

A top-down view of a light-colored ceramic bowl filled with a vibrant salad. The salad includes green leafy vegetables, sliced purple and white radishes, yellow cherry tomatoes, and pieces of golden-brown fried food. Small brown seeds are scattered throughout. In the background, a white bowl of green dressing, a silver fork, and a white napkin are visible on a white surface.

**HKSCAN**

**Financial Statements 2019**  
**6 February 2020**

Tero Hemmilä, CEO  
Jyrki Paappa, CFO

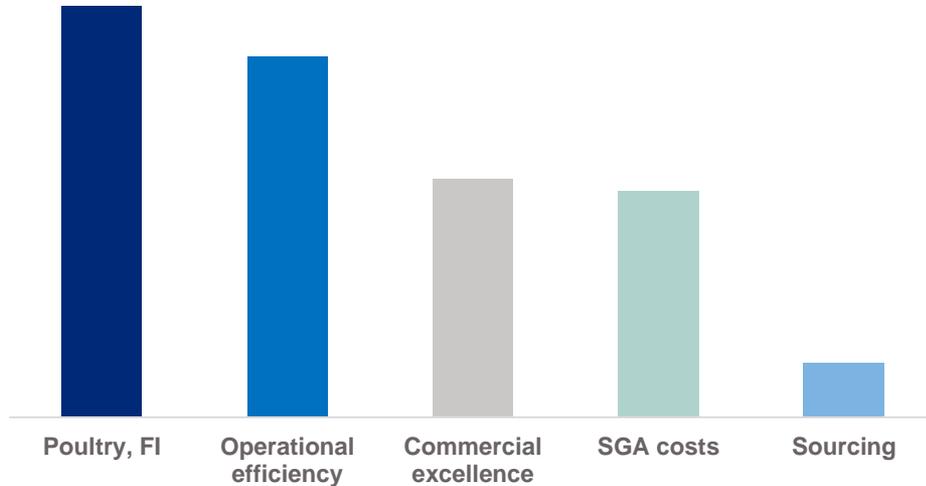
# HKScan – key figures in 2019

- Net sales EUR 1,744.4 (1,715.4) million
  - Growth +1.7%
  - Growth in all market areas
- Comparable EBIT EUR -2.2 (-46.3) million
  - Improvement of **EUR +44.1 million**
- EUR -21.0 (-2.0) million in non-recurring items impacting the EBIT
- Cash flow from operating activities EUR 59.2 (-14.3) million
  - Improvement of **EUR +73.5 million**
- Board proposes that the company will not pay a dividend for 2019



# The turnaround programme was implemented widely

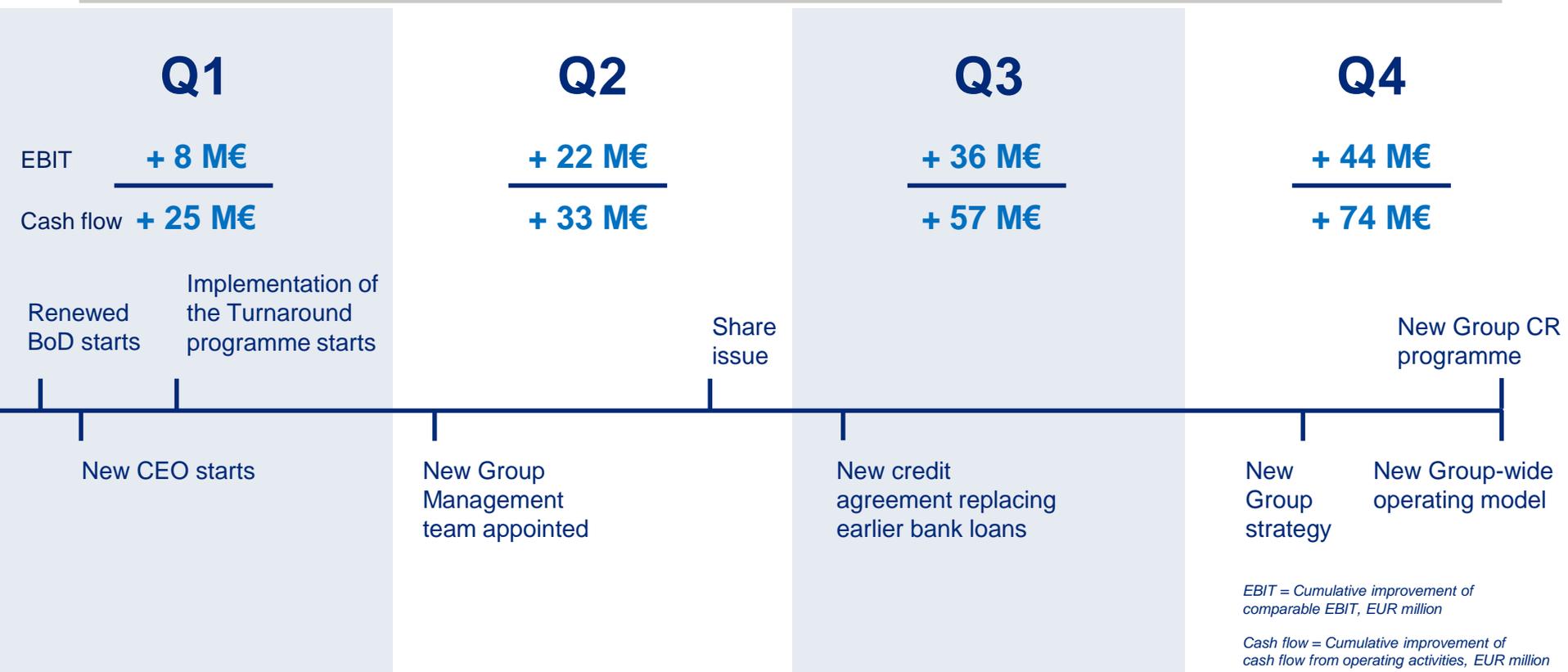
## The impact of areas of the turnaround programme on profitability in 2019



SGA costs = Sales, marketing and administrative expenses



# Balancing company finances and stabilising business were HKScan's key priorities during 2019



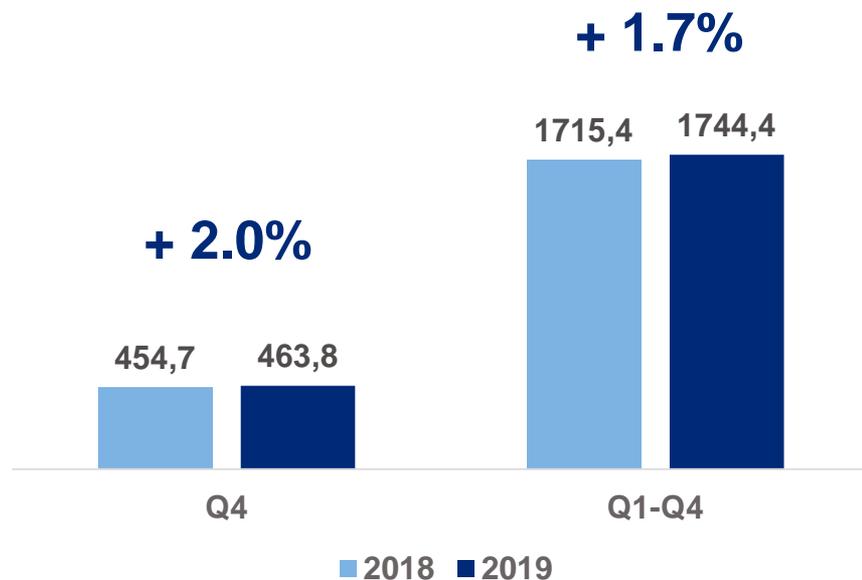
## HKScan – key figures in Q4 2019

- Net sales EUR 463.8 (454.7) million
  - Growth +2%
- Comparable EBIT EUR 5.8 (-1.9) million
  - Improvement of **EUR +7.7 million**
- EUR -12.3 (-1.7) million in non-recurring items impacting the EBIT
- Cash flow from operating activities EUR 48.6 (31.9) million
  - Improvement of **EUR +16.7 million**



# HKScan 2019 – net sales increased

Net sales, EUR million

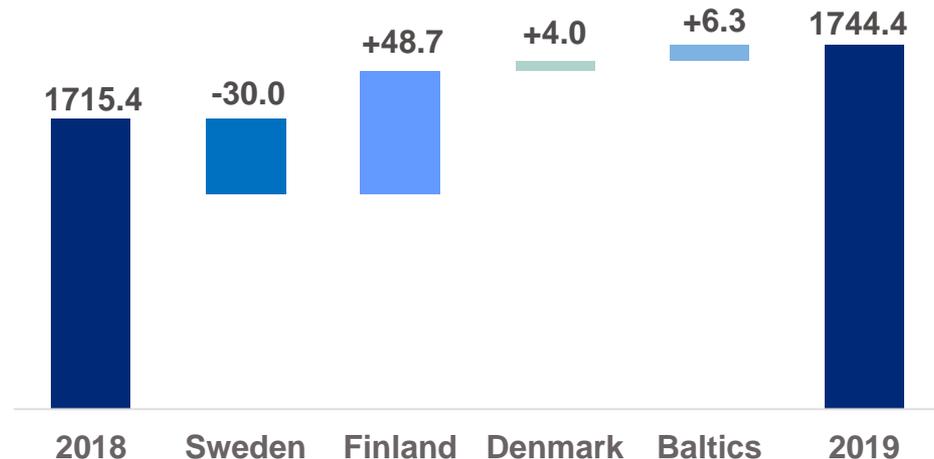


## 1-12 / 2019

- In comparable figures, net sales increased in all market areas and in all product categories
- In Finland and Sweden, total meat consumption decreased slightly, the rise in consumer prices of meat contributing to the decline
- Growth in poultry consumption continued strong in all market areas
- Pork exports from Finland to China increased according to plans, and the export volume was more than 6 million kilos

# HKScan 2019 – in comparable figures, net sales increased in all market areas

Net sales 2019, EUR million

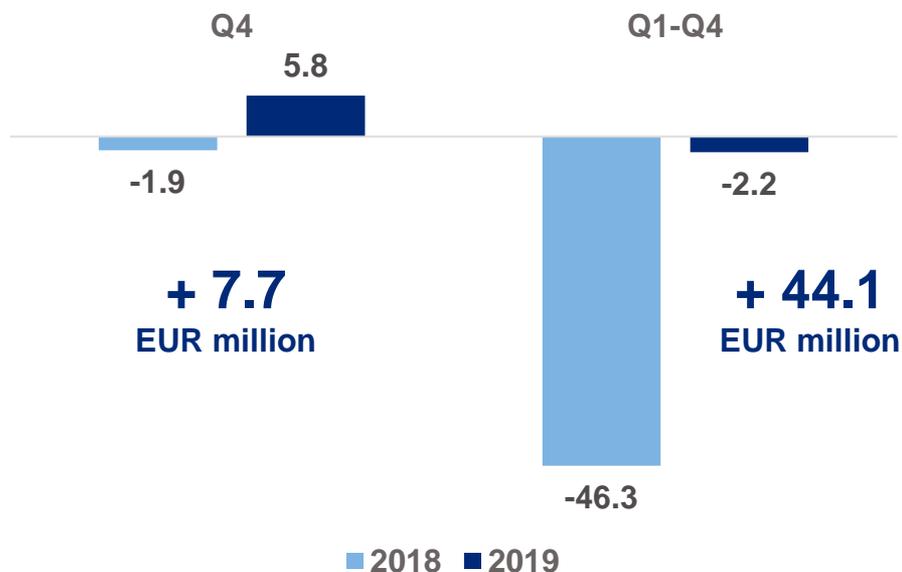


## 1-12 / 2019

- The decrease in Sweden's reported net sales was impacted by the weakening of the Swedish krona and the transfer of the sales responsibility of Danish poultry sold in Sweden to market area Denmark
- In Finland, net sales increased mostly due to the strengthening of the poultry business. Sales increased in all product categories.
- After the weak beginning of the year, sales improved in Denmark at the end of the year
- In the Baltics, net sales increased due to an improved sales mix and good retail sales growth
- HKScan's sales increased significantly in the food service channel in all market areas

# HKScan 2019 – comparable EBIT improved significantly

## Comparable EBIT, EUR million

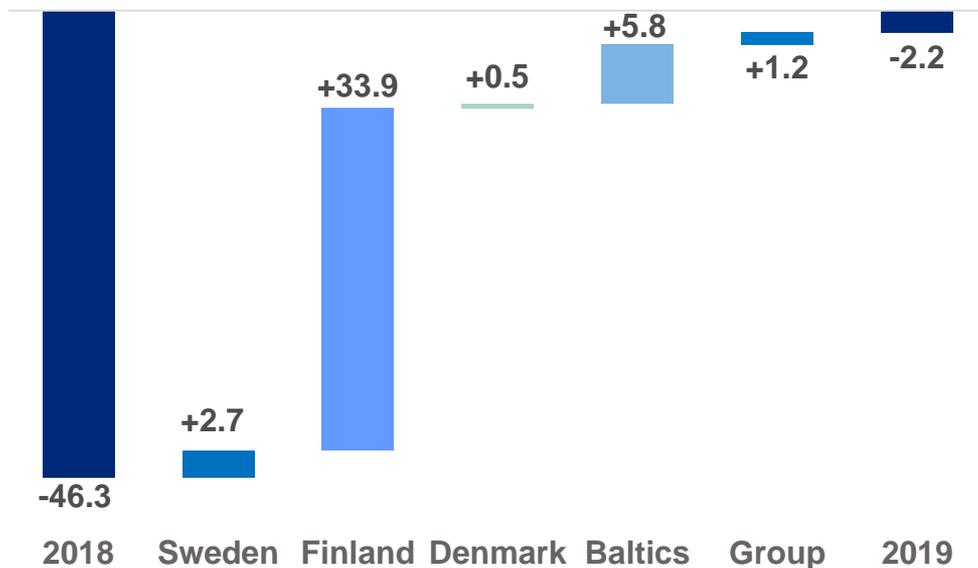


## 1-12 / 2019

- The strong improvement of the poultry business performance in Finland continued and was the most significant factor strengthening the Group's comparable EBIT
- Comparable EBIT was also improved in all market areas by
  - commercial successes
  - operational efficiency
  - Group-wide cost control measures
- The impact on the comparable EBIT of changes in currency rates was EUR -0.4 million

# HKScan 2019 – Finland improved its result the most

## Comparable EBIT 2018 – 2019, EUR million

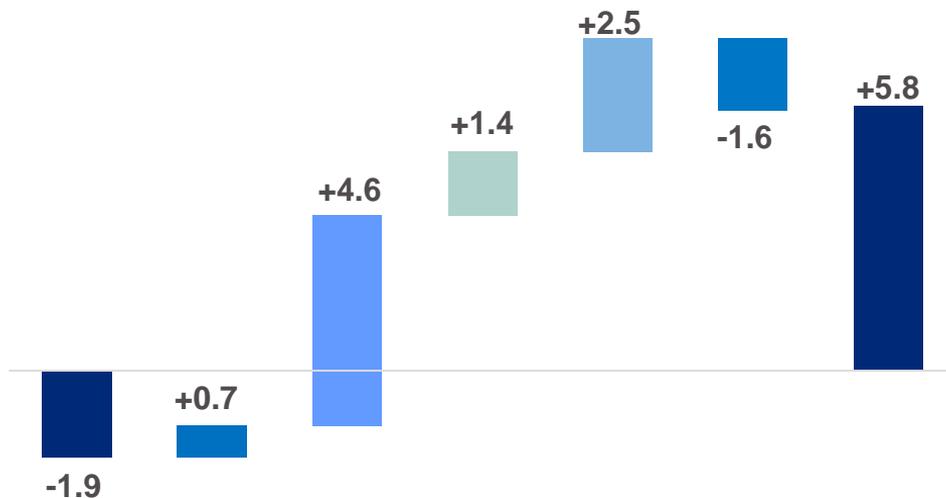


## 1-12 / 2019

- In Sweden, EBIT was improved by successes in several business areas
- The main contributor to HKScan's EBIT improvement was the strengthening of the poultry business in Finland
- In Denmark, commercial successes during the second half of the year balanced the weak beginning of the year
- In the Baltics, EBIT improved particularly due to the good development of pork market prices and sales prices

# HKScan Q4 2019 – strong improvement of financial performance continued

Comparable EBIT Q4 2018 – Q4 2019, EUR million



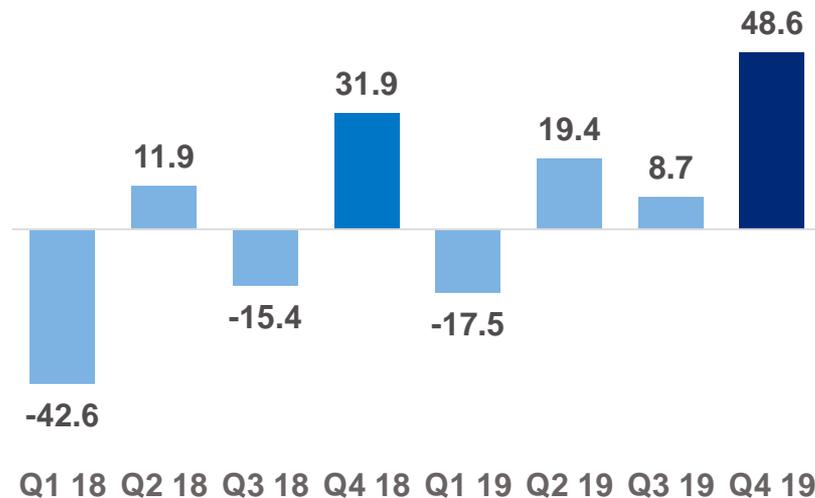
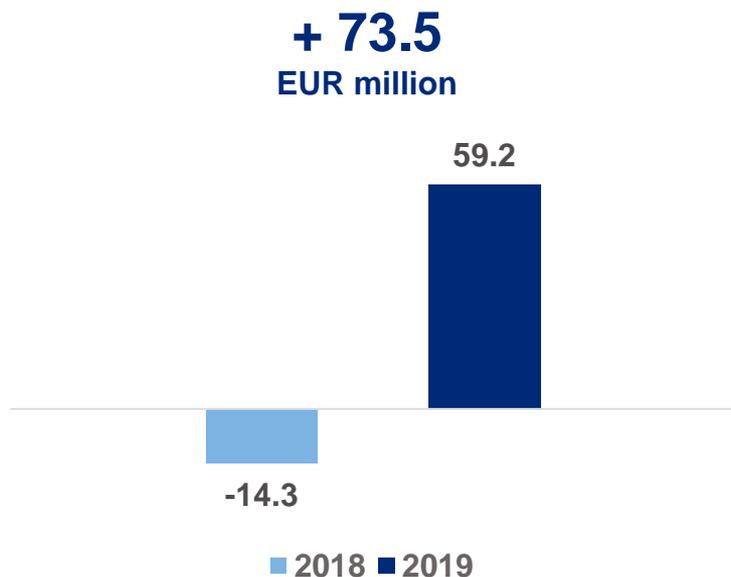
Q4 2018 Sweden Finland Denmark Baltics Group Q4 2019

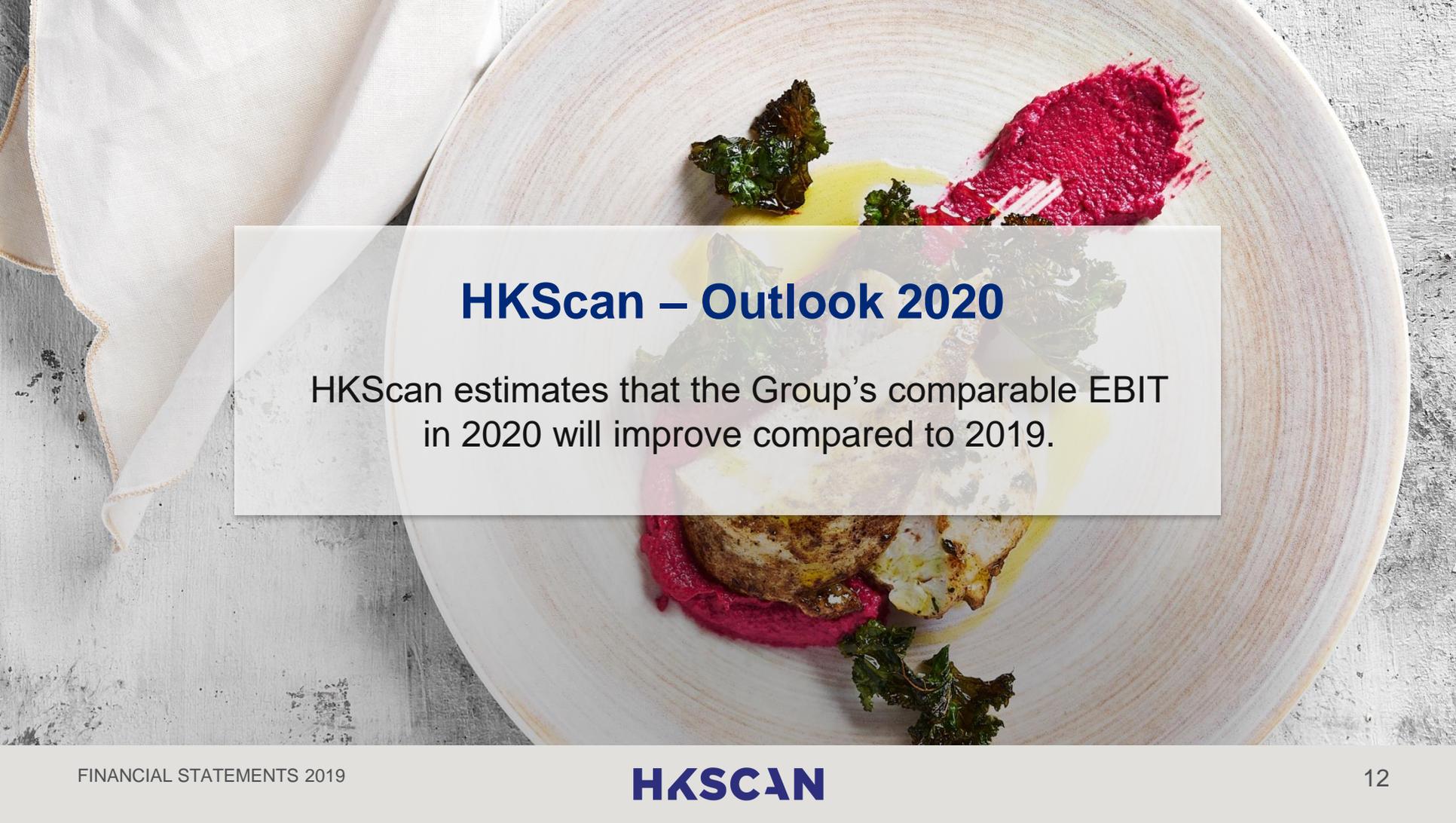
## 10-12 / 2019

- Profitability improved across the business in all market areas and in all product categories
- The continued positive development of the poultry business in Finland was the most significant factor strengthening the EBIT
- Commercial performance in all market areas was good
- Operational efficiency improved and costs decreased as planned

# Cash flow from operating activities strengthened significantly

## Cash flow from operating activities, EUR million





## HKScan – Outlook 2020

HKScan estimates that the Group's comparable EBIT in 2020 will improve compared to 2019.

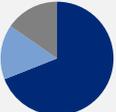
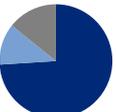
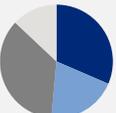
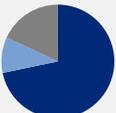
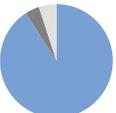
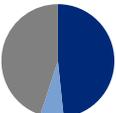
## HKScan – key figures

(EUR million)	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Net sales	463.8	454.7	1,744.4	1,715.4
EBIT	-6.5	-3.5	-23.2	-48.3
- EBIT margin, %	-1.4	-0.8	-1.3	-2.8
Comparable EBIT	5.8	-1.9	-2.2	-46.3
- EBIT margin, %	1.2	-0.4	-0.1	-2.7
Profit for the period	-10.6	-9.3	-37.5	-51.3
EPS, EUR	-0.12	-0.20	-0.52	-1.00
Comparable EPS, EUR	0.00	-0.17	-0.26	-0.96

# HKScan – key figures

(EUR million)	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Cash flow from operating activities	48.6	31.9	59.2	-14.3
Cash flow before debt service	45.6	21.9	38.7	-95.4
Return on capital employed (ROCE) before taxes, %			-3.1	-6.7
Interest-bearing net debt			275.8	335.6
Net gearing, %			84.8	103.3

# HKScan's market areas, categories and channels 2019

Market area	Net sales 2019 (million euros)	EBIT* 2019 (million euros)	Categories	Key Channels	Key Brands
<b>Finland</b> 	771	-2	 <ul style="list-style-type: none"> <li>Red meat</li> <li>Poultry</li> <li>Processed</li> <li>Meals</li> </ul>	 <ul style="list-style-type: none"> <li>Retail</li> <li>Food service</li> <li>Other</li> </ul>	
<b>Sweden</b> 	652	12	 <ul style="list-style-type: none"> <li>Red meat</li> <li>Poultry</li> <li>Processed</li> <li>Meals</li> </ul>	 <ul style="list-style-type: none"> <li>Retail</li> <li>Food service</li> <li>Other</li> </ul>	
<b>Baltics</b> 	168	5	 <ul style="list-style-type: none"> <li>Red meat</li> <li>Poultry</li> <li>Processed</li> <li>Meals</li> </ul>	 <ul style="list-style-type: none"> <li>Retail</li> <li>Food service</li> <li>Other</li> </ul>	
<b>Denmark</b> 	153	-5	 <ul style="list-style-type: none"> <li>Poultry</li> <li>Processed</li> <li>Meals</li> </ul>	 <ul style="list-style-type: none"> <li>Retail</li> <li>Food service</li> <li>Other</li> </ul>	
<b>Export i.e.</b> 	HKScan exports to ~ 50 countries worldwide and is constantly exploring new markets for domestic production				

\*comparable EBIT

# Sweden 2019 – comparable net sales increased slightly

Net sales, EUR million



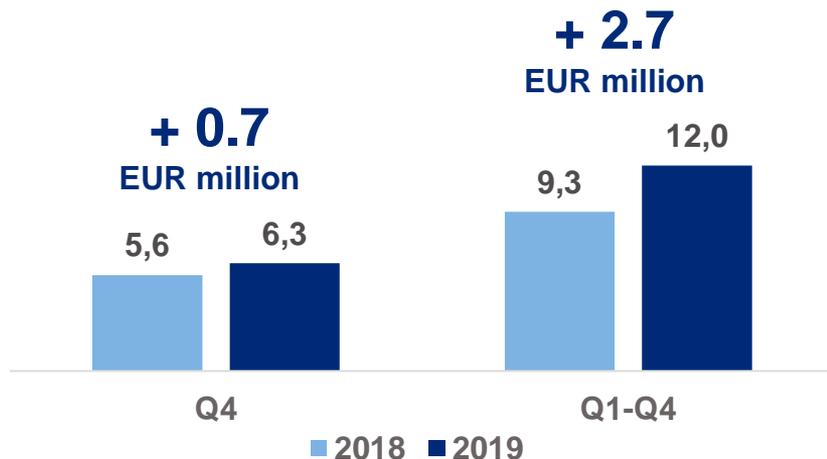
## 2019

- Net sales decreased due to the weakening of the Swedish krona and the transfer of the sales responsibility of Danish poultry sold in Sweden to market area Denmark
- At the end of the year, the shortage of domestic pork impacted the sales as well
- In comparable currencies, retail sales and food service sales increased clearly



# Sweden 2019 – profitability improved clearly

Comparable EBIT, EUR million



## 2019

- Despite the weakening of the Swedish krona, comparable EBIT improved due to commercial successes, improved operational efficiency and other cost savings



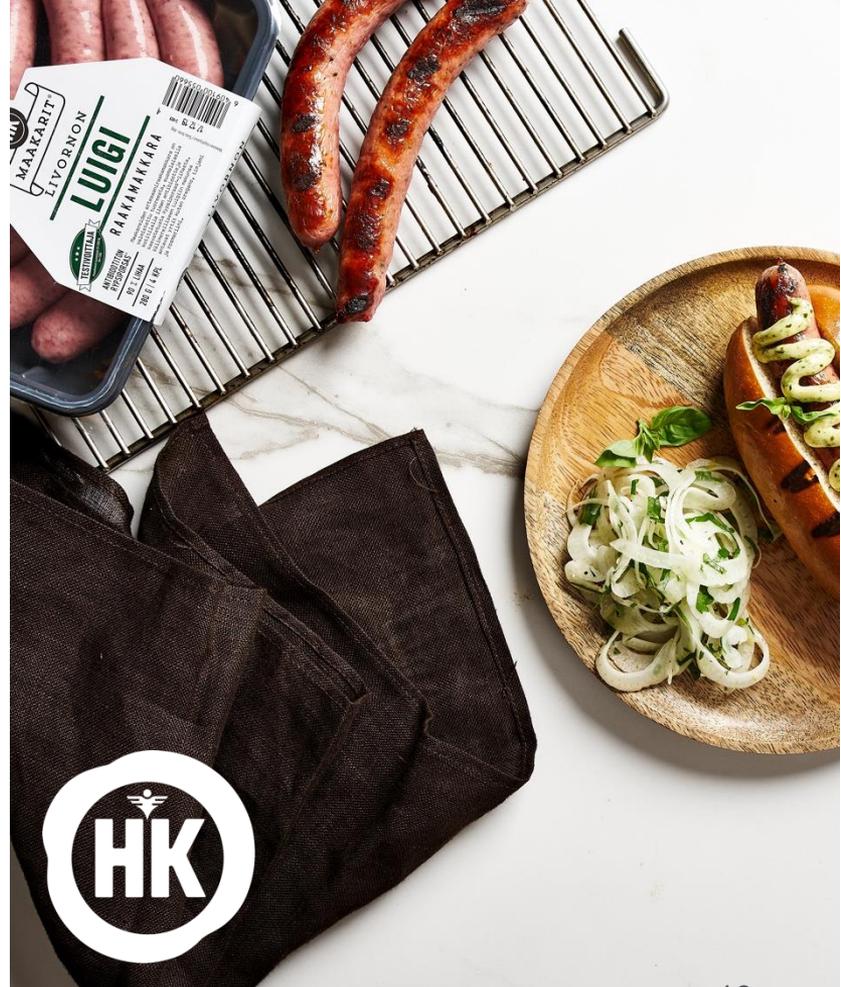
# Finland 2019 – sales increased in all product categories

Net sales, EUR million



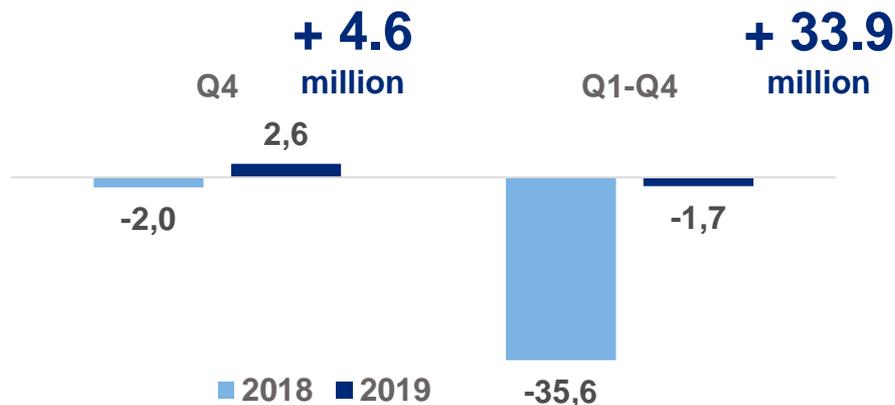
## 2019

- Net sales increased mainly due to the significantly improved delivery capability and productivity of the Rauma poultry unit
- Sales increased on a wide scale in all product categories
- The strong development of subsidiaries Tamminen and Kivikylän continued



# Finland 2019 – profitability improved on a wide scale

Comparable EBIT, EUR million



## 2019

- The impact of the strengthening of the poultry business on comparable EBIT was over 50%
- The wide-scale commercial successes as well as improved operational efficiency and good cost control significantly improved the EBIT



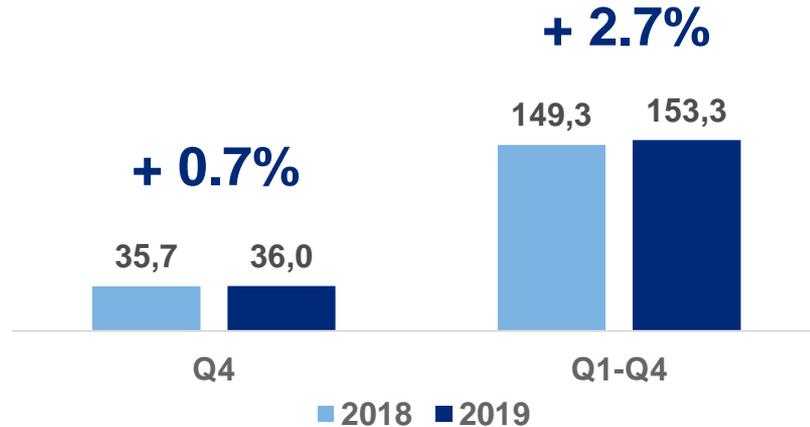
# HKScan invests in the growing demand of poultry

- During the second half of the year, HKScan reclaimed the position of market leader in the Finnish poultry category and Kariniemen® gained a market leadership position in branded products
- The demand and sales of Kariniemen products are expected to grow faster than the market in the coming years
- HKScan will invest some EUR 6 million in the new slaughter process of its poultry unit in Rauma
- The investment significantly improves
  - raw material yield (+10%)
  - productivity and operational reliability, and
  - capacity (+20%)
- The investment will be implemented in stages at the end of 2020



# Denmark 2019 – weak beginning, but growth at the end of the year

Net sales, EUR million



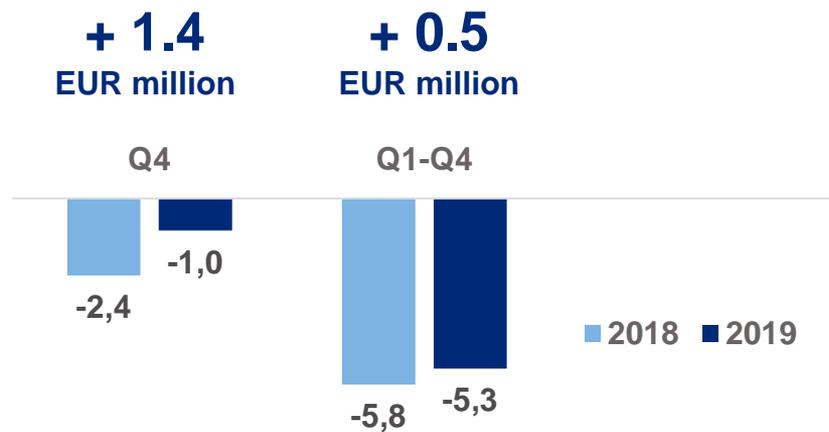
## 2019

- After the weak beginning of the year, commercial successes resulted in sales growth in the second half of the year
- Industrial sales and export, including sales to Sweden, increased



# Denmark 2019 – profitability improved

Comparable EBIT, EUR million



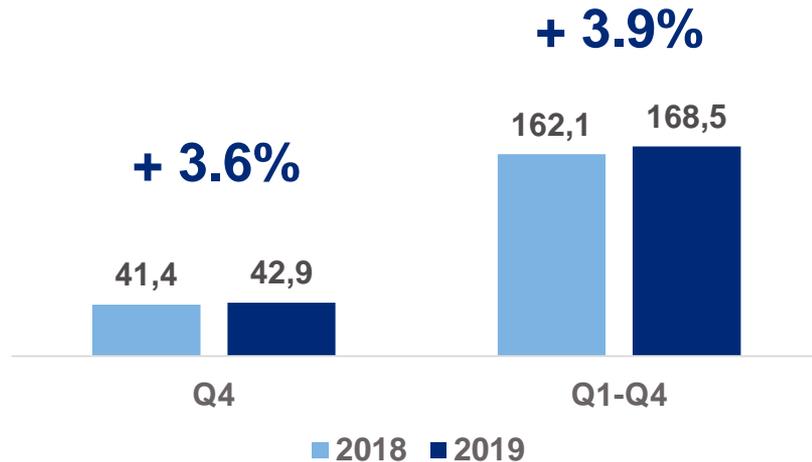
## 2019

- Commercial successes in the second half of the year improved comparable EBIT
- Profitability was also improved by operational efficiency measures and cost control



# Baltics 2019 – net sales increased in main channels

Net sales, EUR million



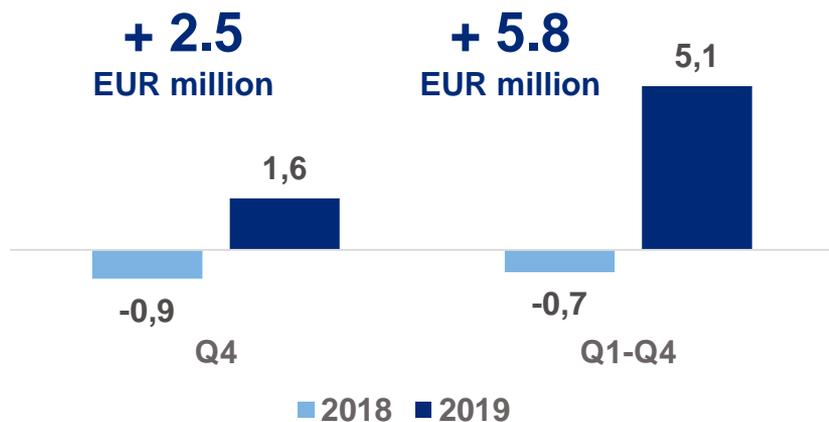
## 2019

- Net sales increased due to continued growth of retail and industrial sales, improved sales mix and the positive development of sales prices



# Baltics 2019 – EBIT improved clearly

Comparable EBIT, EUR million



## 2019

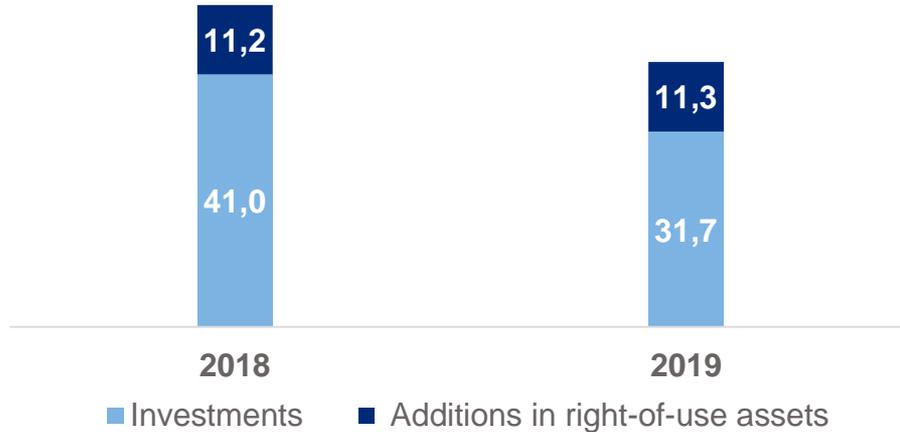
- Profitability improved due to the good development of pork market prices and improved sales prices. Operational efficiency measures and cost savings improved profitability as well
- The change of biological asset revaluation amounted to EUR 2.3 (-0.7) million



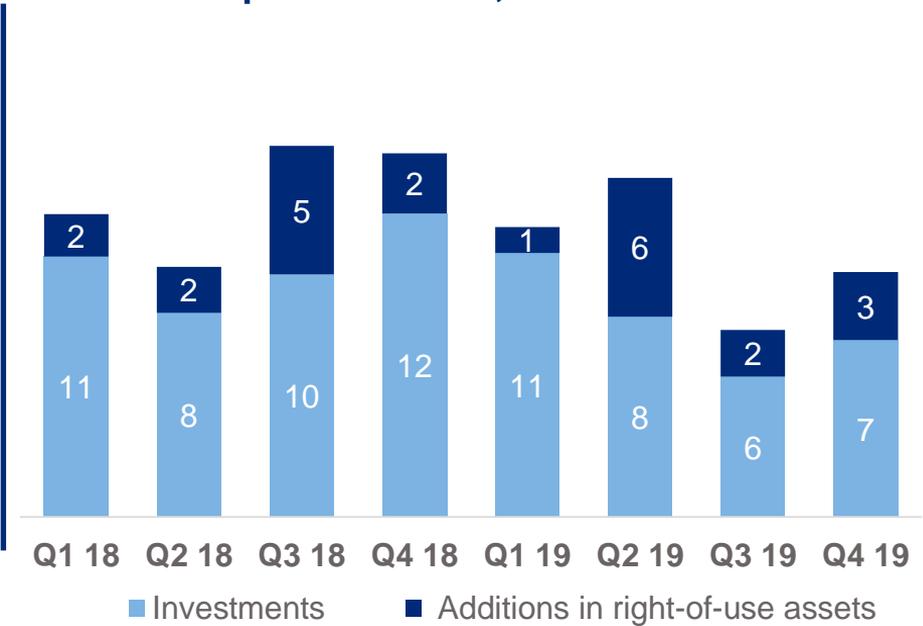
# Moderate investments were focused on improving operational efficiency

Group investments, EUR million

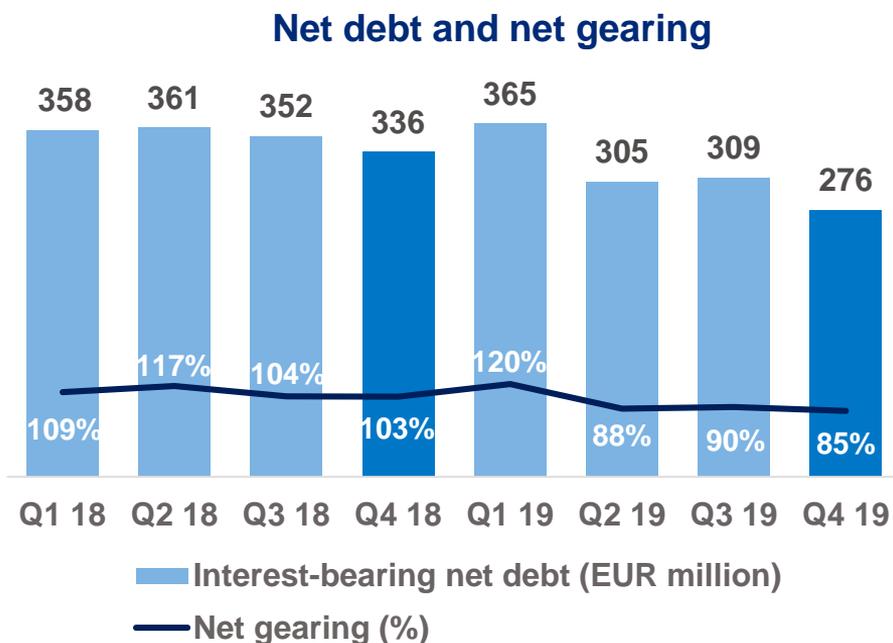
**- 9.2**  
EUR million



Group investments, EUR million



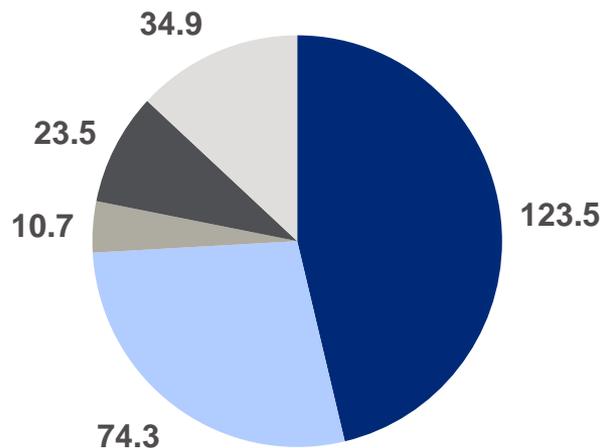
## Interest-bearing net debt and net gearing decreased in 2019



- Interest-bearing net debt and net gearing decreased due to improved cash flow and the directed share issue carried out in Q2
- The IFRS 16 lease liability, included in the interest-bearing debt, increased net gearing by approximately 14 percentage points

# Debt profile and maturity structure as of 31 December 2019

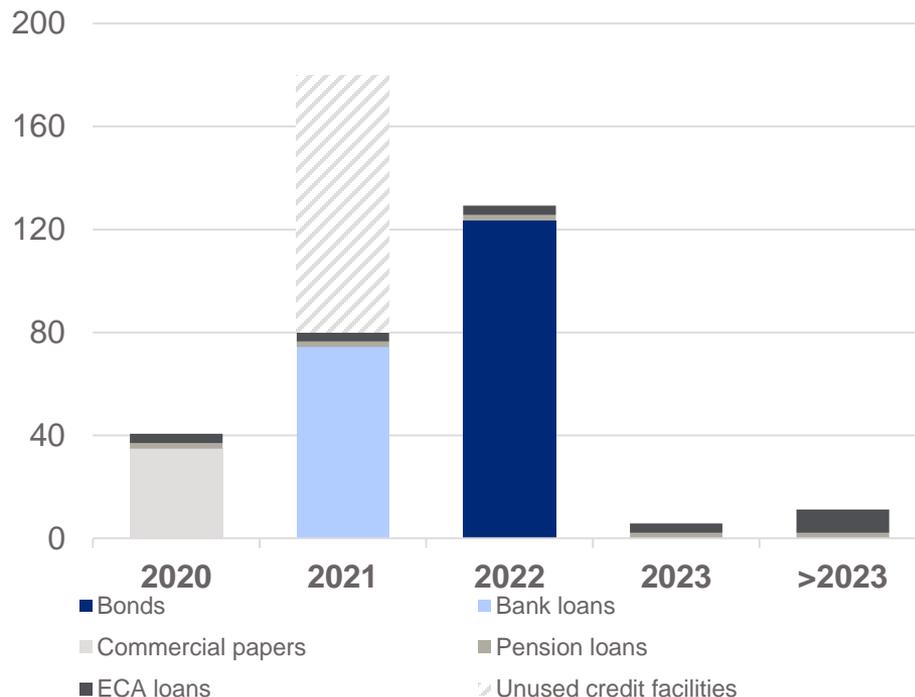
Interest-bearing debt by credit type,  
EUR million\*



**Total interest-bearing debt: EUR 267.1 million**

\*EUR 26 million hybrid bond is treated as equity (early redemption option in Sept. 2023)

Maturity of the Group's interest-bearing debt\*,  
EUR million





# HKSCAN

Strategy

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**We make life  
tastier**

- today and tomorrow

# Implementation of the Turnaround programme continues



# Strategic priorities



**1.** Create growth in consumers' food moments

**2.** Drive performance excellence

**3.** Lead advanced corporate responsibility

**4.** Develop competitive farming community

Lead the turnaround programme

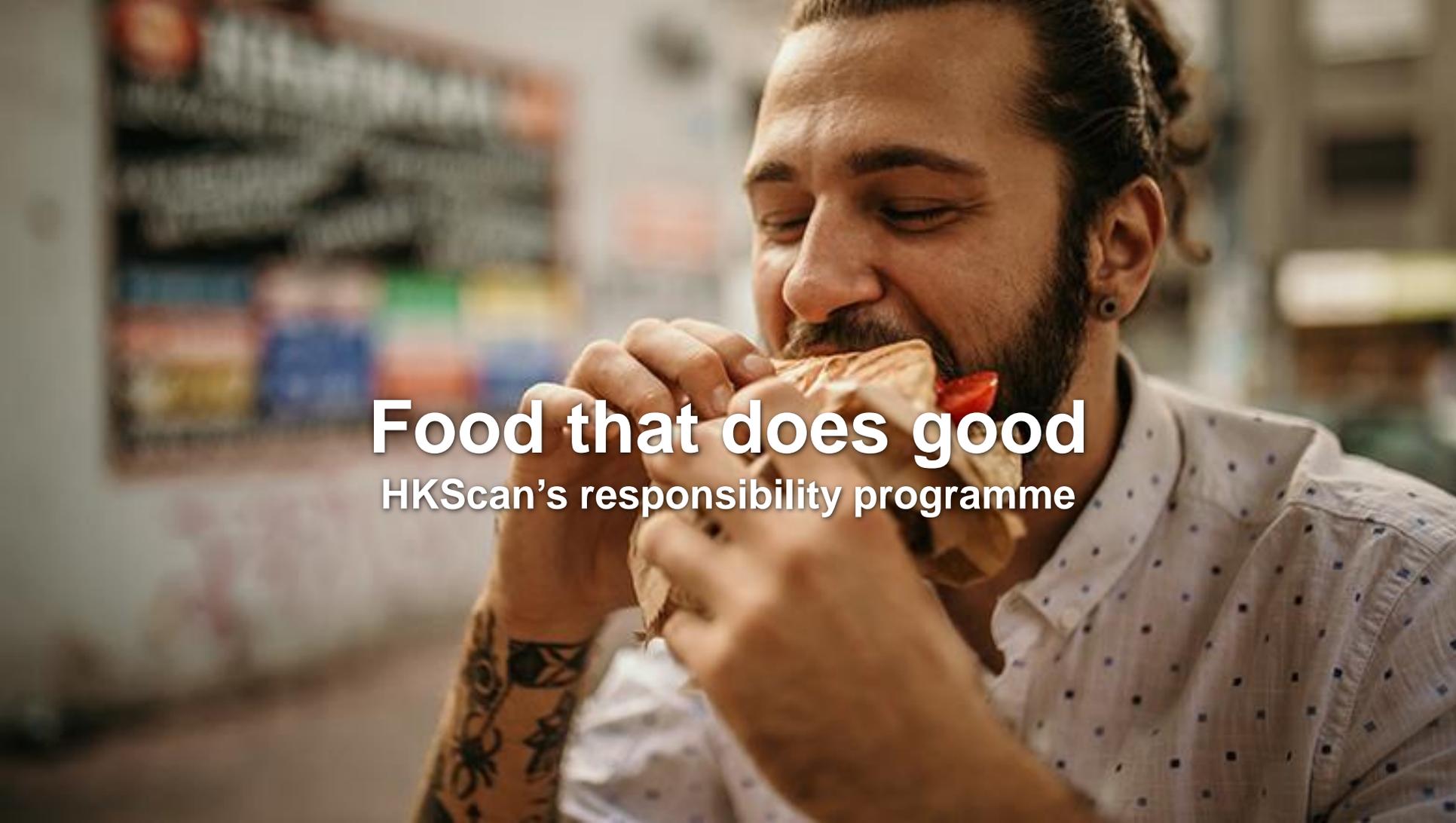
Implement new operating model and partnership strategy

# Growing into a versatile food company



## In our strategy, we will

- lead a successful turnaround programme
- implement a new, profit centre-based operating model in the whole Group
- grow in food moments in current and new product categories and in developing sales channels
- drive performance excellence
- incorporate responsibility into our business
- improve the competitiveness of our farming community
- build an operating model based on partnerships to support our strategic targets
- assess the position of market areas as part of our strategy

A close-up photograph of a man with a beard and tattoos, wearing a white polka-dot shirt, eating a burrito. He is looking down at the food with a focused expression. The background is a blurred restaurant setting with menu boards.

**Food that does good**  
HKScan's responsibility programme

# HKScan is implementing its new responsibility programme

- In defining our new responsibility programme we included a broad and extensive stakeholder dialogue
- Our goal is to position HKScan as a versatile food company recognized for its systemic responsibility work in the food industry
- During the spring of 2020 our priority is to define the targets and actions of our responsibility programme, including carbon neutrality
- Through this work we are developing our responsibility work throughout our value chain as a systemic change



# Priorities of HKScan's responsibility programme



**1** Healthy and responsibly produced food



**2** Wide-ranging environmental responsibility



**3** Community of producers and employees



**4** Animal welfare

**We are developing our responsibility work throughout our value chain as a systemic change**

## Key achievements in 2019

- We significantly improved occupational safety and our Lost Time Injury (LTI) frequency decreased by over 30 per cent
- We stopped using antibiotics in poultry production in Estonia
- We succeeded in improving the material efficiency and recyclability of packaging
  - We abandoned the use of non-recyclable black plastic in our own brand packaging in Finland and Sweden
  - In Denmark, we renewed all Rose® product packaging and moved to packaging made of recycled raw materials
- The Agrofood Ecosystem® was introduced in Finland
  - Cooperation with Biolan launched in Feb. 2020





**We make  
life tastier  
– today and tomorrow**