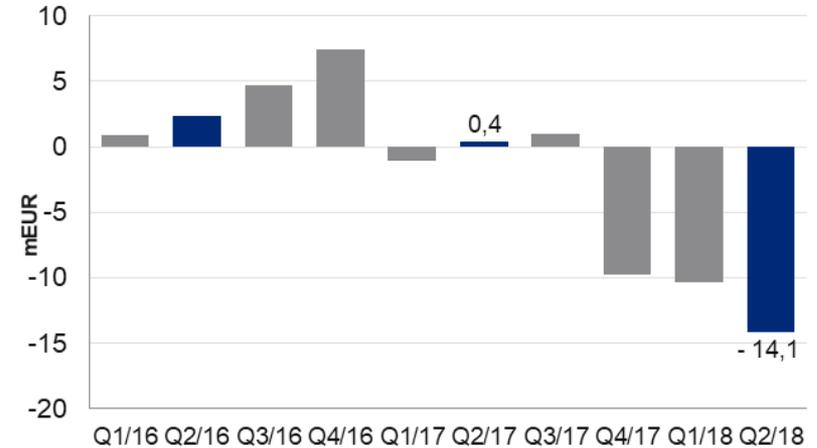
- EBIT increased due to improved efficiency in operations and lower admin costs

Finland – Net sales and EBIT still impacted by the ramp-up of Rauma poultry unit

Net sales



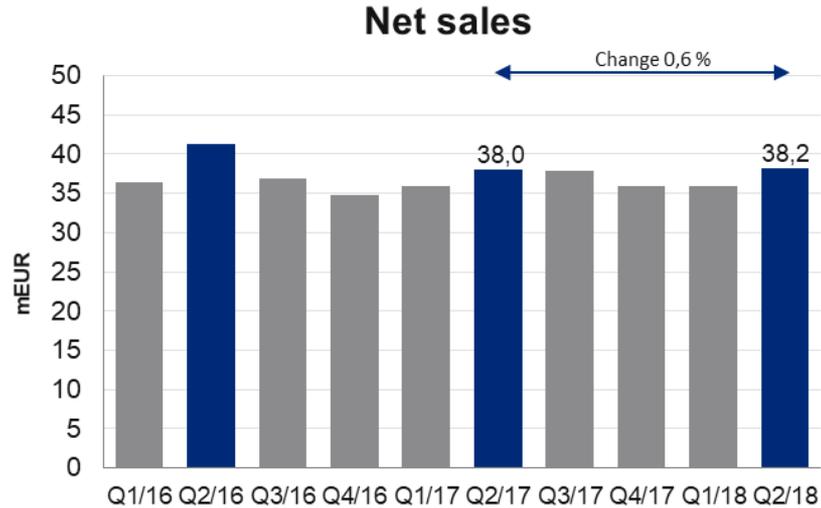
Comparable EBIT



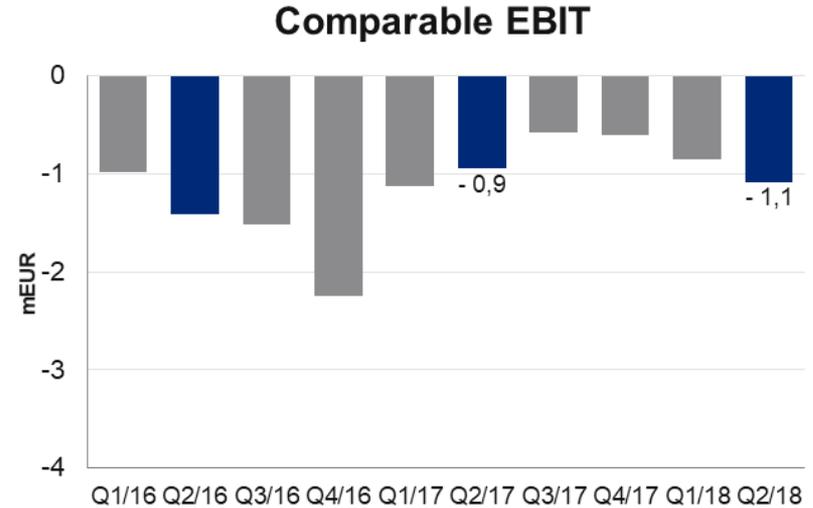
- Rauma ramp-up postponed poultry product campaigns and decreased market share in white meat
- Exports from Finland to China commenced and the first deliveries took place in April

- Rauma ramp-up EBIT impact per quarter:
Q2/17: -1 mEUR, **Q3/17:** -6 mEUR, **Q4/17:** -18 mEUR, **Q1/18:** -10 mEUR
Q2/18: -13 mEUR

Denmark – Performance close to par with previous year, good work in operational efficiency continues

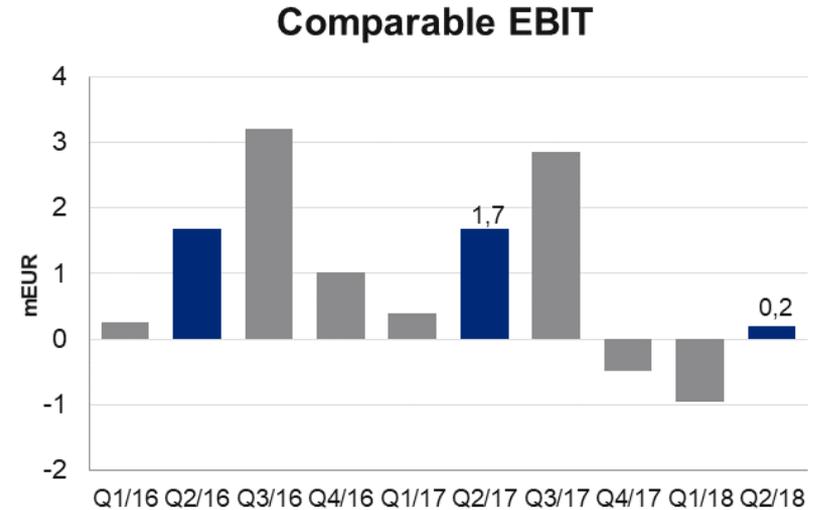
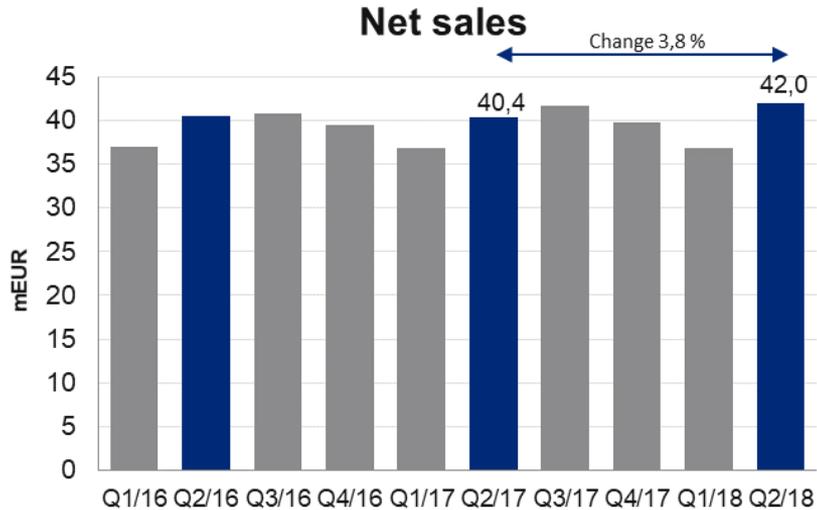


- Net sales exceeded slightly the previous year despite of lower export volumes



- EBIT decreased slightly despite of continuing development in operational efficiency and cost control

Baltics – Good development in sales continues, increase in costs eroded the result

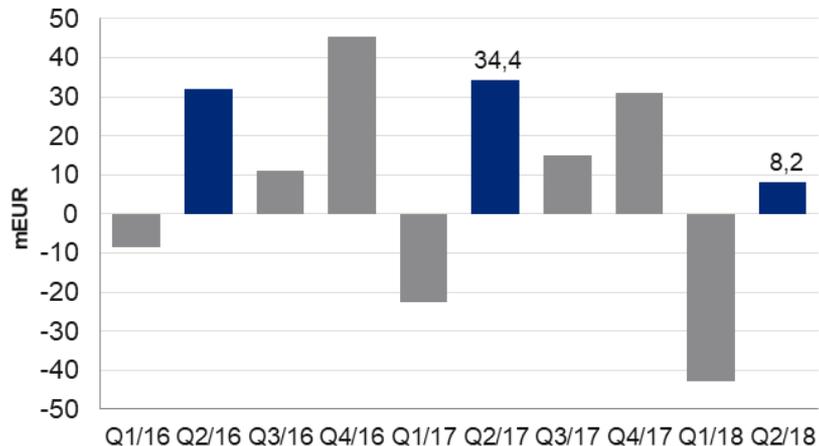


- Net sales was boosted by good development in branded sales and novelties and improved product mix

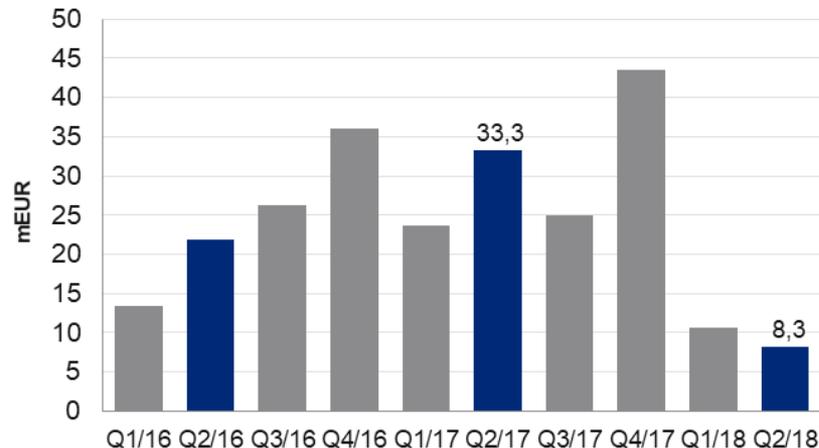
- Pork market price level development, increase in animal procurement and personnel costs burdened the result
- The change in the fair value of the biological assets amounted to EUR -0.2 (0.3) million

Cash flow still impacted by Rauma ramp-up

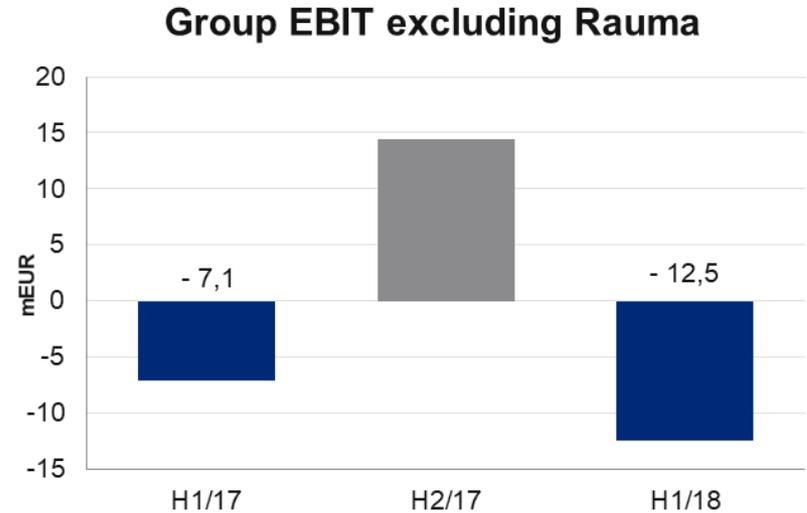
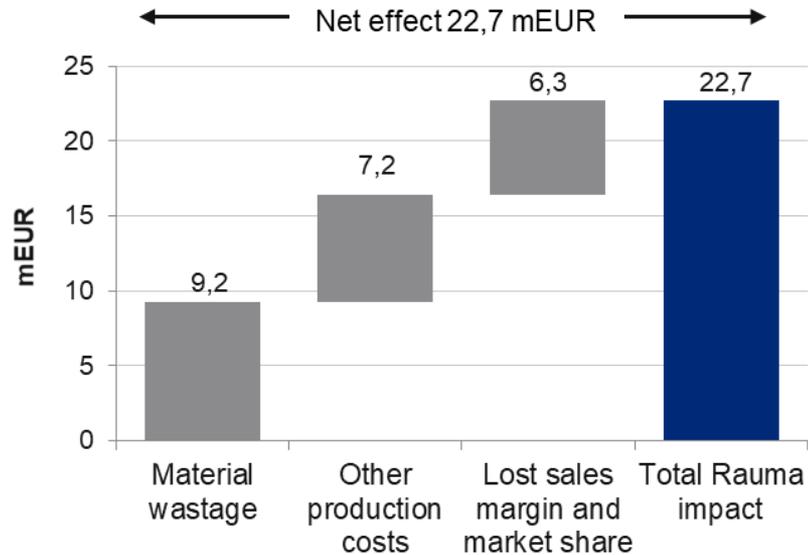
Cash flow before investments



Capital expenditure

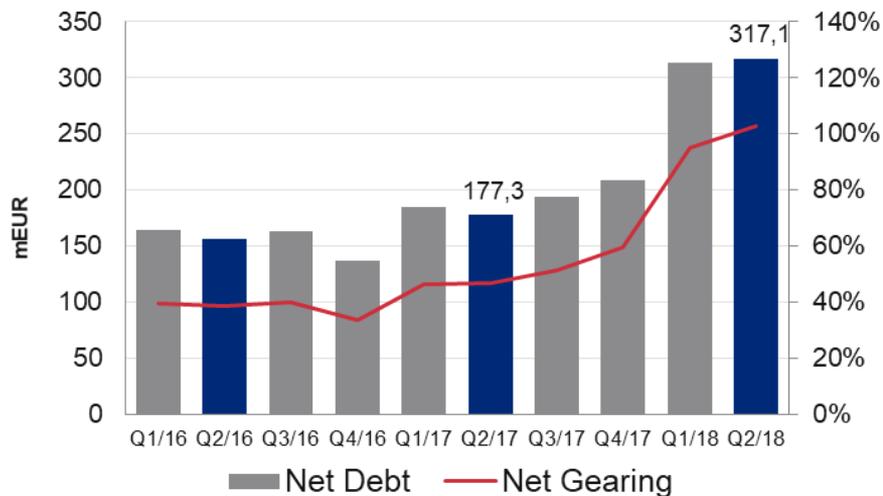


Estimated Rauma ramp-up impact EUR -22,7 million in H1/18

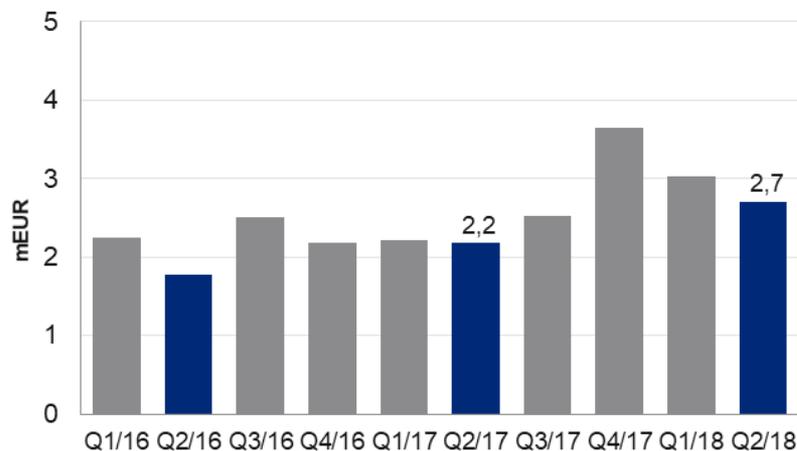


Net debt at the end of June on par with Q1

Net debt and net gearing

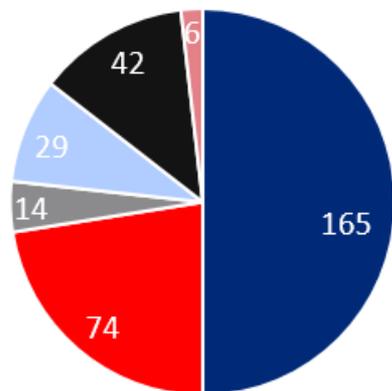


Net financial expenses



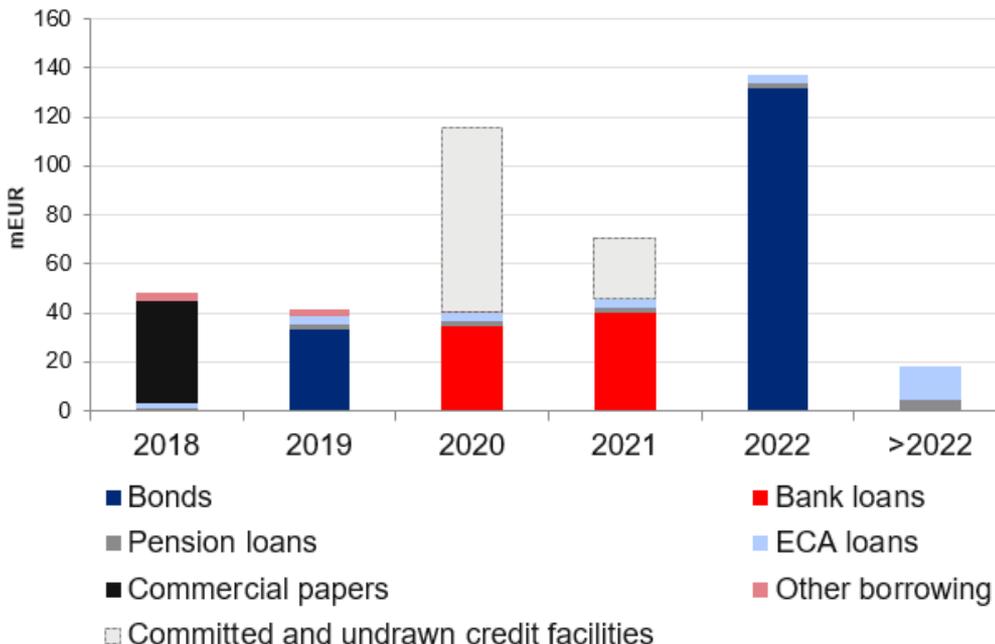
Debt profile and maturity structure well in balance

Interest-bearing debt by credit type



Total interest-bearing debt:
330,4 mEUR

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

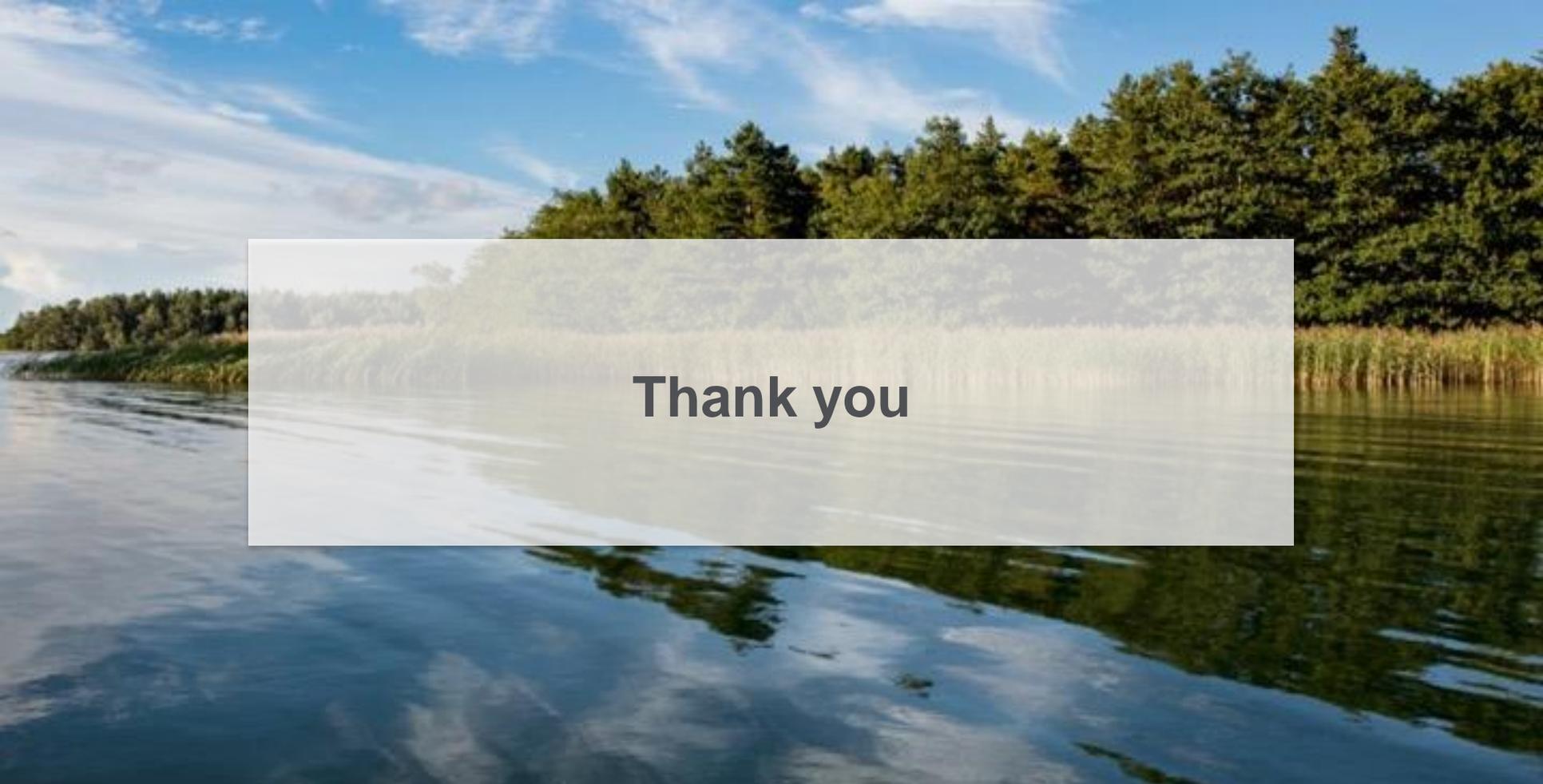


Outlook for 2018 (unchanged)

Global meat consumption is projected to increase 1.6 per cent per annum during the coming years. Consumption growth is estimated to be led by poultry. There are also several value related consumption trends, which support HKScan's strategy implementation.

In 2018, HKScan expects its strategy implementation to start recording results in terms of value growth in sales and operational efficiency in production.

The Company will emphasize implementation of the 'From Farm to Fork' strategy through the five focus areas which are Focus on meat, Leadership in poultry, Continue growing meals business, Cooperate with our farming community and Drive efficiency and cost-competitiveness.



Thank you



HKSCAN

Bringing farm to your fork

Jari Latvanen, President and CEO
19 July 2018

Must-win battles to reach our objectives

1

COOPERATE WITH OUR FARMING COMMUNITY

- Secure high quality raw material
- Commercial innovation and differentiation

2

DRIVE EFFICIENCY AND COST COMPETITIVENESS

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

3

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

4

LEADERSHIP IN POULTRY

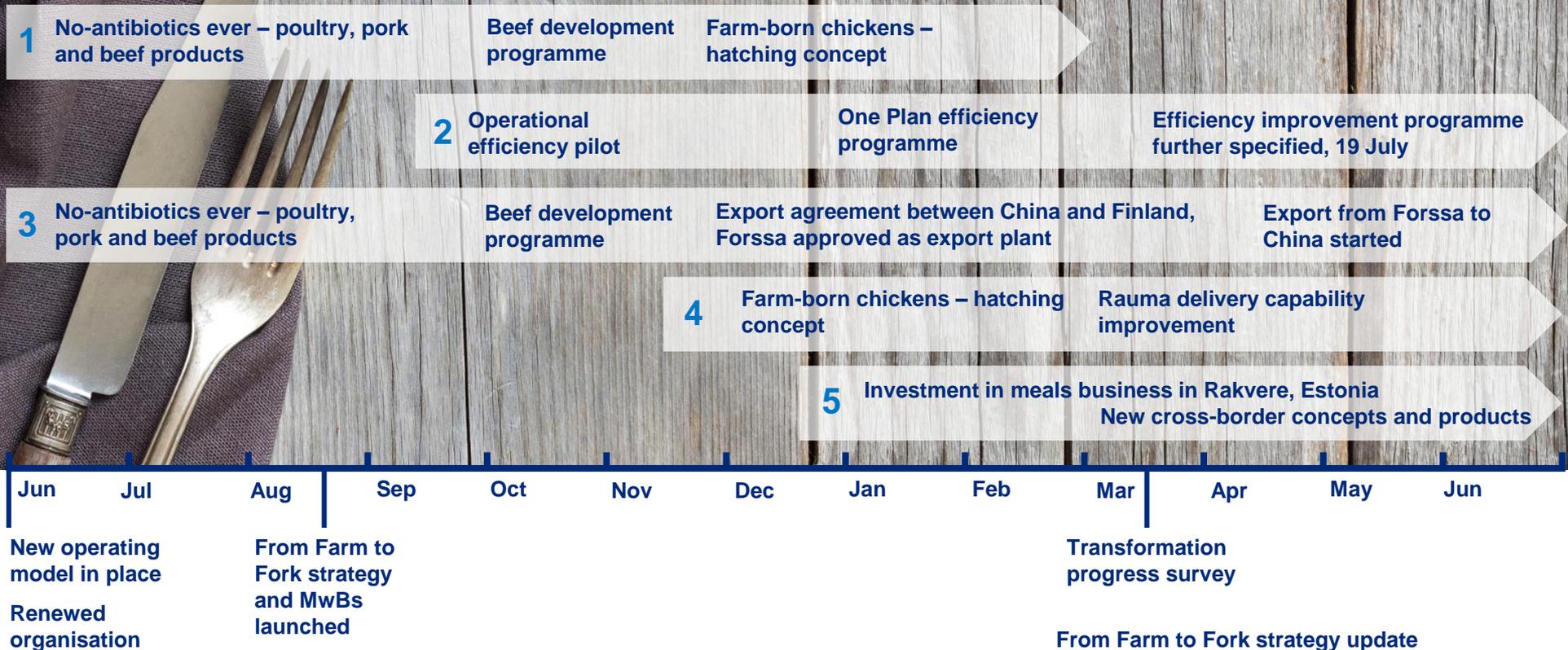
- Capitalise on the growth trend and utilise full food value chain control and Rauma
- Invest in new concepts to defend against commoditising

5

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

Strategy implementation proceeds



Sweden



Finland



Denmark



Baltics



Almedalen, Sweden



SuomiAreena, Finland



Farm dinner, Finland





HKSCAN

We serve
the most demanding fork
in the world