

HKSCAN

Financial Statements 2020

Tero Hemmilä, CEO
Jyrki Paappa, CFO

4 February 2021



HKScan – Key figures 2020

- Net sales EUR 1 781.0 (1 744.4) million
 - Growth **+2.1%**
- EBIT EUR 21.3 (-23.2) million
 - Profit improvement EUR **+44.5** million
- Comparable EBIT EUR 17.0 (-2.2) million
 - Profit improvement EUR **+19.2** million
- Cash flow from business operations EUR 63.7 (59.2) million
 - Improvement EUR **+4.5** million
- **Net result for the financial year EUR +4.8 (-37.5) million**
 - The first profitable result since 2015
- Board proposes that no dividends be paid for 2020



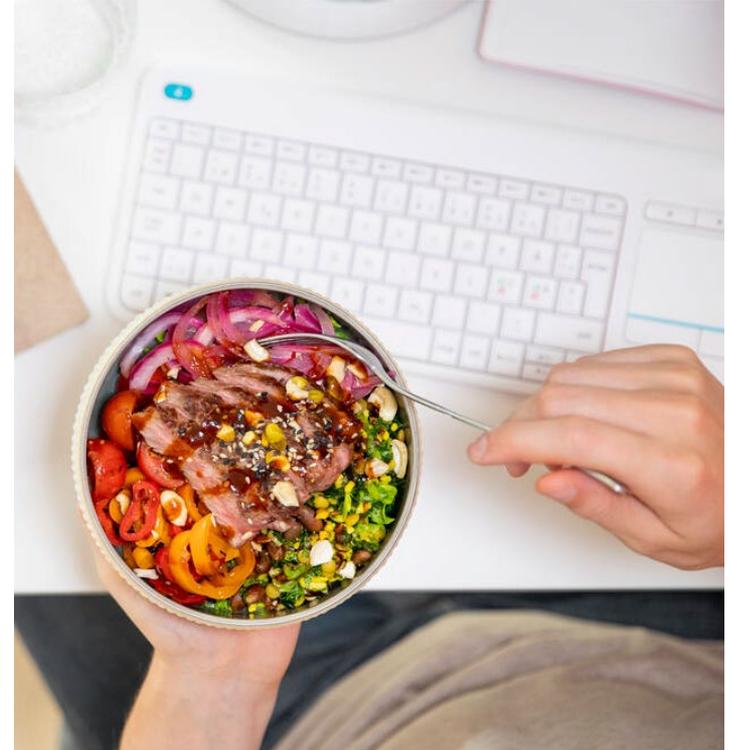
HKScan 2020 – From a crisis to a profit in two years

- Turnaround proceeded and strong profit improvement continued
 - Successful Turnaround (2019-2021) creates a solid foundation for the strategy implementation
- The Covid-19 pandemic and animal diseases caused an exceptionally challenging market situation, which slowed down profit improvement despite our strong progress
- Retail sales increased clearly while food service sales declined significantly due to the pandemic
 - The impact was strongest in Finland
- The purchase of the Vantaa plot of land was strategically important and will ensure the continuity of operations into the 2030s

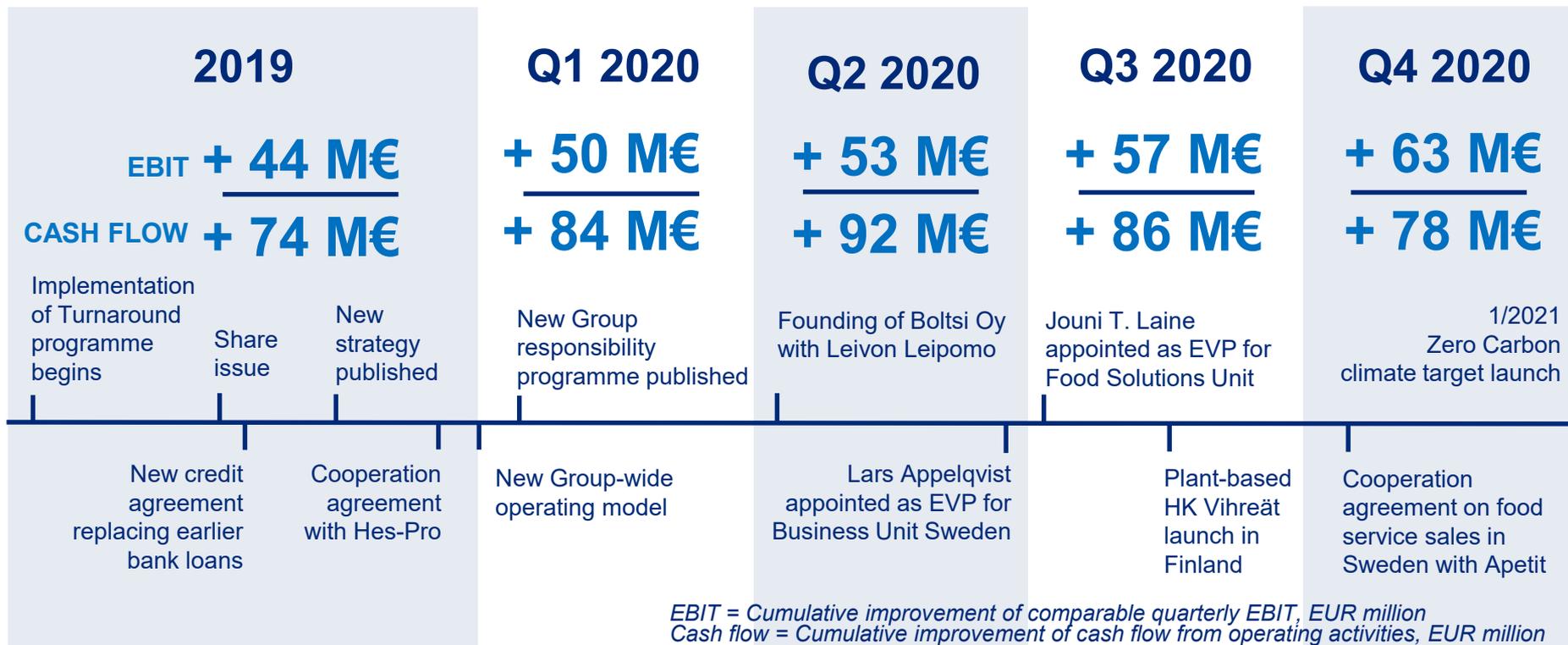


HKScan – Key figures Q4 2020

- Net sales EUR 472.9 (463.8) million
 - Growth **+2.0%**
 - Retail sales of our own consumer brands clearly increased in all the home market areas
- EBIT EUR 17.5 (-6.5) million
 - Profit improvement EUR **+24.0** million
- Comparable EBIT EUR 12.1 (5.8) million
 - Profit improvement **EUR +6,3 million**
 - Best quarterly result since 2014
- Cash flow from business operations EUR 40.5 (48.6) million
 - Accounts payable down from the comparison period



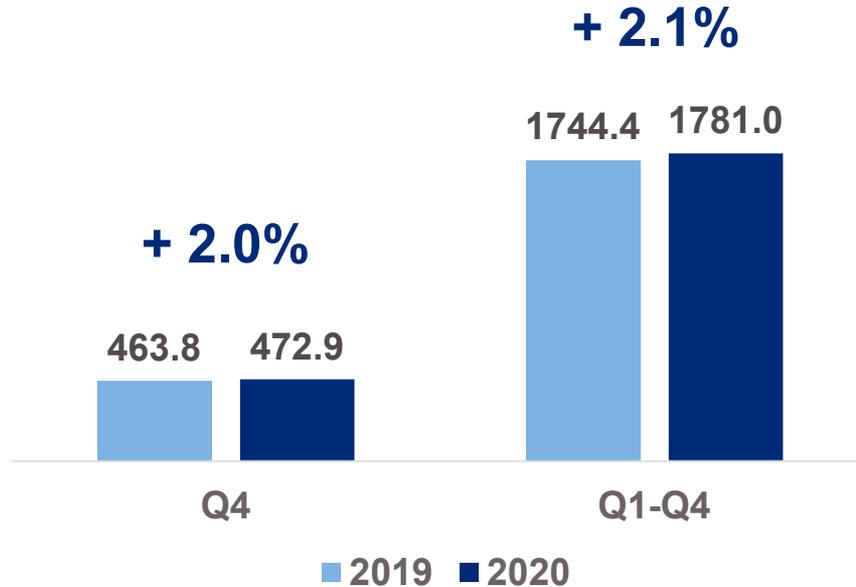
Turnaround programme proceeding as planned and successfully



*EBIT = Cumulative improvement of comparable quarterly EBIT, EUR million
Cash flow = Cumulative improvement of cash flow from operating activities, EUR million*

HKScan 2020 – Commercial improvements in all markets

Net sales, EUR million

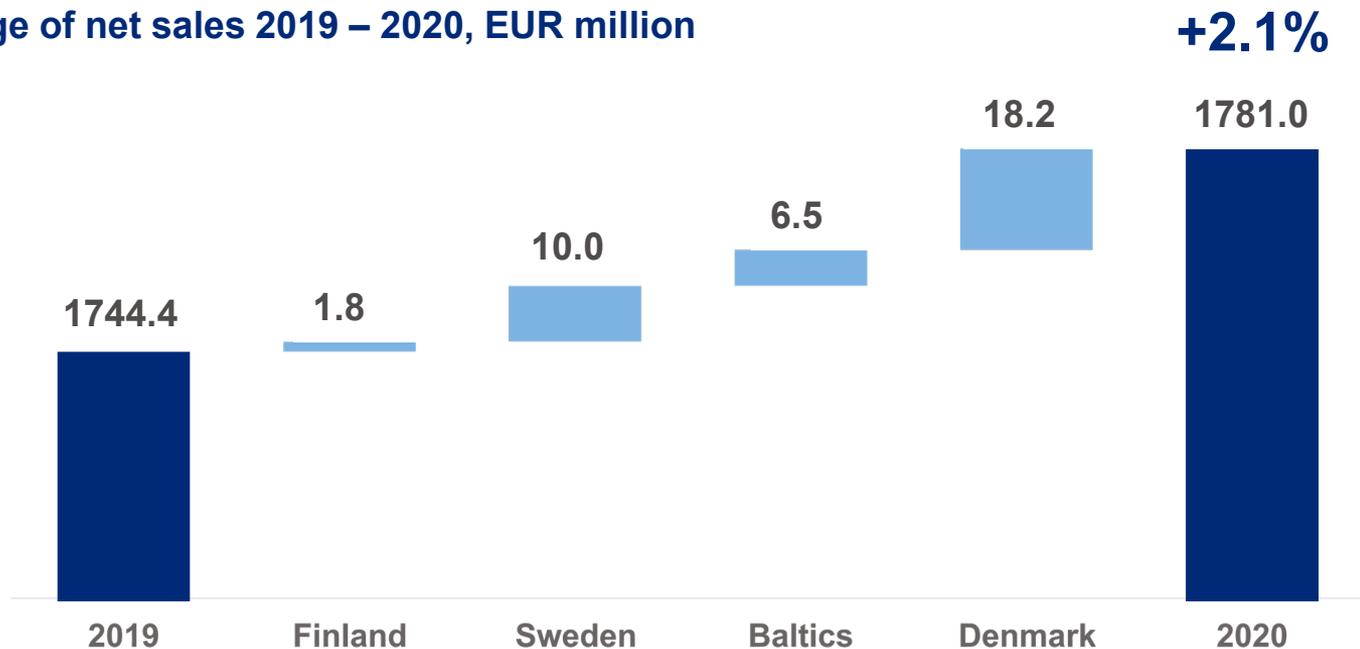


2020

- Retail sales increased clearly, particularly sales in branded products
- Food service sales were significantly down from the comparison year
- Net sales and sales structure were affected by the pandemic
- Sales in poultry and processed meat products increased clearly
- Pork export volumes to China increased and were in line with the target

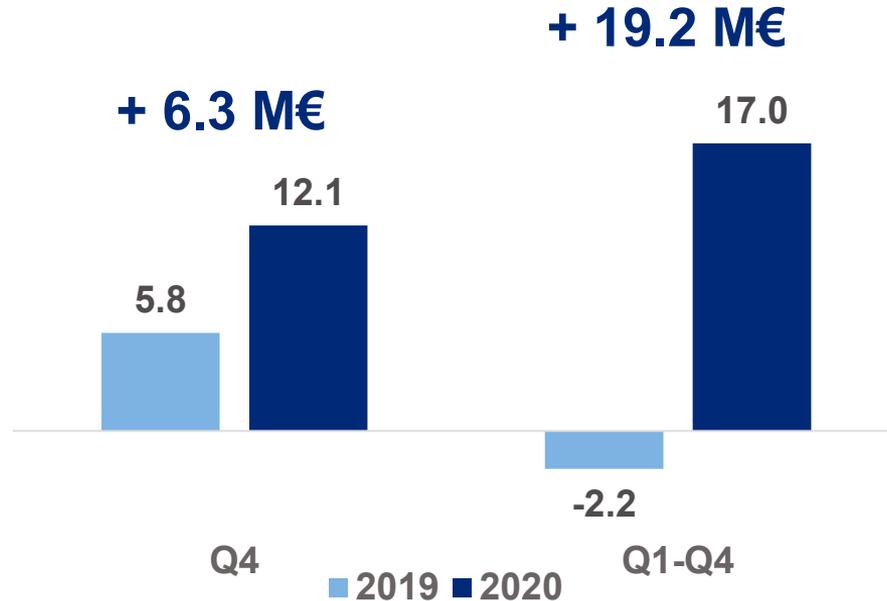
HKScan 2020 – Denmark and Sweden as growth drivers

Change of net sales 2019 – 2020, EUR million



HKScan 2020 – The best comparable EBIT in five years

Comparable EBIT, EUR million

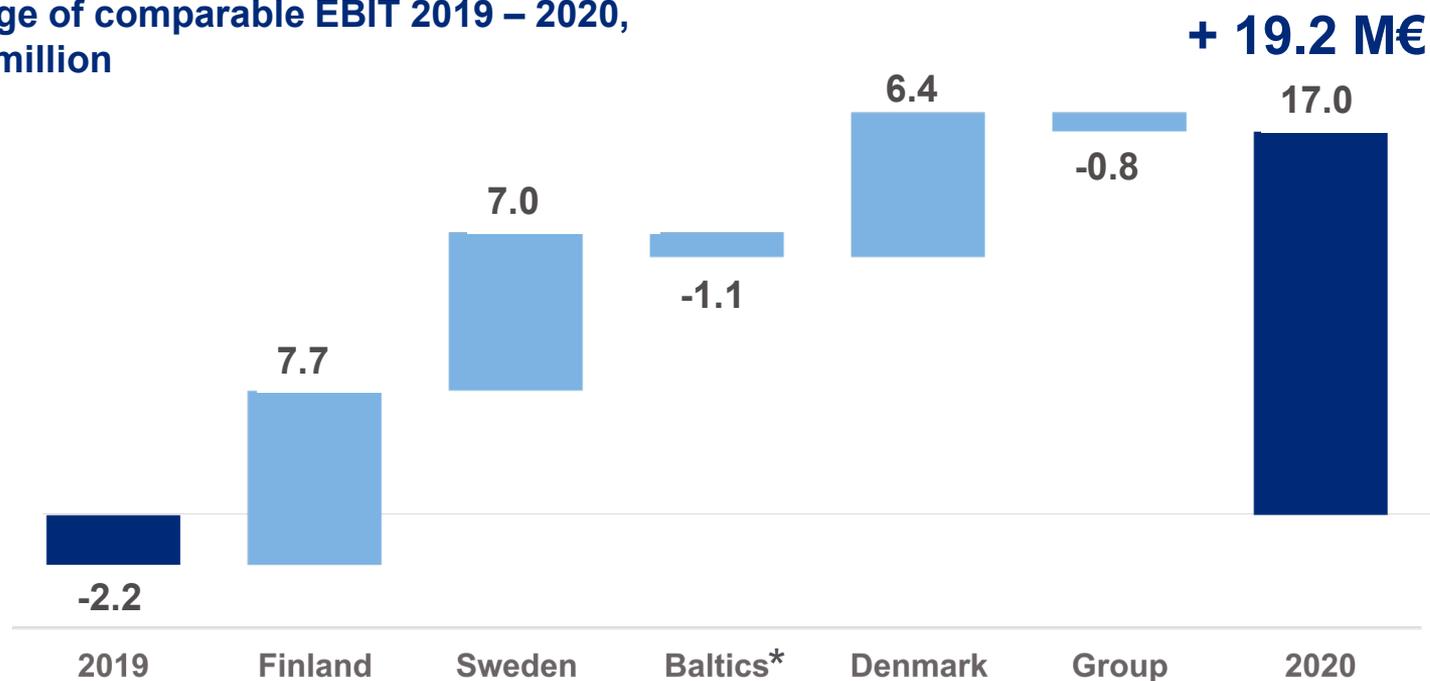


2020

- All Business Units delivered a profitable comparable EBIT
 - Strong profit improvement in Denmark, Sweden and Finland
 - In Denmark, EBIT turned profitable after 7 loss-making years
 - Commercial improvements as a driver of profit improvement in all home markets
 - Very strong operational business development in the Baltics
- Profitability weakened due to the pandemic and animal diseases detected in Europe

HKScan 2020 – Clear profit improvement

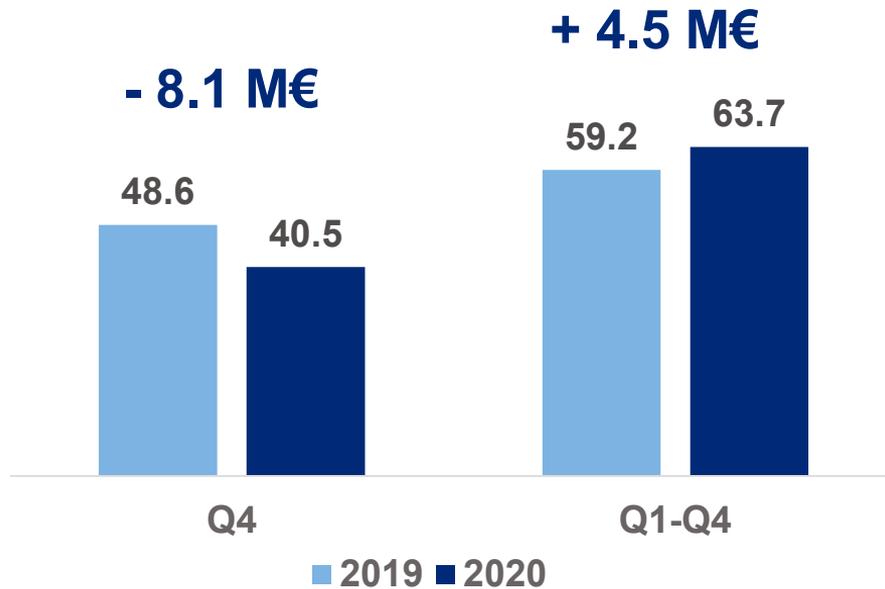
Change of comparable EBIT 2019 – 2020,
EUR million



*Change of comparable EBIT excluding biological asset revaluation +3.2 M€

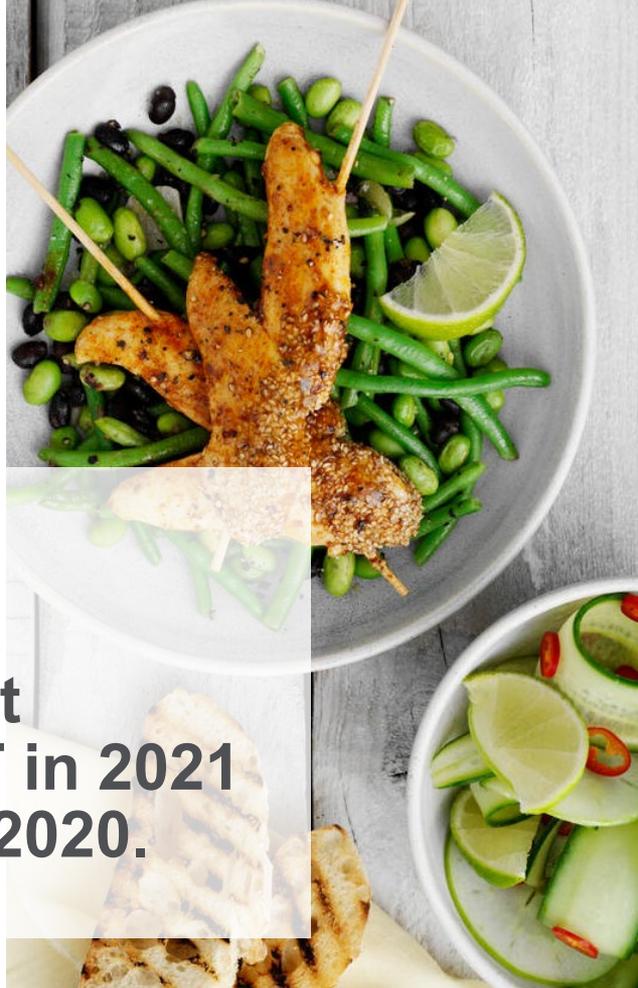
HKScan 2020 – Accounts payable down from the comparison year

Cash flow from operating activities, EUR million



2020

- Full-year working capital slightly increased due the fourth quarter decrease in accounts payable
- Year-end inventory levels temporarily slightly higher than in the previous year



Outlook 2021

HKScan estimates that the Group's comparable EBIT in 2021 will improve compared to 2020.

HKScan – key figures

(EUR million)	10-12/2020	10-12/2019	2020	2019
Net sales	472.9	463.8	1 781.0	1 744.4
EBIT	17.5	-6.5	21.3	-23.2
- EBIT margin, %	3.7	-1.4	1.2	-1.3
Comparable EBIT	12.1	5.8	17.0	-2.2
- EBIT margin, %	2.6	1.2	1.0	-0.1
Profit for the period	11.2	-10.6	4.8	-37.5
EPS, EUR	0.09	-0.12	-0.01	-0.52
Comparable EPS, EUR	0.04	0.00	-0.05	-0.26

HKScan – key figures

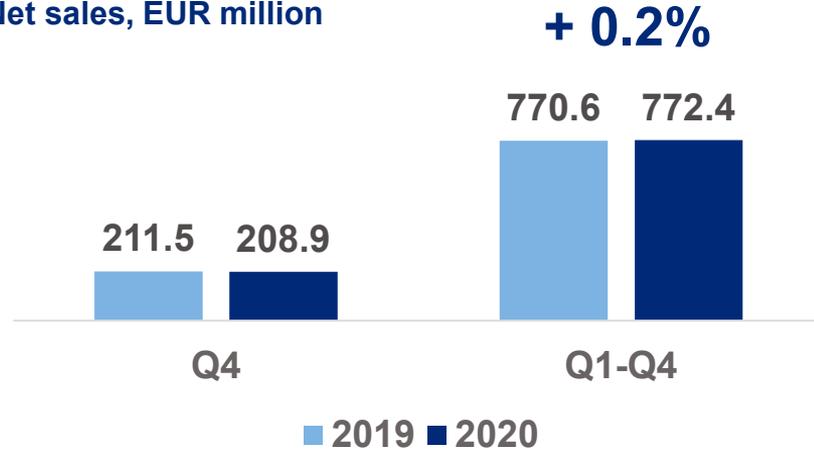
(EUR million)	10-12/2020	10-12/2019	2020	2019
Cash flow from operating activities	40.5	48.6	63.7	59.2
Cash flow after investing activities	26.5	41.4	-21.4*	27.6
Return on capital employed (ROCE) before taxes, %			3.9	-3.1
Interest-bearing net debt			299.6	275.8
Net gearing, %			91,0**	84.8

*Includes the investment to the plot of Vantaa EUR 37.7 million.

**Net gearing ratio without the investment to the plot of Vantaa 81%.

Finland 2020 – Retail sales increased clearly

Net sales, EUR million



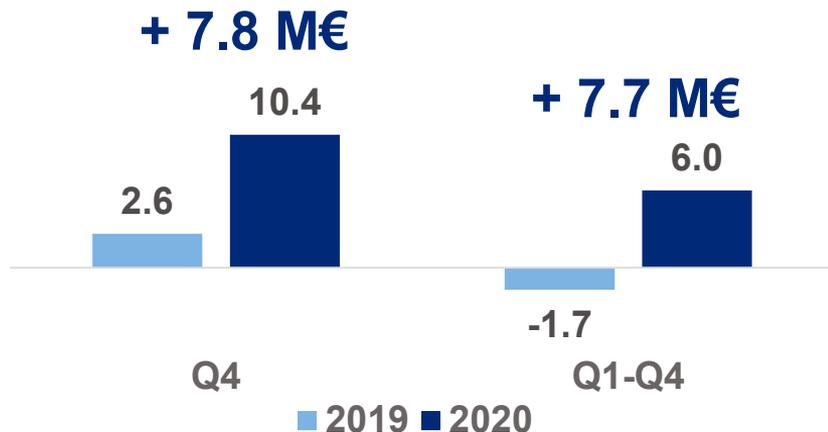
2020

- Retail sales increased; good sales development especially in our branded products at the end of the year
- Food service sales developed in line with targets in early 2020, but were almost 25% down from the comparison year due to the pandemic



Finland 2020 – Strong year end

Comparable EBIT, EUR million



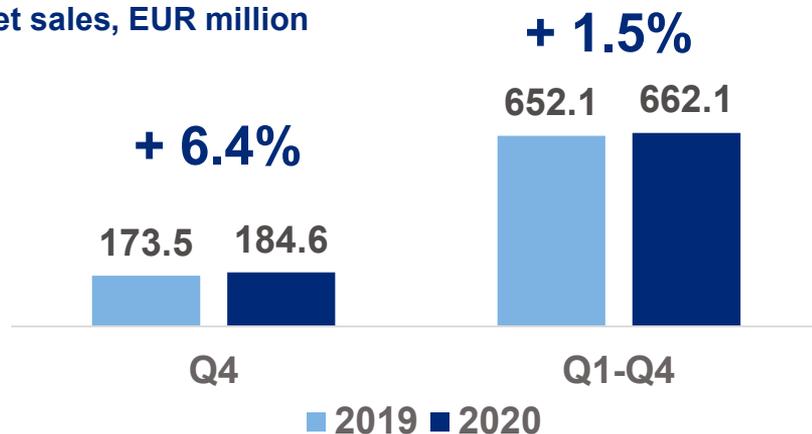
2020

- Strong retail sales key driver in profit improvement
- Rauma poultry unit's performance improved but targets were not reached
- Strong growth seen in red meat and processed meat products
- Costs increased due to the measures related to pandemic risk mitigation and ensuring the business continuity



Sweden 2020 – Domestic meat demand grew

Net sales, EUR million



2020

- Retail sales increased while food service sales were some 22% down from the comparison year due to the pandemic
- Growth in the domestic meat demand increased competition for locally produced meat raw material
- Impact of the exchange rate change EUR +6.8 million



Sweden 2020 – Strong profit improvement

Comparable EBIT, EUR million



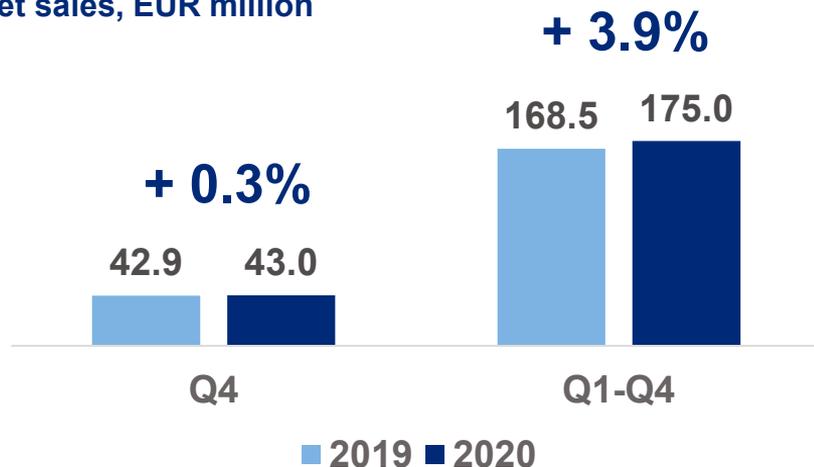
2020

- EBIT historically high
- EBIT strengthened by commercial improvements and lower administrative costs
- The negative cost impact of the pandemic strengthened at the end of the year



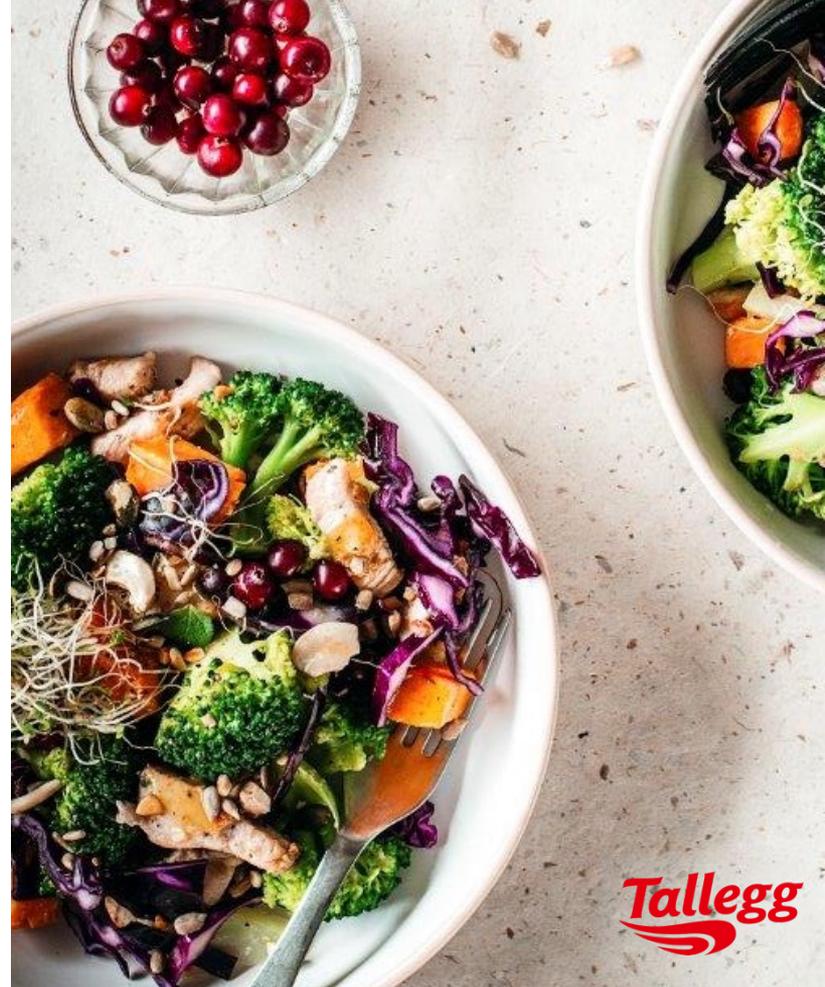
Baltics 2020 – Continued steady growth

Net sales, EUR million



2020

- Retail sales increased particularly in Estonia and Latvia
- Strong growth in exports of processed meat products continued
- Food service sales decreased due the pandemic



Tallegg

Baltics 2020 – Operational EBIT doubled

Comparable EBIT excluding change of biological asset revaluation, EUR million



2020

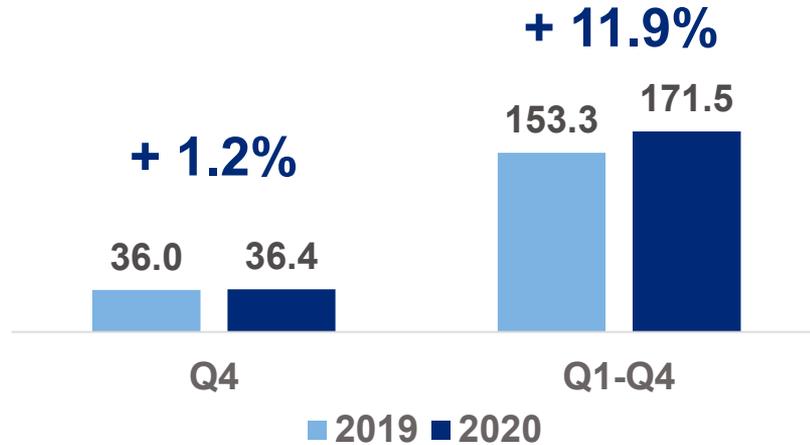
- Commercial improvements and streamlining of production improved the result
- Oversupply of meat in Europe had a strong impact on the industrial sales in the Baltics, especially towards the end of the year
- The change in the fair value of biological assets in the balance sheet was EUR -2.0 (2.3) million.



Denmark 2020 – Focus on value-added products in line with the strategy



Net sales, EUR million



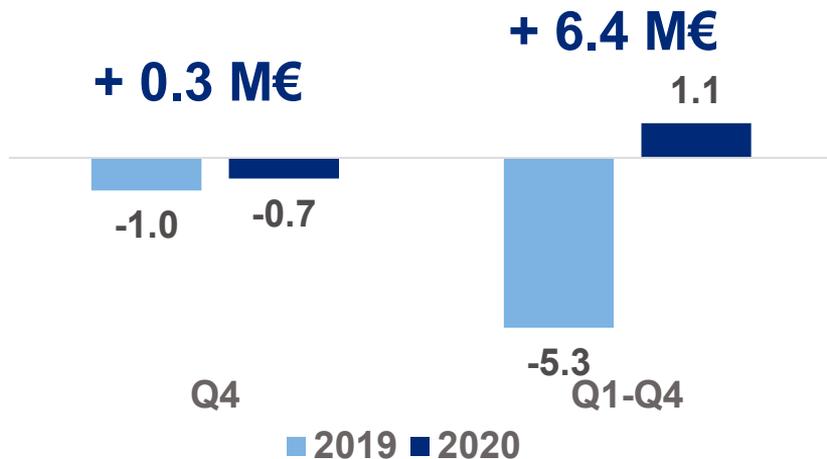
2020

- Clear growth in retail sales
- Focus from frozen to fresh and ready-to-use poultry products with higher added value
- Avian flu detected on a Danish poultry farm at the end of the year weakened net sales and increased challenges in exports



Denmark 2020 – Returned to profit

Comparable EBIT, EUR million



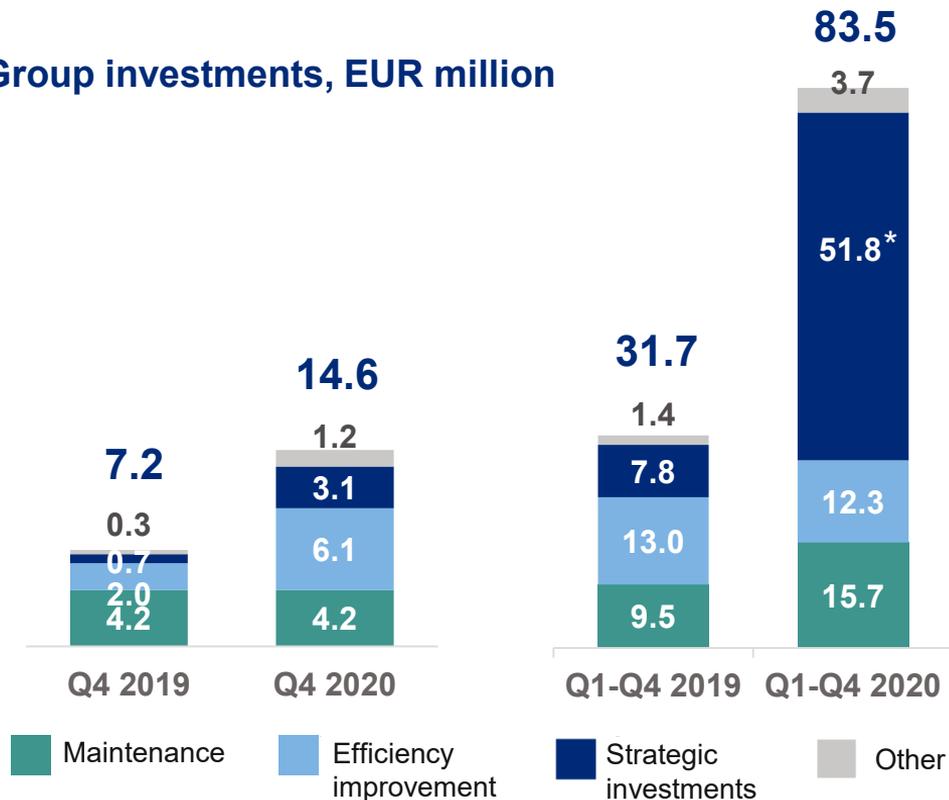
2020

- Progress in the added value strategy improved the result
- Despite the export challenges caused by the avian flu and pandemic, Denmark showed a clear EBIT improvement



Accelerating the Turnaround driven investments

Group investments, EUR million

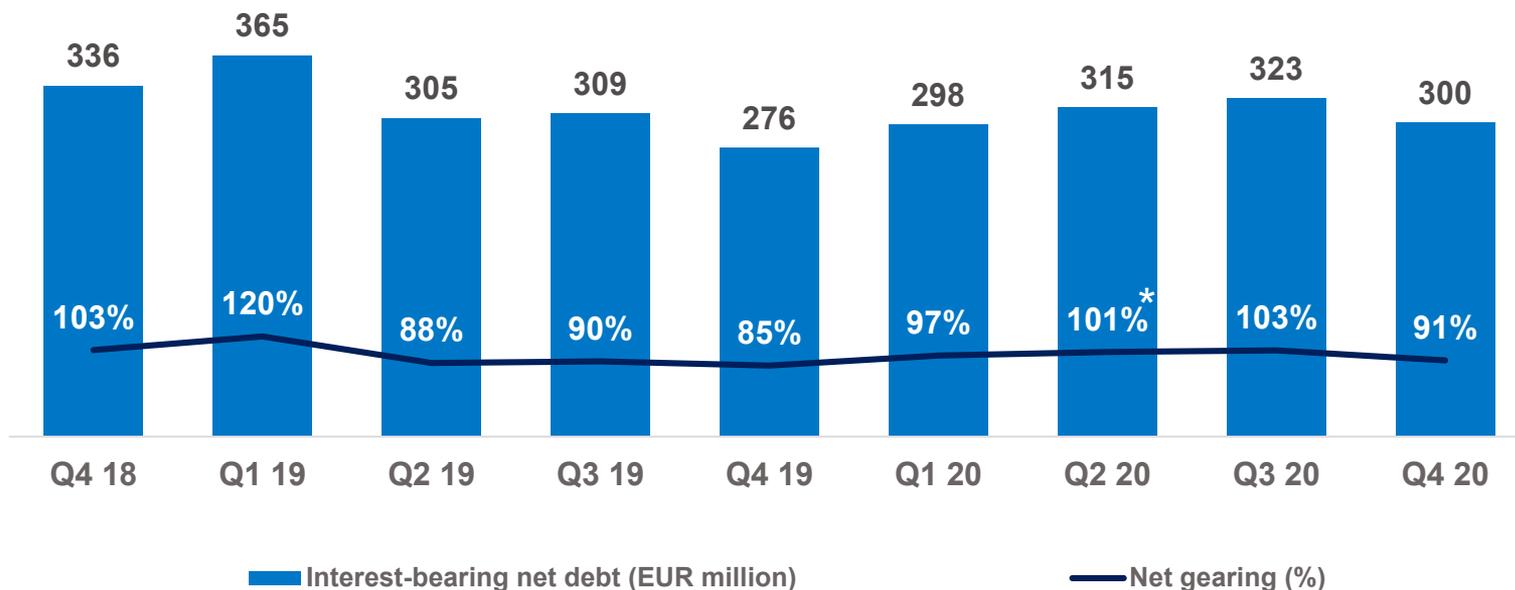


2020

- Focus on investments to improve production efficiency and to optimise the production between the units
- In Denmark, investments promote the strategic shift to fresh and ready-to-use, value-added poultry products
- The investment implementation of the Rauma poultry unit's slaughter process proceeded as planned; the investment will be taken into use in the early part of 2021
- The purchase of the Vantaa plot of land was made using the right of first refusal. Vantaa production unit's lifetime will continue into the 2030s

*Includes the investment to the plot of Vantaa EUR 37.7 million.

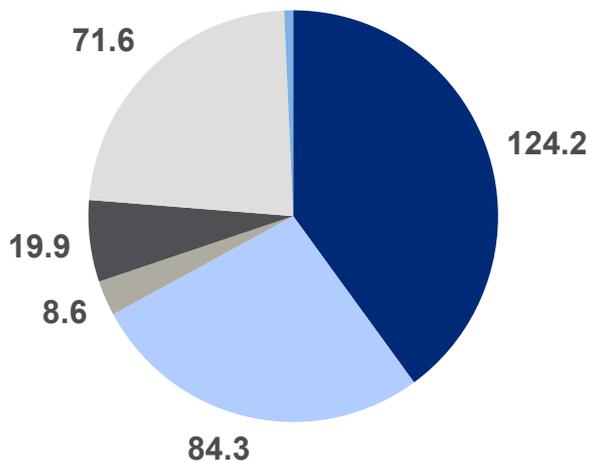
Interest-bearing net debt and net gearing



*Investment to the plot of Vantaa

Debt profile and maturity structure as of 31 December 2020

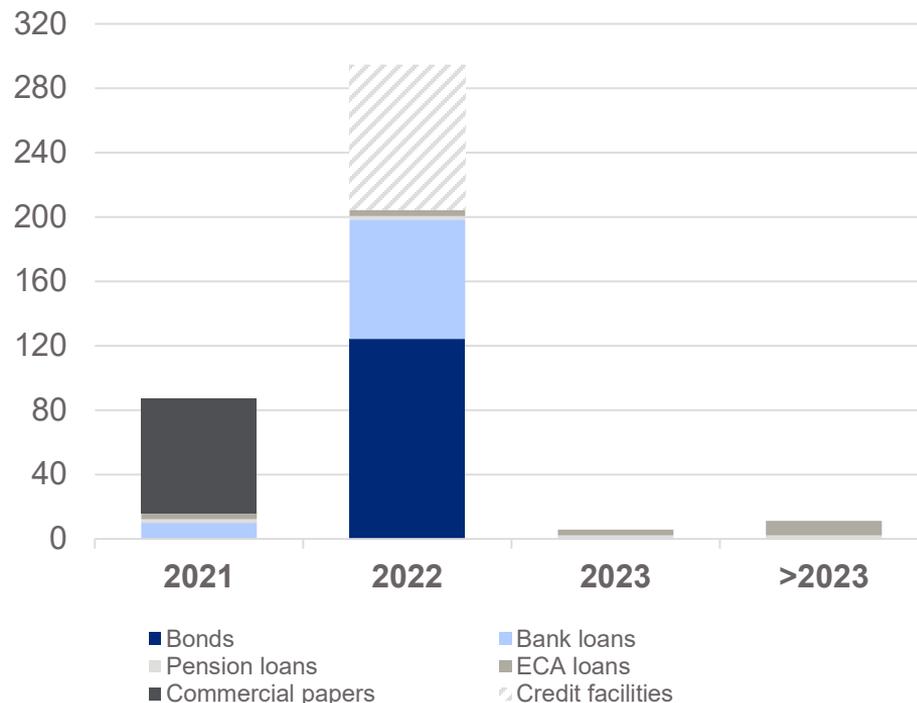
Interest-bearing debt by credit type,
EUR million*



**Total interest-bearing debt without IFRS 16:
310.8 EUR 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





Strategy

Our target is to grow into a versatile food company

We are growing into a versatile food company

Growth in consumers' food moments

- delicious food
- sales channels and categories
- new concepts and digital solutions



Turnaround

- solid financial basis
- prerequisite for future growth

Advanced responsibility work

- environment
- healthy food
- personnel and farmers
- animal welfare



Performance excellence

- profitability improvement and renewal of business processes



Operating model

- profit responsibility
- customer and consumer satisfaction

Partnerships

- renewal
- agility

Competitive farming community

- quality of raw material
- farming supplies
- responsibility as part of contract production



Strategy implementation progressed on many levels



- Turnaround programme progressed and strong profit improvement continued despite the pandemic
- Poultry category has been driving growth in all our home market areas
- In beef, pork and processed meat products, our sales have strengthened particularly in branded retail products
- We have expanded into new plant-based categories through partnerships, e.g. Hes-Pro (Finland) and Boltsi Oy
- The pandemic has not allowed growth in line with our strategy in the food service channel
- The new Food Solutions unit, which started operations at the beginning of 2021, develops and commercialises concept business in all our key home market areas

HKSCAN

Zero Carbon

Our target is carbon-neutral
food production in 2040.

Our values

- Inspire, Lead, Care and Deliver -
guide our work for the climate.

**Both nature and we deserve food
moments that do good.**



Systematic responsibility leadership

1 It's important for us to meet the needs of consumers

2 We take our responsibility to achieve the important climate targets of societies

3 We are integrating systemic reporting and leadership model into our business



We make local, responsibly produced food to be enjoyed with a good conscience



Climate change requires action from all industries

Climate emissions in Finland, Sweden, Estonia and Denmark



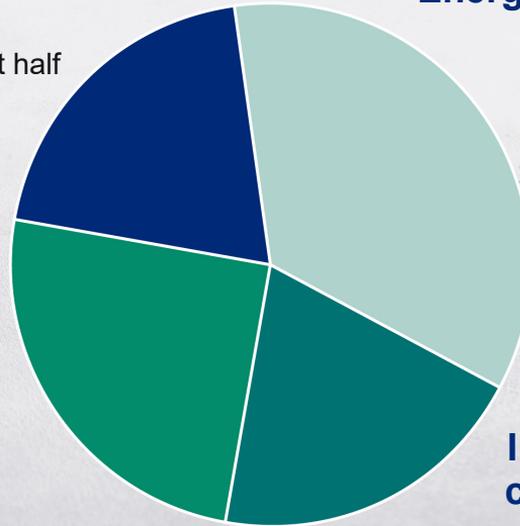
Food production **20%**

Meat production
accounts for about half
of food production

Energy production
and heating **35%**

Traffic **25%**

Food production includes emissions from
food companies and agriculture.



Industry and
construction **20%**

Source: https://ec.europa.eu/eurostat/databrowser/view/ENV_AIR_GGE/default/table

On the journey towards carbon-neutral food production

Climate emissions
in our food chain
2,4 megatonnes CO₂e (2019)

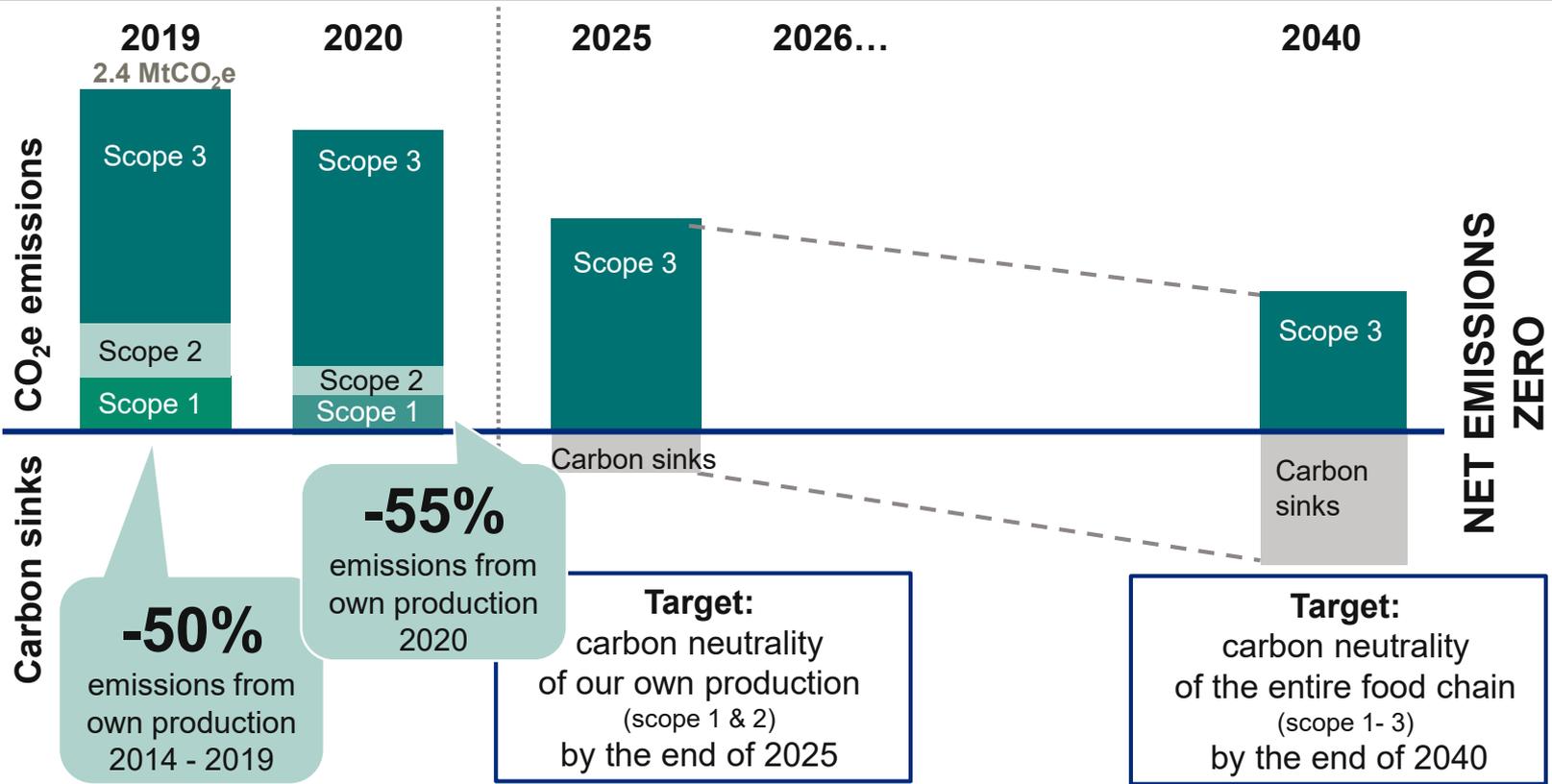
5 % climate emissions
from own production
(scope 1 & 2)

95 % climate emissions
from primary production,
packaging and logistics
(scope 3)

Our target:
2040
carbon-neutral
food production

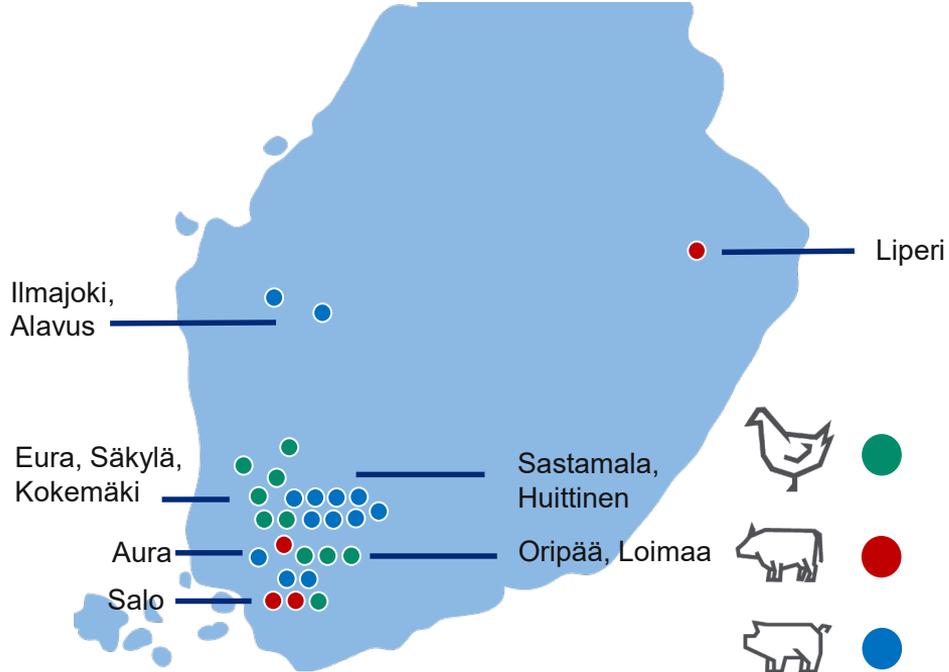
Carbon-neutral
own production
by the end of 2025

Our target is carbon neutrality of HKScan's entire food chain 2040



Agrofood Ecosystem® developing more sustainable meat production

Initial situation of the project: 27 first pilot farms



- Agrofood Ecosystem is nominated for the European Award for Cooperative Innovation in the *Environmental Value Creation* category
- Agrofood Ecosystem has 27 pilot farms in Finland in the first phase
- Close cooperation between HKScan, our contract farmers, expert companies and research organisations
- New sustainable farming practices explored on pilot farms and best practices scaled for wider use

New practices tested on Yli-Jama farm

MATTI AND ANNA-LEENA

The same family has run Yli-Jama farm in Salo since the 17th century.

CATCH CROPS SEQUESTER CARBON

Versatile crop rotation. In summer 2020, carbon sequestration of catch crops was studied by carbon flux measurement on the farm in cooperation with HKScan and a company partner.

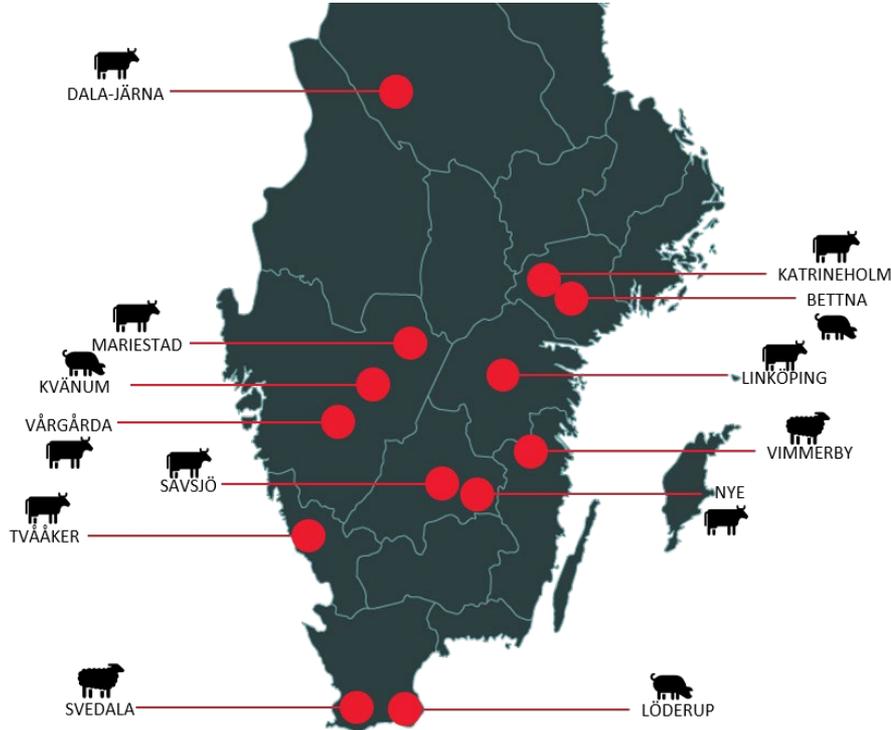
FERTILISER OPTIMISATION

Fertilisation according to the needs defined by sensors and a satellite service.



Gårdsinitiativet promoting the eco-friendliness of farms

Initial situation of the project: 13 first pilot farms



- In 2021, 30 Swedish farms in the cooperation project
 - 13 farms in the first year 2020
 - 17 new farms in 2021
- Gårdsinitiativet responds well to farmers' desire to cooperate for the promotion of positive environmental impacts

Circular economy on Åkerö Säteri farm

JOAKIM AND SOFIA

A young couple raising pigs in Södermanland.



RESOURCE-EFFICIENT FARMING

High-quality, effective production is the priority of Åkerö Säteri.

Pigs, fed with the farm's own feed grain and food industry's loss products, are healthy and grow well.



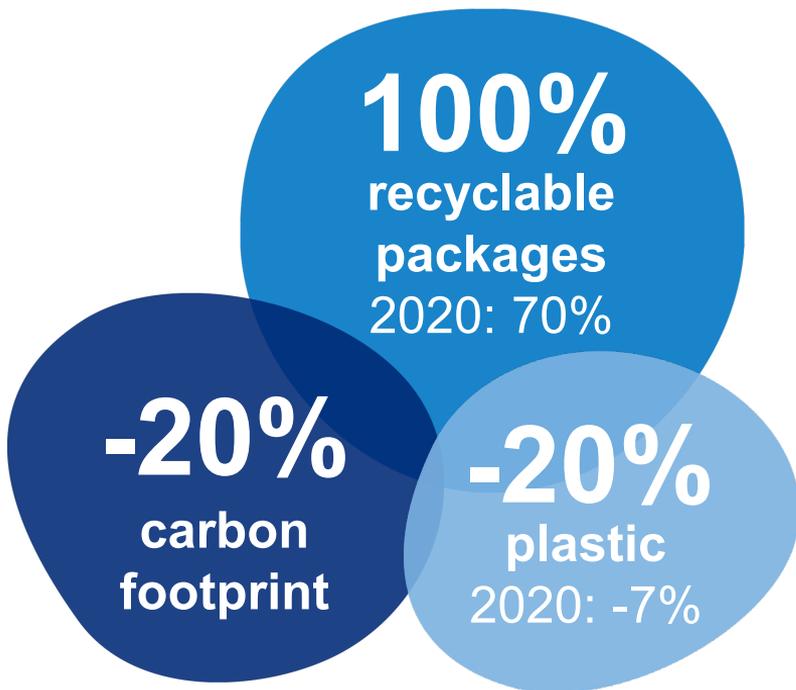
RENEWABLE ENERGY

The farm has over 800 hectares of forest and wood is used for heating and grain drying.



7% less packaging plastic in 2020

Our packaging targets by the end of 2025:





HKSCAN
*We make
life tastier*
- today and tomorrow

