

HKSCAN

Interim Report Q3 2020

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5 November 2020



HKScan – Highlights Q3 2020

- HKScan's Turnaround proceeded and strong profit improvement continued
- The Covid-19 pandemic and African swine fever caused a very challenging market situation, which slowed down HKScan's profit improvement
 - Despite this, the Q3/2020 comparable EBIT was the best quarterly result in five years
- All Business Units improved and achieved a profitable comparable EBIT
- The company's stable financial situation enables the controlled continuation of the Turnaround programme

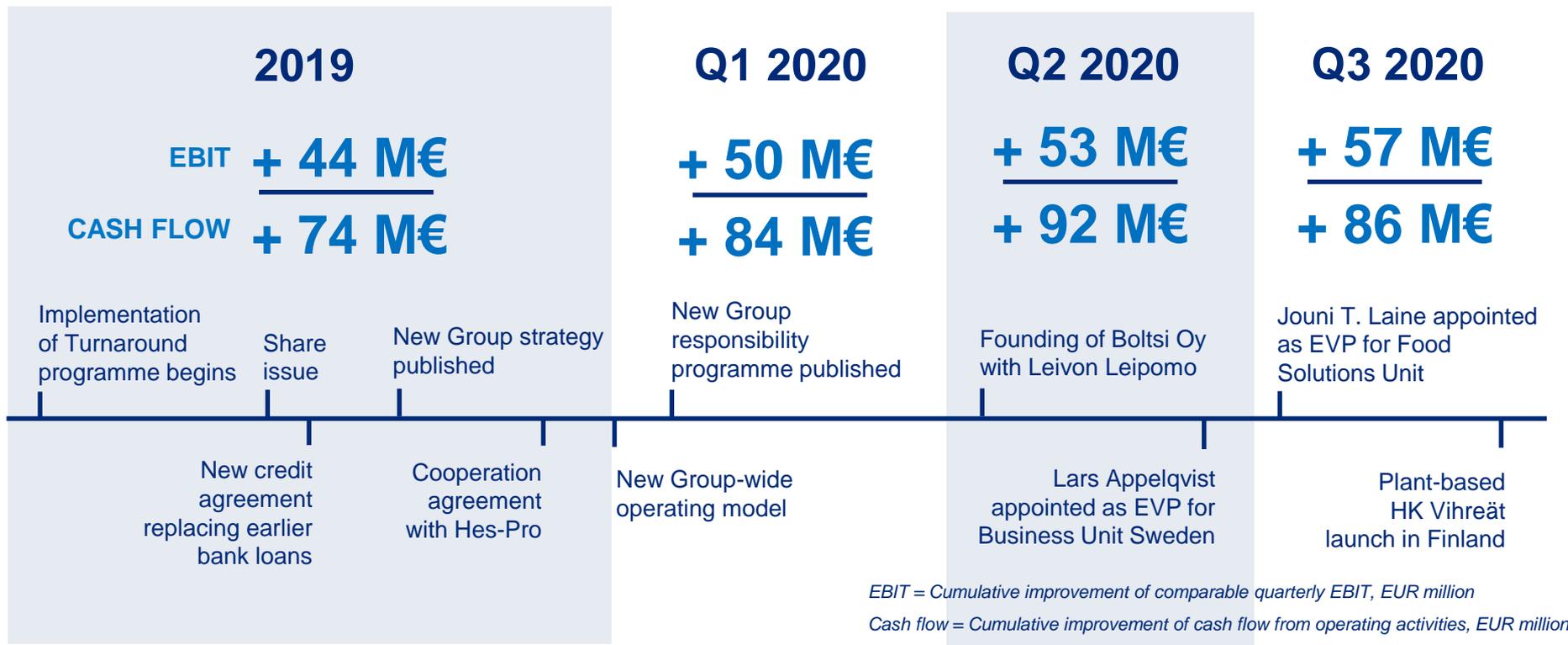


HKScan – Key figures Q3 2020

- Net sales EUR 438.3 (439.4) million
 - Food service sales still down from the comparison period
- Comparable EBIT EUR 8.2 (4.5) million
 - Profit improvement **EUR +3,7 million**
- Cash flow from business operations EUR 2.8 (8.7) million
 - Declined by EUR -5.9 million due to the temporary increase in inventories
- On an annual basis (rolling 12 months), comparable EBIT rose to **EUR +10.6 million**

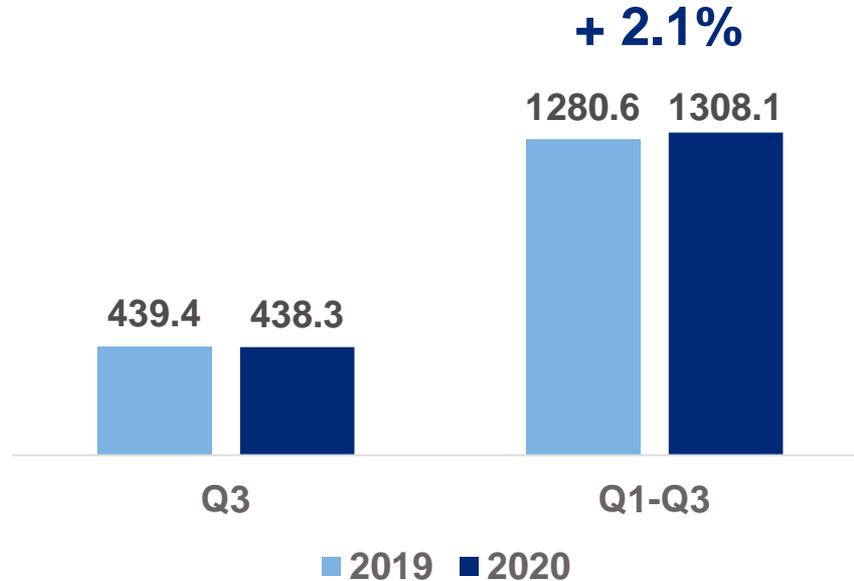


The pandemic has slowed down Turnaround progress



HKScan Q3 2020 – Net sales at the comparison period level

Net sales, EUR million

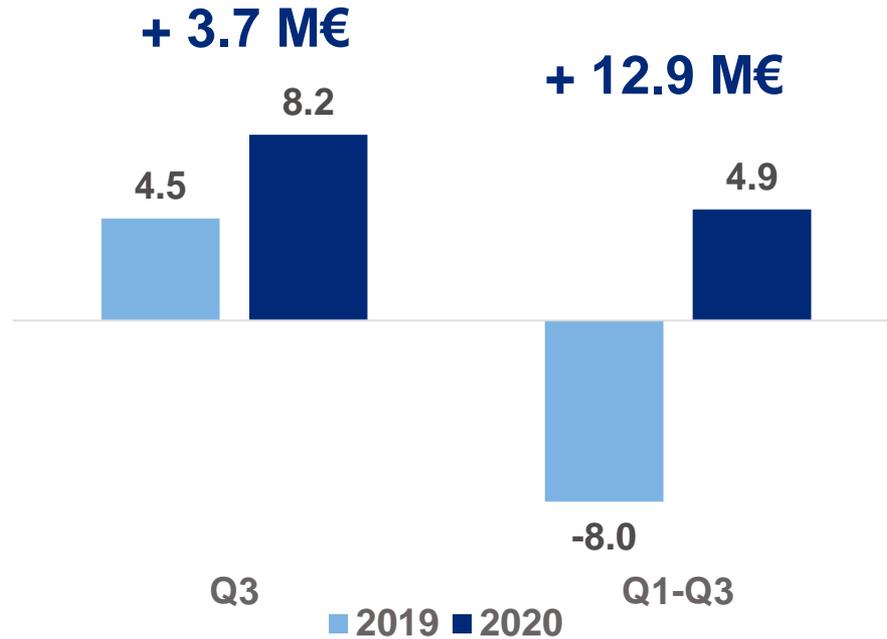


Q3 2020

- Food service sales clearly lower than in the comparison period
- Retail sales were higher than in the comparison period
- Strong development in the sales of poultry and processed meat products
- Volume of exports at the target level and clearly up from the comparison period

HKScan Q3 2020 – The best comparable Q3 EBIT since 2012

Comparable EBIT, EUR million

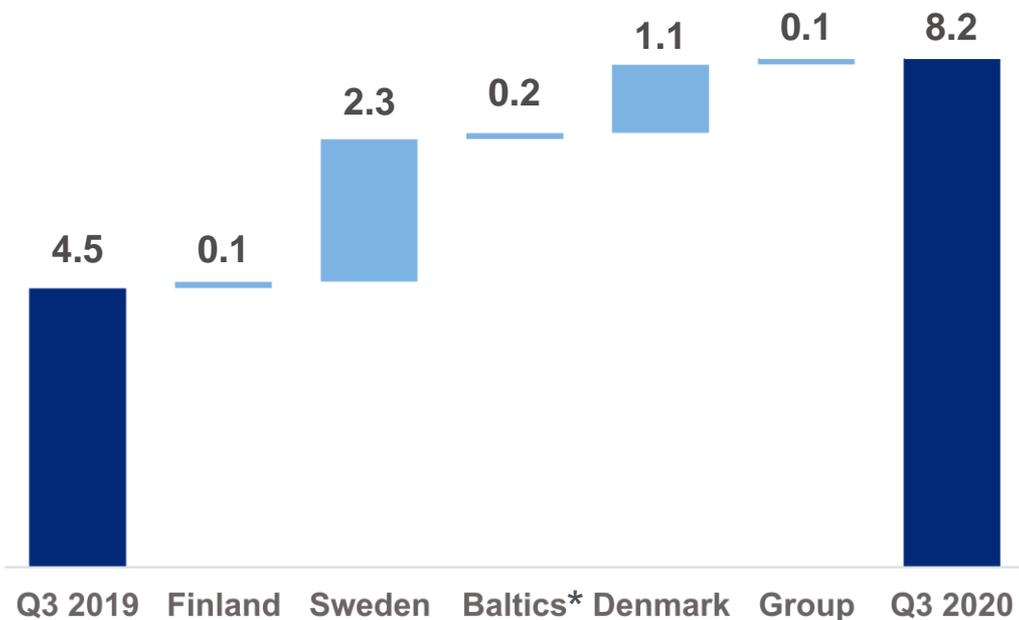


Q3 2020

- All Business Units achieved a profitable comparable EBIT
- EBIT improvement resulted from:
 - sales growth in branded retail products
 - more efficient operational activities
 - lower administrative costs
- Food service sales still clearly lower than in the comparison period
- Efforts to prevent pandemic-related risks reduced the ability to improve efficiency and implement investments as planned

HKScan Q3 2020 – Profit improvement continued

Change of comparable EBIT Q3 2019 – Q3 2020,
EUR million



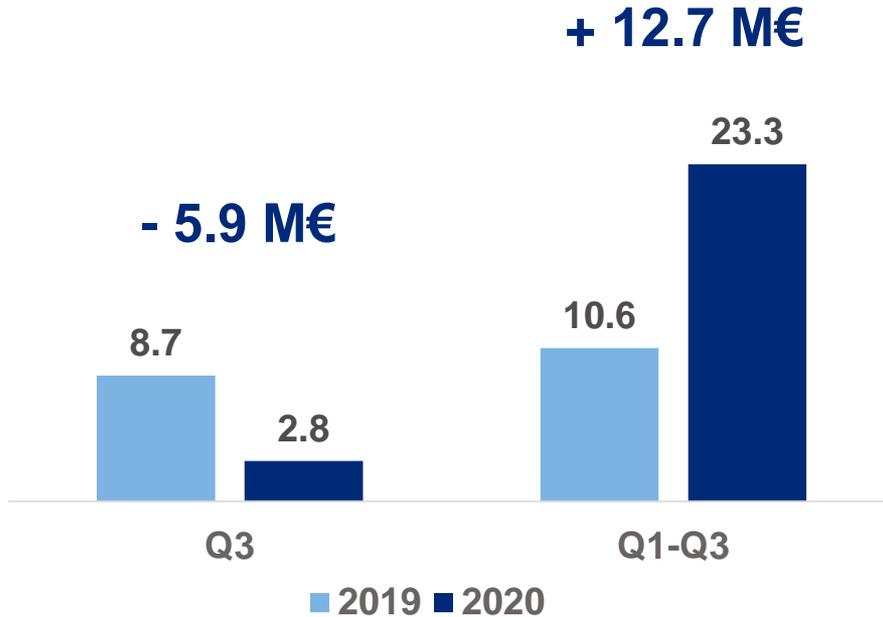
*Change of comparable EBIT excluding biological asset revaluation +0.9 M€

Q3 2020

- Sweden and Denmark were the strongest profit improvers
- In Finland, moderate profit improvement
 - Due to the pandemic, food service sales were down from the comparison period; the strongest impact was seen in Finland
 - Good progress in the Rauma poultry unit, but below the target level
- African swine fever detected in Germany sharply reduced the pork market prices in Europe
 - Caused an indirect effect on the profit in the Baltics due to the impairment of a biological asset
- In the Baltics, operational business developed well

HKScan Q3 2020 – Temporary increase in inventories weakened cash flow from operating activities

Cash flow from operating activities, EUR million





HKSCAN

Outlook 2020 unchanged

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

HKScan – key figures

| (EUR million) | 7-9 2020 | 7-9 2019 | 1-9 2020 | 1-9 2019 |
|-----------------------|----------|----------|----------|----------|
| Net sales | 438.3 | 439.4 | 1 308.1 | 1 280.6 |
| EBIT | 7.7 | 4.5 | 3.8 | -16.7 |
| - EBIT margin, % | 1.7 | 1.0 | 0.3 | -1.3 |
| Comparable EBIT | 8.2 | 4.5 | 4.9 | -8.0 |
| - EBIT margin, % | 1.9 | 1.0 | 0.4 | -0.6 |
| Profit for the period | 3.7 | 0.4 | -6.4 | -26.9 |
| EPS, EUR | 0.03 | -0.01 | -0.10 | -0.41 |
| Comparable EPS, EUR | 0.03 | -0.01 | -0.09 | -0.29 |

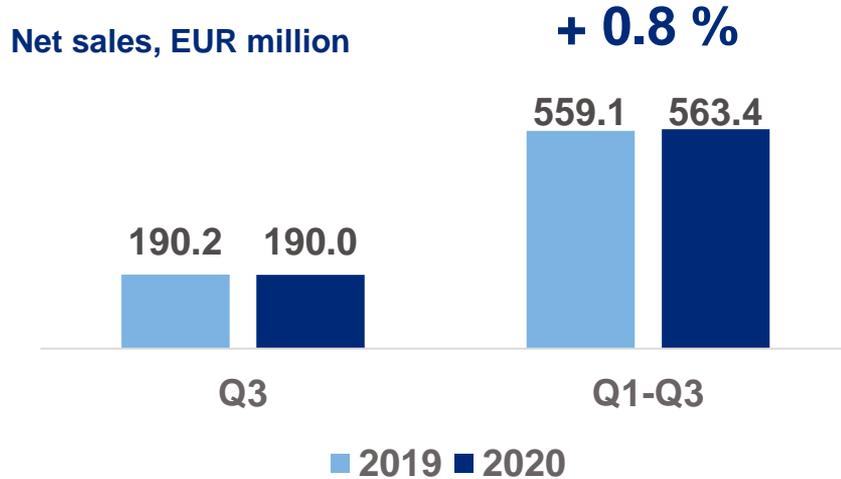
HKScan – key figures

| (EUR million) | 7-9 2020 | 7-9 2019 | 1-9 2020 | 1-9 2019 |
|---|----------|----------|----------|----------|
| Cash flow from operating activities | 2,8 | 8,7 | 23,3 | 10,6 |
| Cash flow after investing activities | -5,2 | 3,2 | -47,9* | -13,8 |
| Return on capital employed (ROCE) before taxes, % | | | 0,1 | -2,6 |
| Interest-bearing net debt | | | 323,1 | 308,8 |
| Net gearing, % | | | 103,2** | 90,1 |

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

**Investment to the plot of Vantaa increased the net gearing ratio approximately 10 percentage points.

Finland Q3 2020 – Growth slowed down due to the pandemic



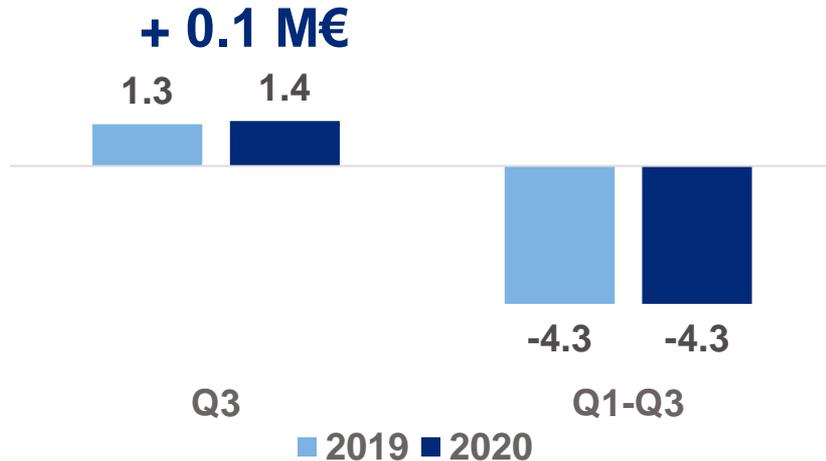
Q3 2020

- Branded product sales increased in retail, food service sales clearly down from the comparison period
- Home cooking increased demand for poultry products and meal components in particular



Finland Q3 2020 – The impact of food service sales strongest in Finland

Comparable EBIT, EUR million



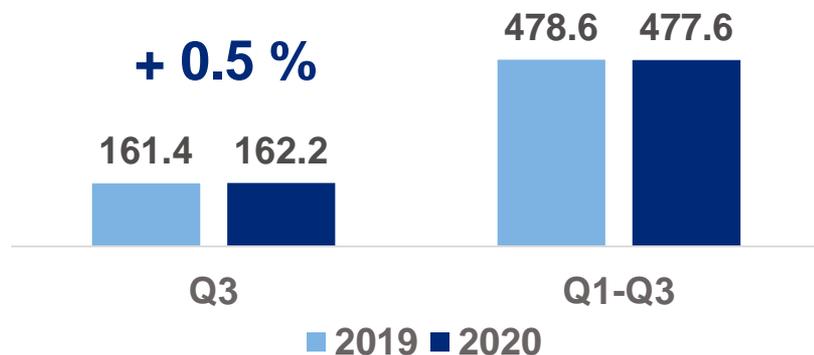
Q3 2020

- Growth in retail sales did not compensate for food service sales, which were clearly weaker than in the comparison period
- In the Rauma poultry unit, positive development continued, but targets were not reached



Sweden Q3 2020 – Branded sales of Swedish meat increased

Net sales, EUR million



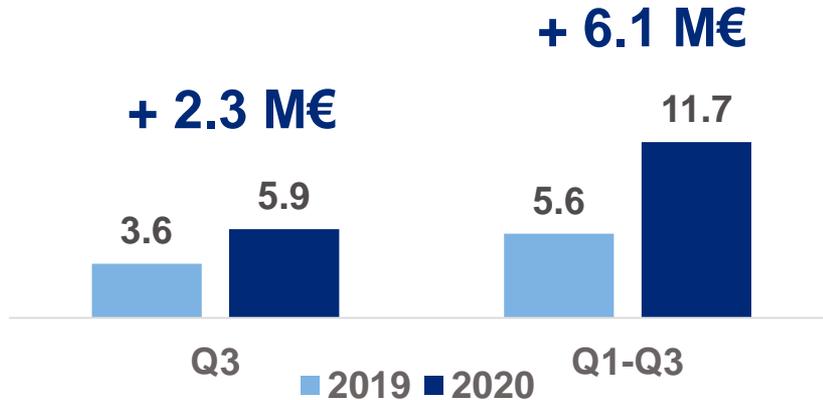
Q3 2020

- Sales in retail developed well, particularly red meat sales under the Scan brand
- The pandemic had minor impact as retail sales account for a significant share of the total



Sweden Q3 2020 – Clear profit improvement

Comparable EBIT, EUR million



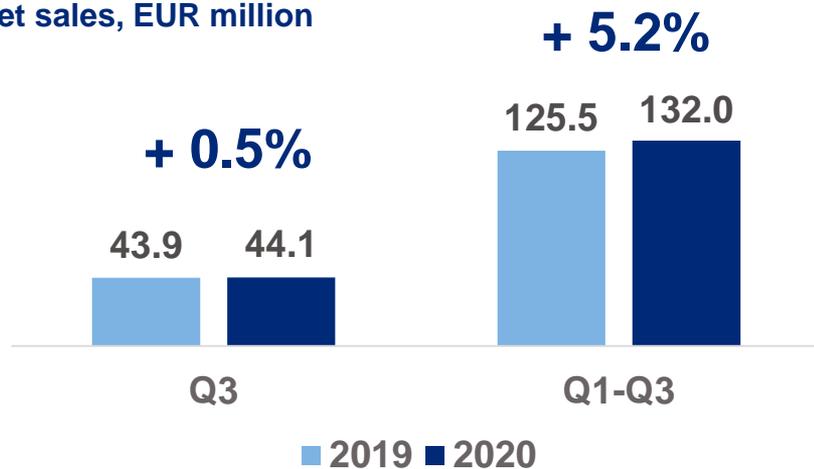
Q3 2020

- Strengthened performance through commercial improvements and lower administrative costs
- Consumer demand for locally produced red meat remained good



Baltics Q3 2020 – Retail sales and exports of meat products increased

Net sales, EUR million



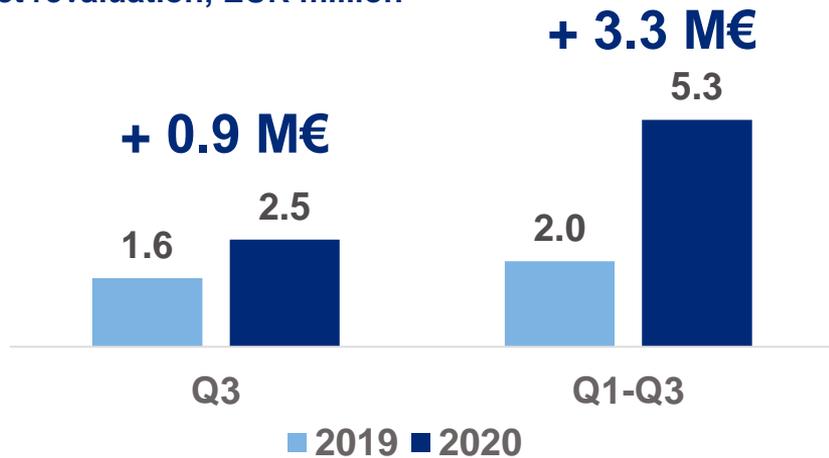
Q3 2020

- Commercial improvements increased retail sales
- Exports of added value products increased
- Food service sales still lower than in the comparison period



Baltics Q3 2020 – Strengthened EBIT through commercial improvements

Comparable EBIT excluding change of biological asset revaluation, EUR million



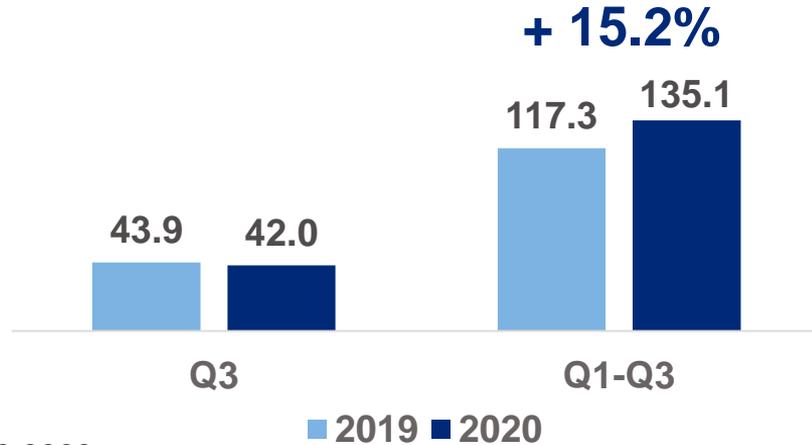
Q3 2020

- Good sales growth in poultry and pork products
- Food service sales down from the comparison period
- The change in the fair value of biological assets in the balance sheet was EUR -0.7 (0.0) million



Denmark Q3 2020 – Net sales down due to the market changes

Net sales, EUR million



Q3 2020

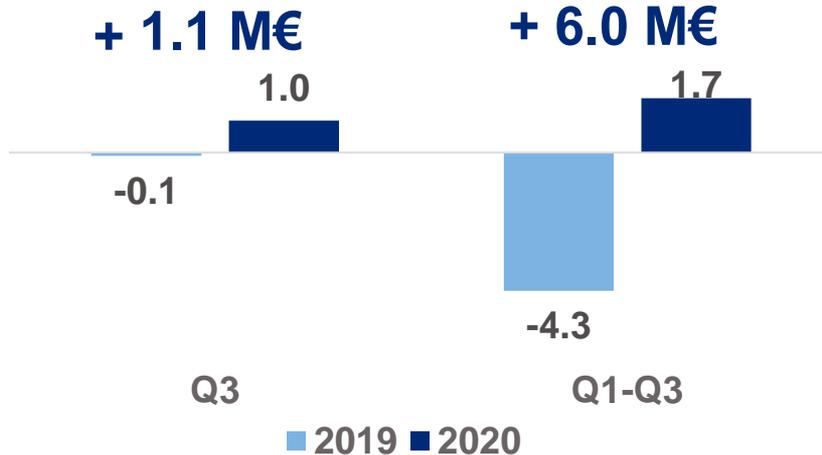
- Market changes caused by the pandemic reduced the net sales of exports
- Campaign-driven retail sales decreased the sales of fresh poultry products, but this was compensated through increased sales to Sweden
- Food service sales still lower than in the comparison period



Denmark Q3 2020

– EBIT improved clearly

Comparable EBIT, EUR million

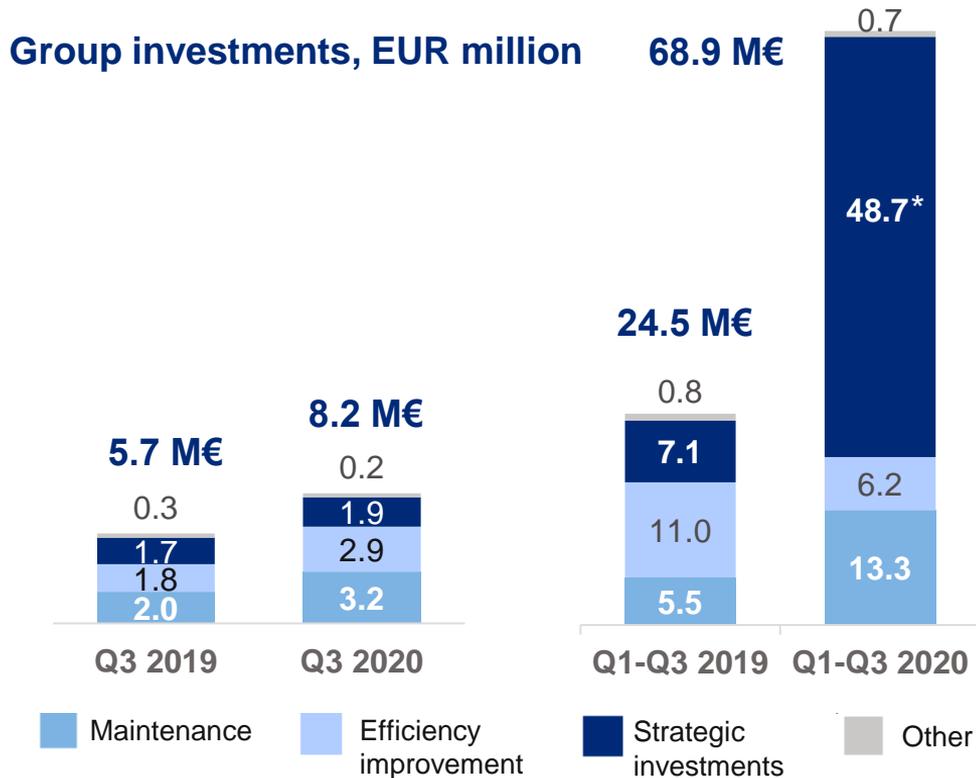


Q3 2020

- EBIT clearly strengthened thanks to commercial improvements and despite the export challenges caused by the pandemic
- Good cost control also improved profitability



Investments in maintaining and improving productivity

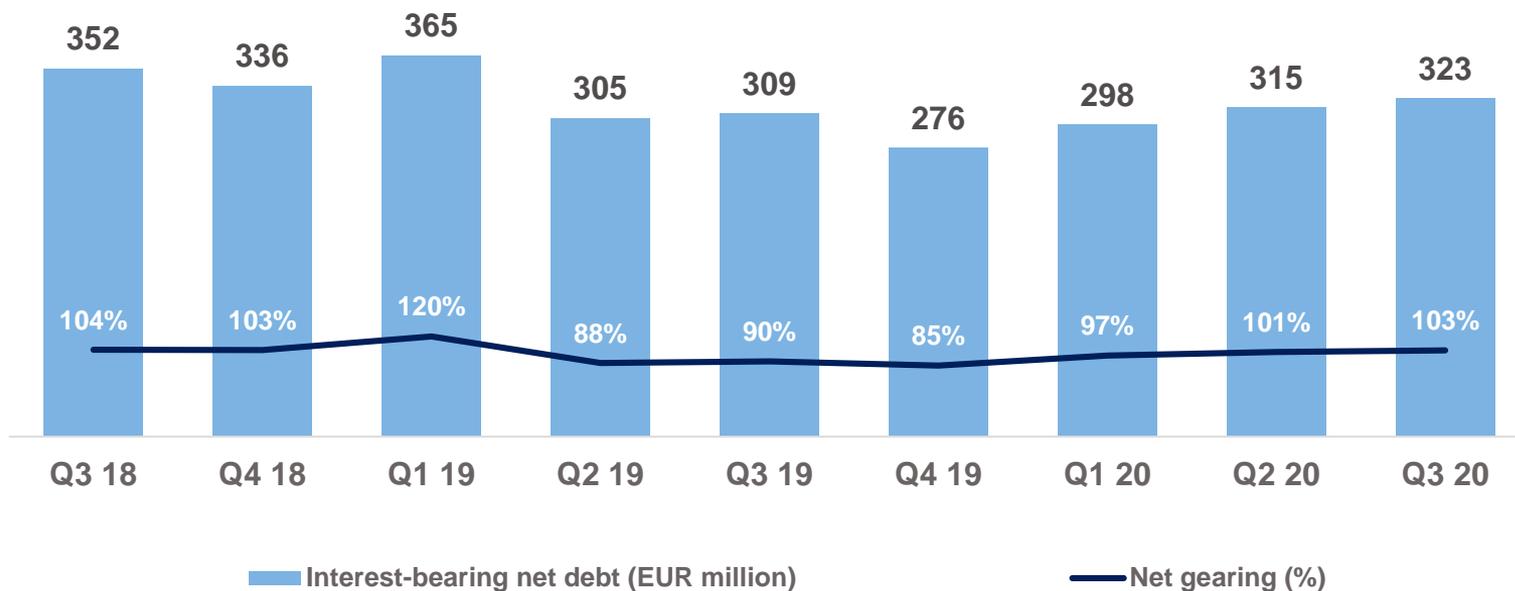


Q3 2020

- Investments mainly in maintaining existing capacity and improving efficiency
- In Sweden, the renovation of production lines at the Kristianstad unit proceeded as planned
- In Finland, a new minced meat packing line was taken into use; a significant reduction in the use of plastic
- In Rauma, preparations for the investment in the poultry unit's slaughter process proceeded as planned; implementation mainly in the early part of 2021

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

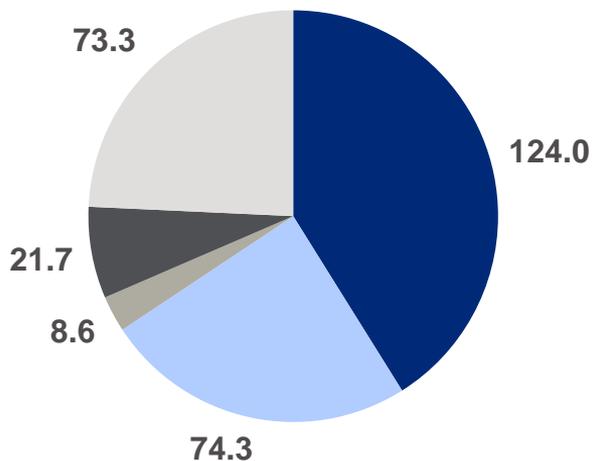
Interest-bearing net debt and net gearing



*Investment to the plot of Vantaa increased the net gearing ratio approximately 10 percentage points

Debt profile and maturity structure as of 30 September 2020

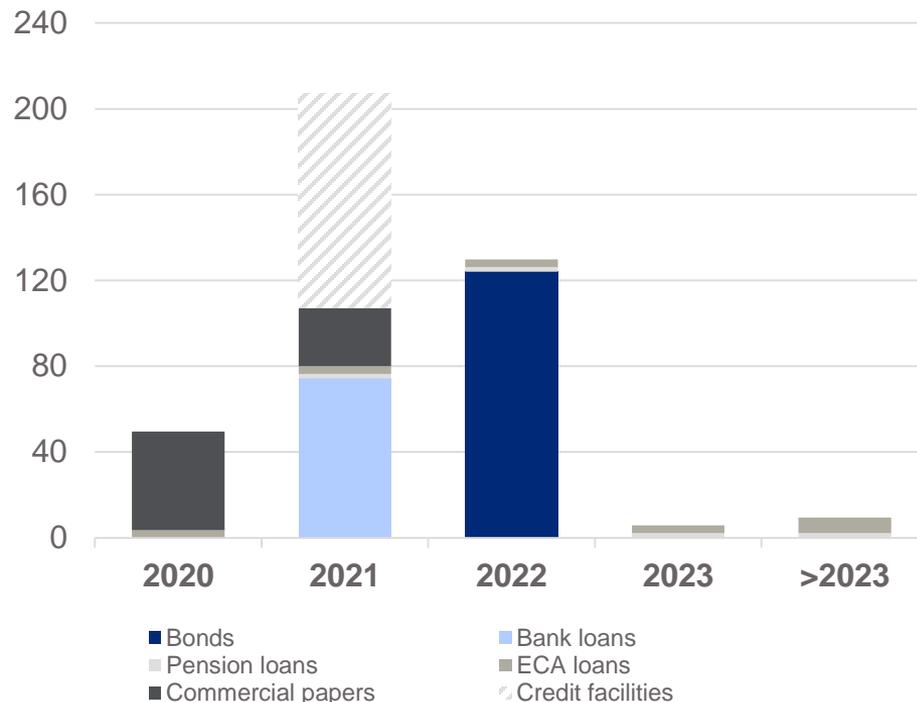
Interest-bearing debt by credit type,
EUR million*



**Total interest-bearing debt without IFRS 16:
304.0 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





HKSCAN

Strategy

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 progressing



- Our Turnaround programme is progressing and profit improvement has continued
- Poultry category has been driving growth in all our home market areas
- In beef, pork and meat products, our sales have strengthened particularly in branded retail products
- We have expanded into new plant-based categories through partnerships
- The pandemic has not allowed growth in line with our strategy in the food service channel
- We are establishing a new Food Solutions unit to develop new commercial concepts and digital solutions
- As part of our advanced responsibility work, we are preparing an action plan towards carbon neutrality

Partnerships promote HKScan's renewal

- Through partnerships,
 - our growth is faster and more agile
 - we promote commercial renewal in evolving channels and consumer encounters
 - we expand into new categories and raw materials
- New partnerships with Hes-Pro and Leivon Leipomo

HKScan provides many smaller companies with an interesting commercial platform



Food Solutions unit: growth through service concepts

- Develops and commercialises service concepts and digital solutions
- Adds value to HKScan's current strongly product and category driven business
- The new unit will start at the beginning of 2021
- Jouni T. Laine appointed the unit's EVP and a Group Executive Team member



We represent food democracy without confrontation



**Delicious and
versatile
food**

**Trusted
raw materials**

**Responsible
operations**



HKSCAN

*We make
life tastier*

- today and tomorrow

