

HKSCAN

Half Year Financial Report 2020

Tero Hemmilä, CEO
Jyrki Paappa, CFO
16 July 2020



HKScan – Highlights Q2 2020

- Strategy implementation continued successfully
- Turnaround programme proceeded with the company's comprehensive change
- Covid-19 pandemic slowed progress, causing both direct and indirect effects on the profit improvement
- The pandemic caused changes in consumer behaviour
- Through its successful actions, the company has been able to maintain its performance at a good level in the exceptional situation

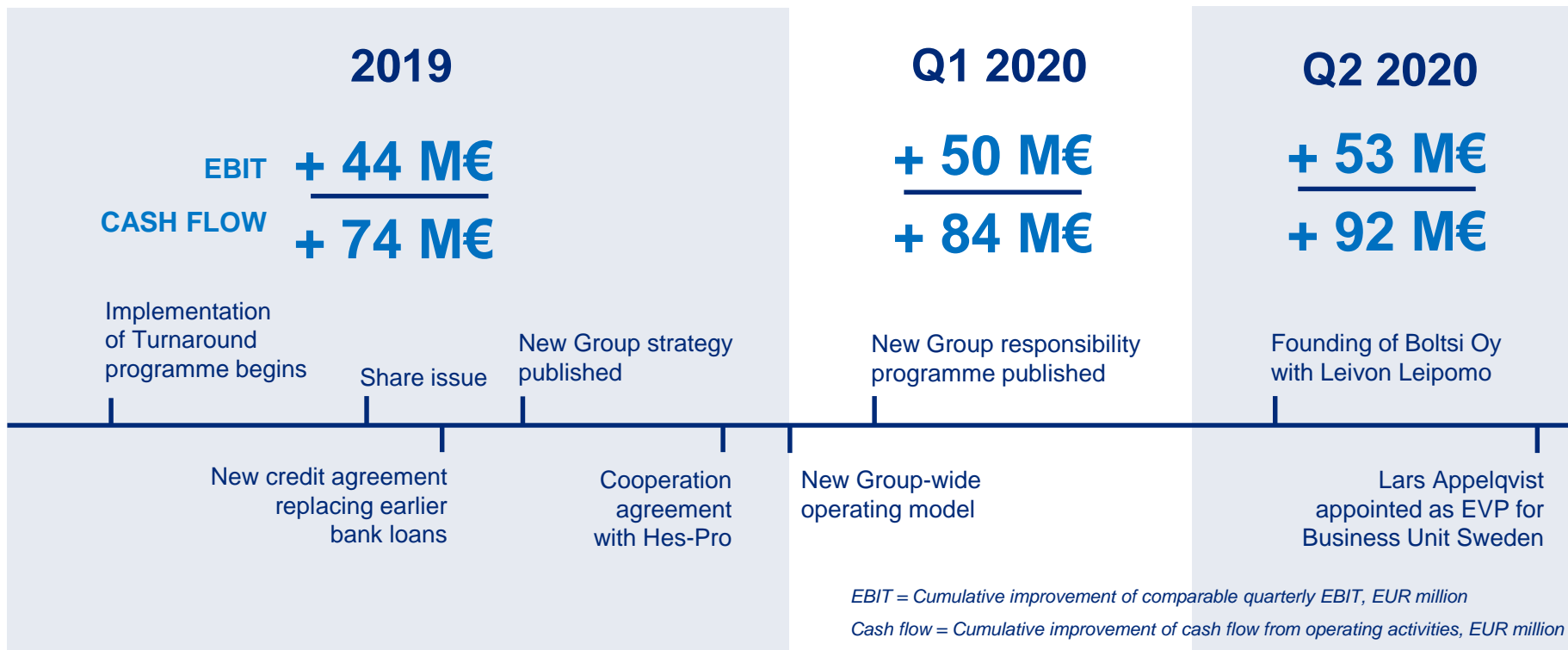


HKScan – Key figures Q2 2020

- Net sales EUR 440.9 (439.4) million
 - Comparable net sales grew
- Comparable EBIT EUR 0.6 (-2.5) million
 - Improvement of **EUR +3.1 million**
- Cash flow from operating activities EUR 27.8 (19.4) million
 - Improvement of **EUR +8.4 million**
- On annual level (rolling 12 months) comparable EBIT rose to **EUR +6.9 million**

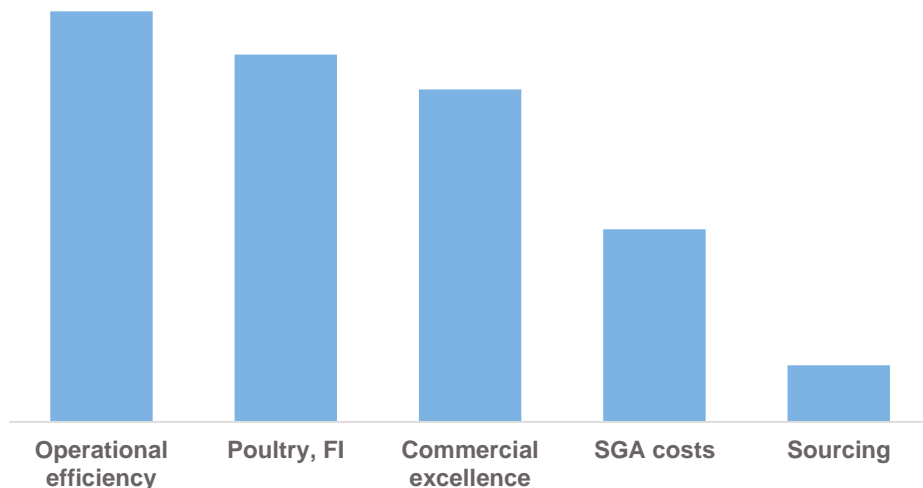


HKScan's Turnaround programme proceeding



Wide-ranging results in the Turnaround programme

The impact of areas of the Turnaround programme on profitability in 2019 - 2020

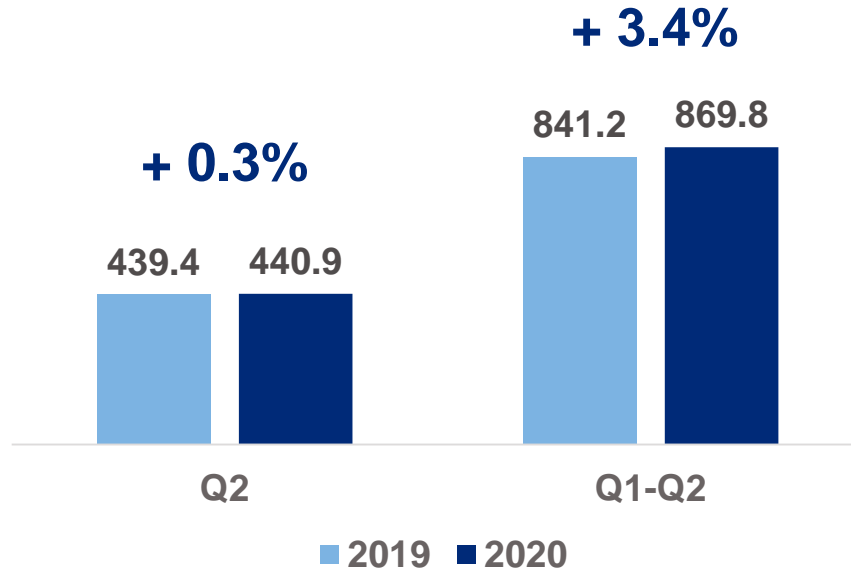


SGA costs = Sales, marketing and administrative expenses



HKScan Q2 2020 – The decline of food service sales caused by the pandemic weakened the growth of net sales

Net sales, EUR million

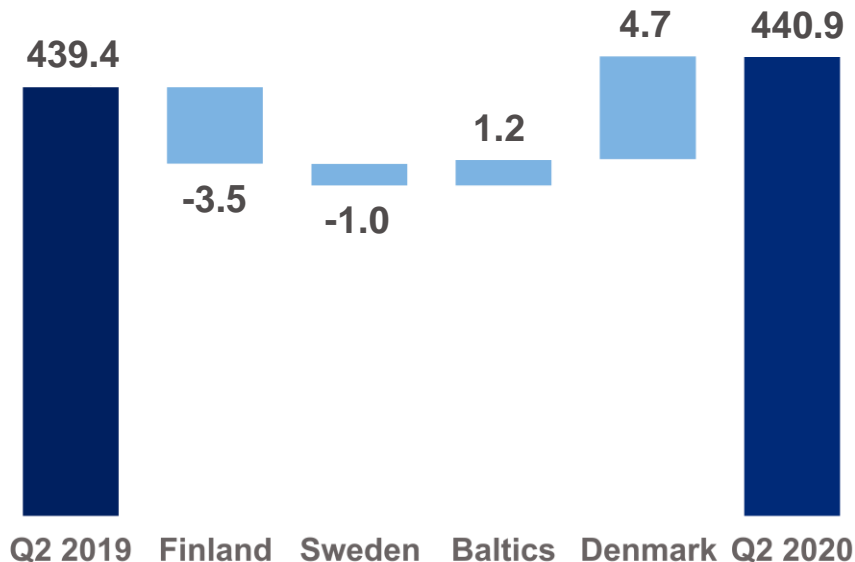


Q2 2020

- Commercial improvements and the strong growth in retail sales caused by the pandemic in all markets
- Food service sales were significantly lower than in the comparison period due to the pandemic
 - The impact was strongest in Finland
 - Products with less added value sold more
 - Sales to restaurants started to recover in June
- Exports to China grew from the comparison period, but the pandemic slowed down the planned growth
 - Exports were directed also to other markets

HKScan Q2 2020 – In comparable figures, net sales increased in Sweden, Baltics and Denmark

Change of net sales Q2 2019 – Q2 2020, EUR million

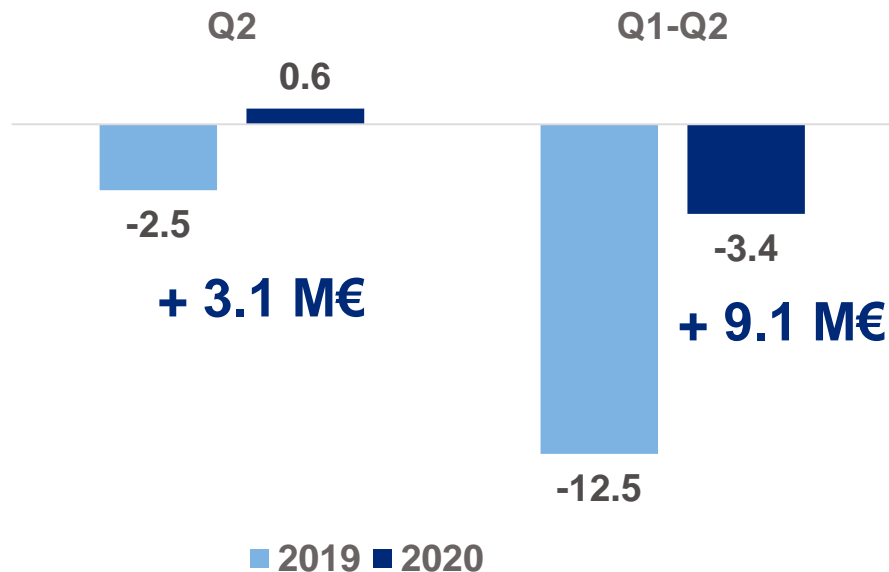


Q2 2020

- Strong growth in Denmark due to increased home market sales and strengthened sales of added value products
- The Baltics showed strong sales development with growing retail and branded product sales
- In Finland, net sales decline was impacted by significantly weakened food service sales
- In Sweden, net sales increased in comparable figures
 - Growth of branded sales
 - Exchange rate and transfer of sales responsibility within the Group affect comparability

HKScan Q2 2020 – comparable EBIT improved clearly

Comparable EBIT, EUR million

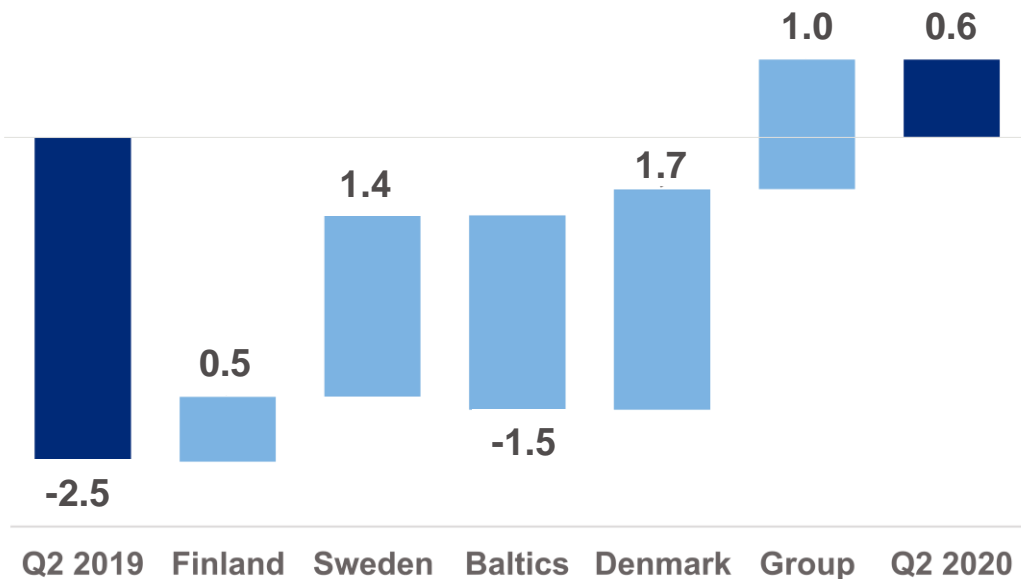


Q2 2020

- According to our estimate, the negative immediate impact of the pandemic to comparable EBIT was some two million euros
- In addition, the indirect impacts of the pandemic decreased the EBIT because of changes in market prices
- The growth in retail sales did not fully compensate the weak food service sales caused by the pandemic
- With the pandemic, consumer demand was as a whole more focused on products with less added value
- Preparing for the pandemic throughout the supply chain caused additional costs

HKScan Q2 2020 – Denmark's improvement strongest

Change of comparable EBIT Q2 2019 – Q2 2020,
EUR million



Q2 2020

- Denmark, Sweden and Finland improved their comparable EBIT despite the pandemic
 - Strong development in Denmark and Sweden
 - Finland's EBIT strengthened but was negative, impact of the food service sales was significant
- In the Baltics, comparable EBIT weakened
 - Indirect effects of the pandemic weakened the EBIT
 - Otherwise, good development in the Baltics

Our brands succeeded in all markets



Good growth in Kariniemen barbecue products



The responsible Hållbarhetsgrisen pork was successfully launched in Sweden



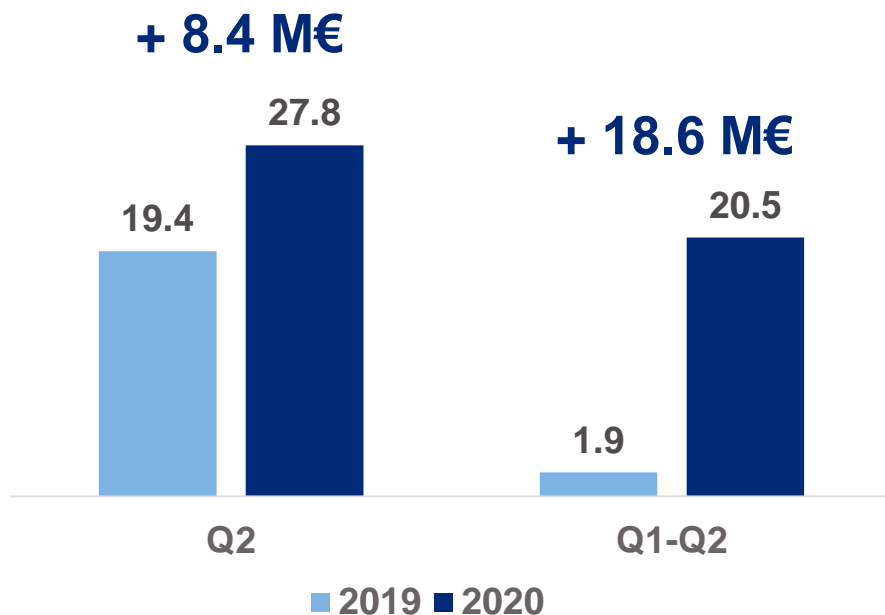
Tallegg herb butter chicken was chosen as the Best Meat Product of the Year in Estonia



The sales of the climate-friendly Rose minced chicken meat grew in Denmark

Cash flow from operating activities continued on positive track

Cash flow from operating activities, EUR million





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Outlook 2020

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

HKScan – key figures

(EUR million)	4-6 2020	4-6 2019	1-6 2020	1-6 2019
Net sales	440.9	439.4	869.8	841.2
EBIT	0.1	-6.6	-3.8	-21.2
- EBIT margin, %	0.0	-1.5	-0.4	-2.5
Comparable EBIT	0.6	-2.5	-3.4	-12.5
- EBIT margin, %	0.1	-0.6	-0.4	-1.5
Profit for the period	-3.2	-10.4	-10.1	-27.3
EPS, EUR	-0.05	-0.17	-0.12	-0.47
Comparable EPS, EUR	-0.04	-0.11	-0.12	-0.32

HKScan – key figures

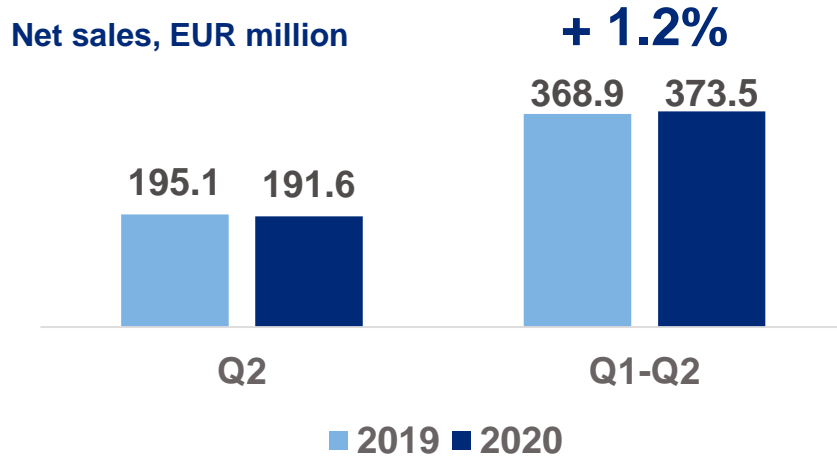
(EUR million)	4-6 2020	4-6 2019	1-6 2020	1-6 2019
Cash flow from operating activities	27.8	19.4	20.5	1.9
Cash flow after investing activities	-24.1*	10.9	-42.7*	-17.0
Return on capital employed (ROCE) before taxes, %	-	-	-0.3	-4.7
Interest-bearing net debt	-	-	315.0	304.7
Net gearing, %	-	-	101.2**	88.0

*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 Q2 2020 – lower food service sales slowed down growth



Q2 2020

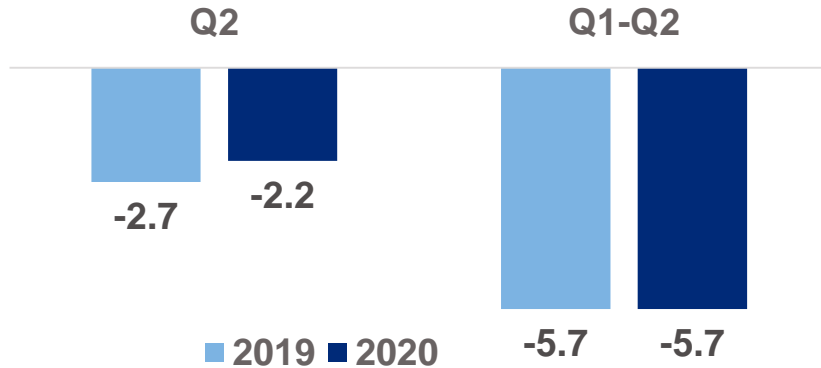
- Retail sales grew strongly, clear decline in food service sales because of the pandemic
- Cooking at home increased the sales of products with less added value
- Strong growth in the demand of poultry products continued
- Good development of subsidiaries, Tamminen and Kivikylän, continued



Finland Q2 2020 – the pandemic impacted Finnish business the most

Comparable EBIT, EUR million

+ 0.5 M€



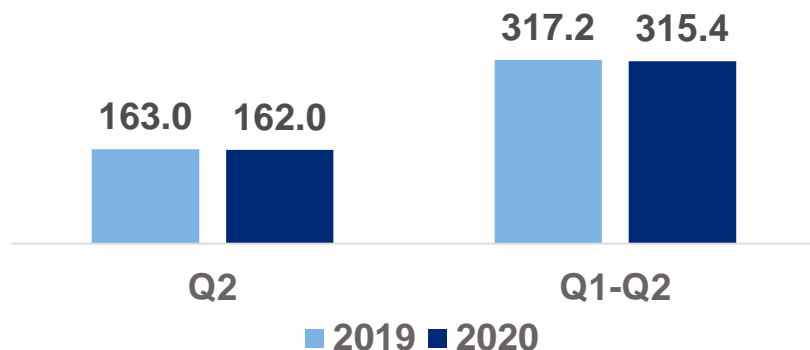
Q2 2020

- The negative immediate impact of the pandemic on comparable EBIT was clear
- Decrease in food service sales weakened profitability
- Performance of poultry business improved, but remained below the targeted level



Sweden Q2 2020 – Scan brand sales of red meat increased

Net sales, EUR million



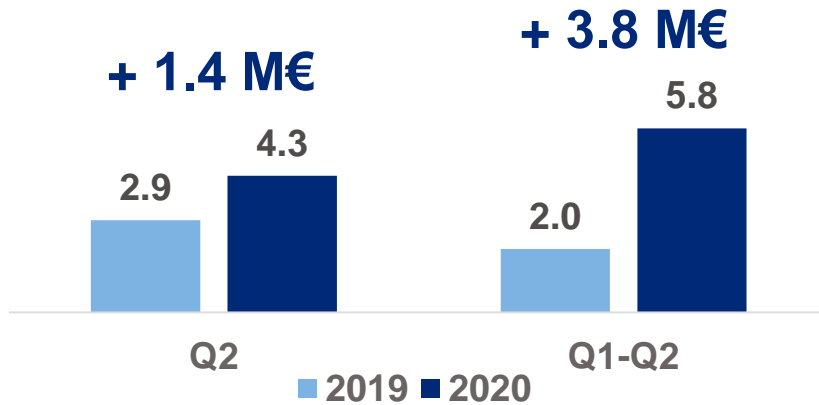
Q2 2020

- Commercial improvements strongly increased retail sales, compensating the lower food service sales
- In comparable figures, net sales increased by 1.3%
- Exchange rate and transfer of sales responsibility of Danish poultry meat sold in Sweden to Denmark decreased net sales



Sweden Q2 2020 – profitability improved clearly

Comparable EBIT, EUR million



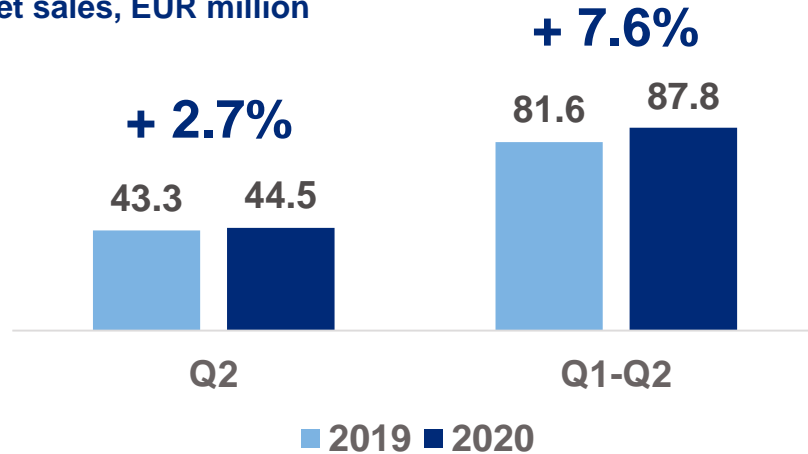
Q2 2020

- EBIT improved due to commercial successes and lower administrative costs
- Shortage of locally produced pork meat increased prices as demand grew
- Exchange rate changes had no impact on EBIT



Baltics Q2 2020 – commercial improvements increased net sales

Net sales, EUR million



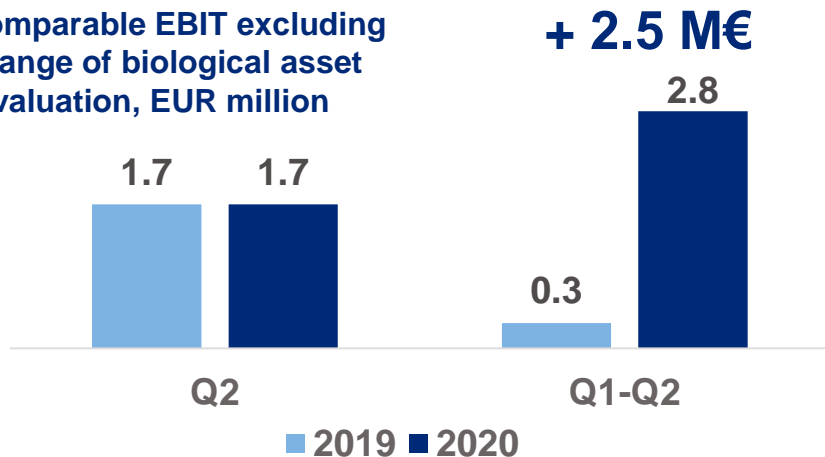
Q2 2020

- Strong growth in retail sales, the success of novelties and especially branded products increased net sales
- Food service sales decreased clearly
- Export of processed products to Europe and especially to Germany has been developed



Baltics Q2 2020 – commercial improvements decreased the impact of pandemic

Comparable EBIT excluding change of biological asset revaluation, EUR million



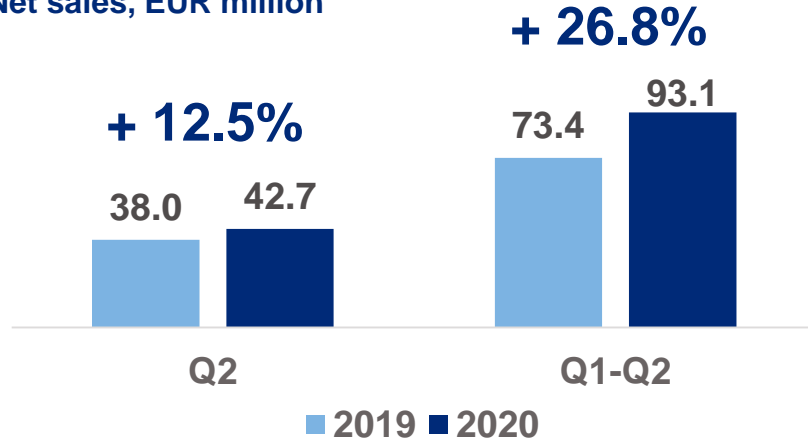
Q2 2020

- EBIT was improved by commercial successes, operational efficiency and good cost control
- The clear decline in food service sales weakened EBIT
- The change in the fair value of biological assets in the balance sheet was EUR -0.8 (0.8) million



Denmark Q2 2020 – strong growth

Net sales, EUR million



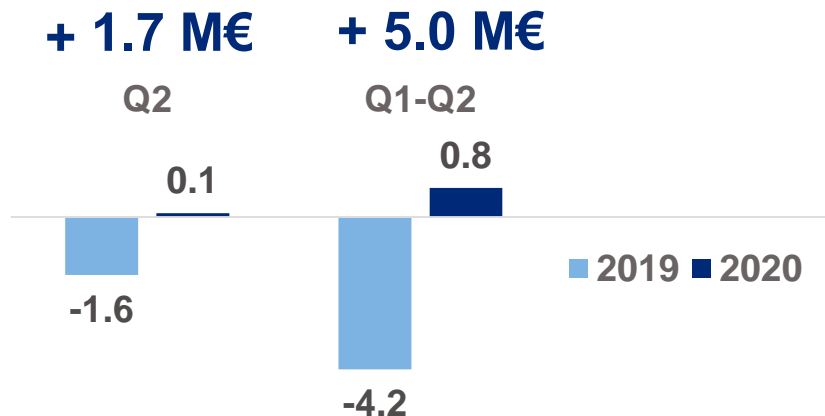
Q2 2020

- The retail sales of fresh poultry products grew by over 30%
- Food service sales decreased clearly
- Net sales grew also due to transfer of sales responsibility of Danish poultry sold in Sweden



Denmark Q2 2020 – EBIT improved clearly

Comparable EBIT, EUR million



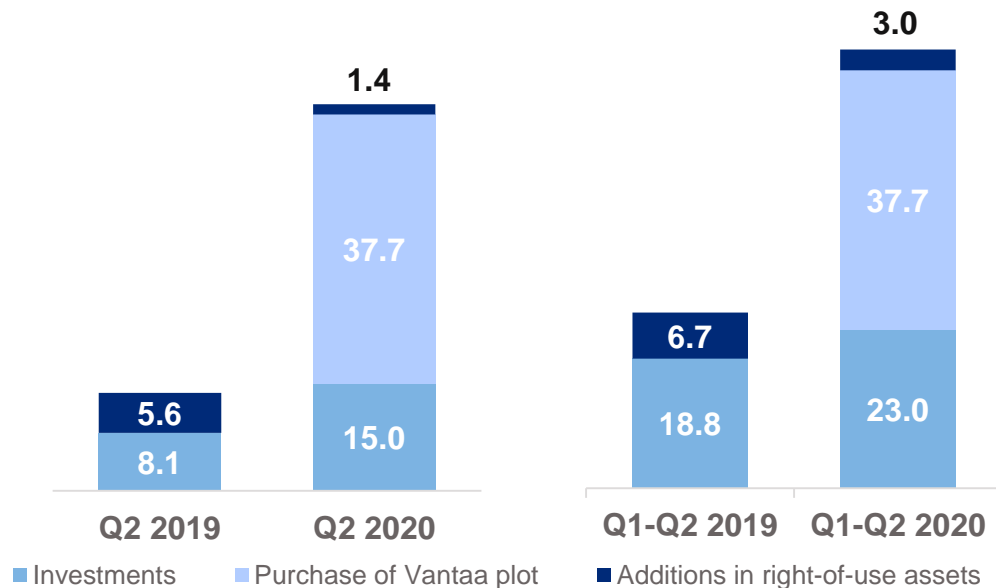
Q2 2020

- EBIT improved by commercial successes in Denmark and Sweden, but the pandemic slowed down the profit development
- Profitability was also positively impacted by the increased added value of products and good cost control



Investments support the Turnaround programme and growth

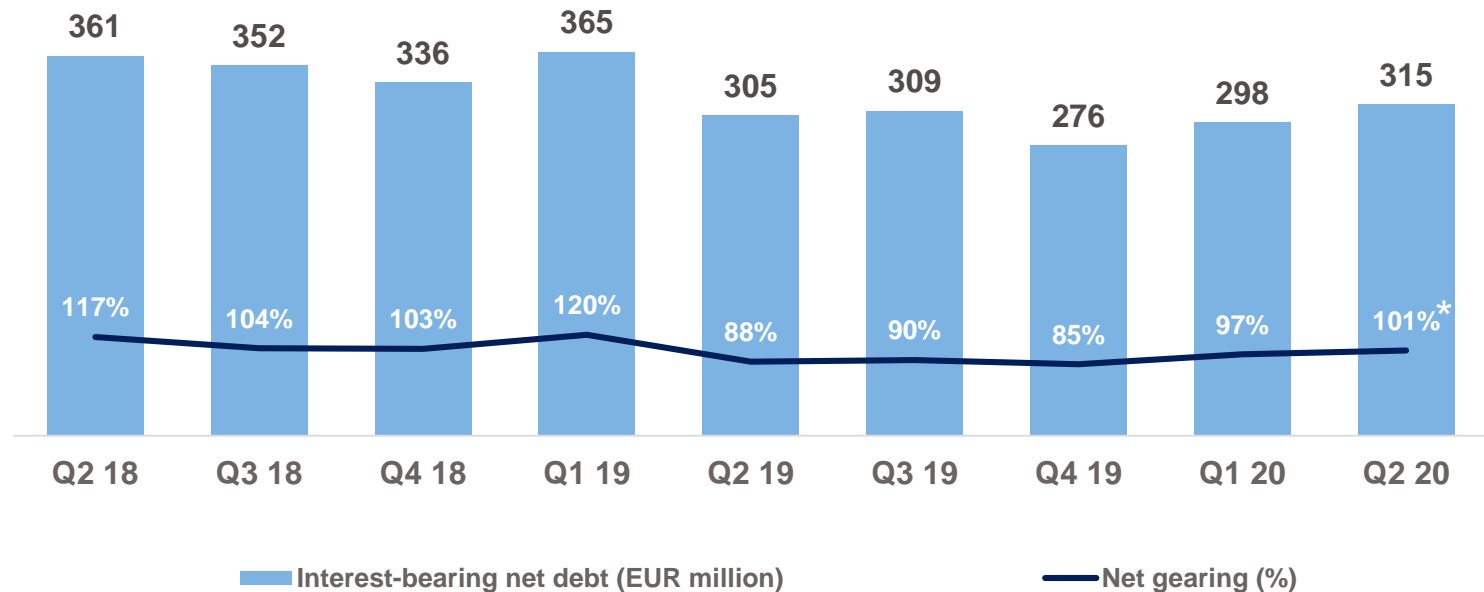
Group investments, EUR million



Q2 2020

- As part of the Turnaround programme, investment level is higher than in the previous year to maintain existing capacity and to improve productivity in all market areas
- The largest single investment in the reporting period was the purchase of the plot of the Vantaa plant and logistics centre, the purchase price was 37.7 M€, incl. taxes
- The investment to the slaughter process of the Rauma poultry unit will be postponed, as the pandemic has impacted the schedule of equipment deliveries
- The implementation of the investment will be started in late 2020 as planned, largely continuing in early 2021

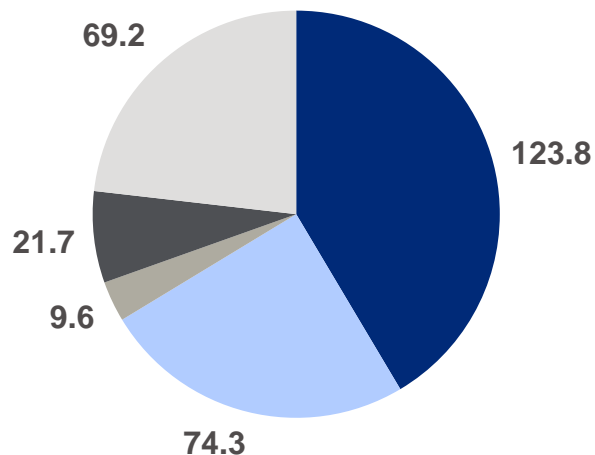
Interest-bearing net debt and net gearing



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

Debt profile and maturity structure as of 6 June 2020

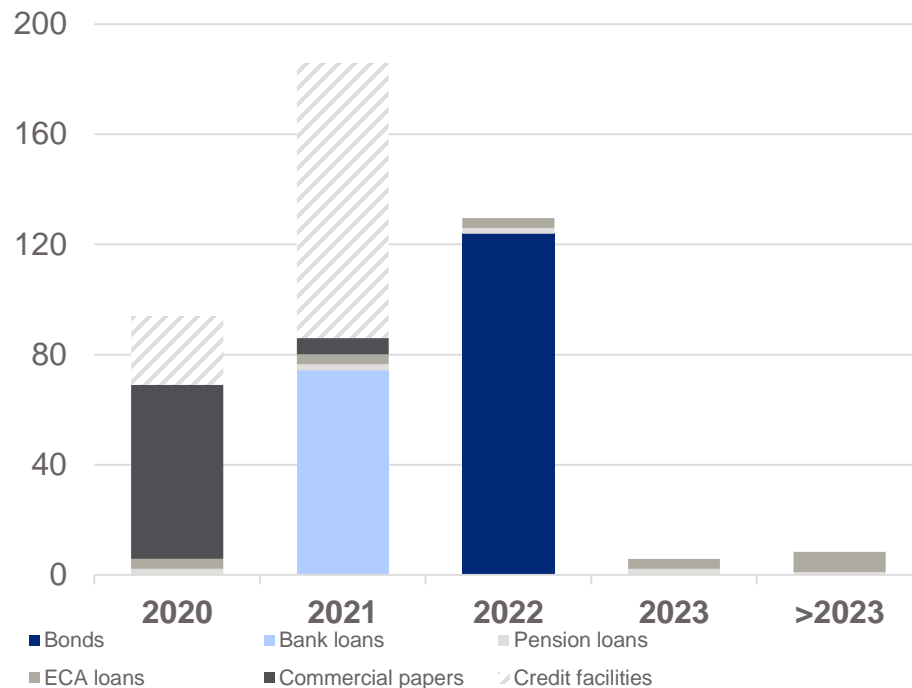
Interest-bearing debt by credit type,
EUR million*



**Total interest-bearing debt without IFRS 16:
300.5 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

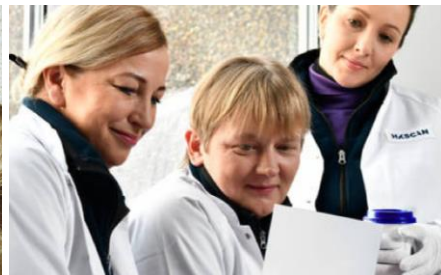




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Strategy

HKScan's 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

Boltsi cooperation with Leivon Leipomo

- The partnerships support HKScan's strategic target to expand into new product categories and to grow into a versatile food company
- In June, HKScan and Leivon Leipomo established a company aiming to Boltsi product portfolio expansion as well as strong and profitable growth
- Plant-based Boltsi oat-seed balls are successful in Finnish retail
- Target of the cooperation is also to grow in the food service channel; evaluate growth opportunities also in HKScan's other home markets
- HKScan provides the new company with its production and logistics capacity



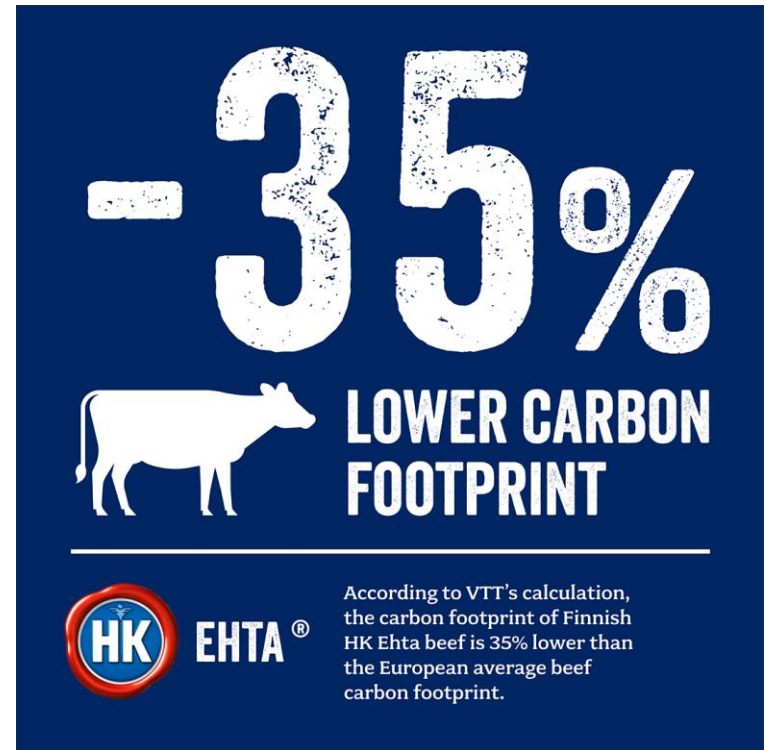
Target to grow into a versatile food company

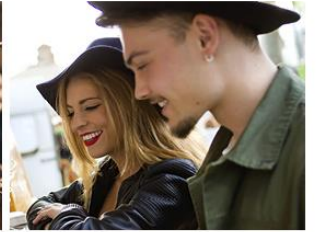
- With the pandemic, the big picture of the company's strategy unchanged
- The changes in consumer behaviour will be taken into account, growing e-commerce and digitalisation as examples
- Food service channel gradually back on a growth track
- Responsibility, particularly climate change, strongly on the company's agenda and in actions



Our work towards carbon-neutral meat production continues

- HKScan has calculated the carbon footprint of beef, pork and poultry
- The carbon footprint of Finnish and Swedish meat is clearly lower than the European averages
- Carbon footprint calculation sets the starting point for reducing the climate impacts of meat production
- Measures launched to reduce the carbon footprint of primary production with our farmers and partners





We have successfully implemented several measures to minimise the effects of the coronavirus pandemic.

Our priority is to protect the health of personnel and consumers as well as to secure the continuity of production and the whole food chain.



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HKSCAN

*We make
life tastier*

- today and tomorrow

