

# HKScan

HKScan Corporation  
Q2 Interim Report  
8 August 2008

CEO Kai Seikku

Investor briefing 8 August 2008

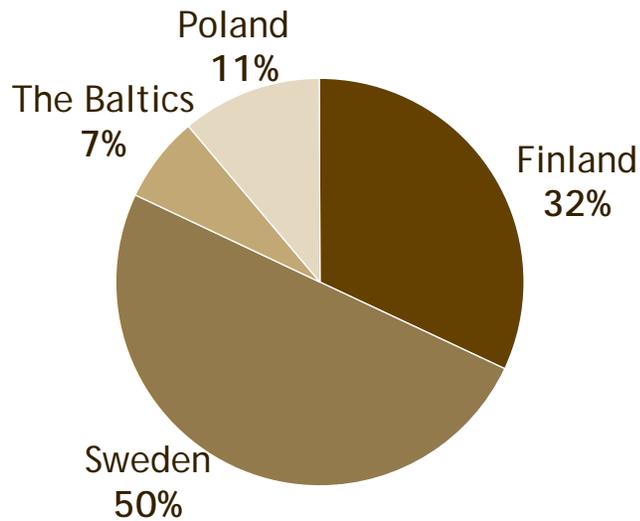
# HKScan Corporation

	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales, EUR million	591.9	524.3	1 102.0	1 022.9	2 107.3
EBIT, EUR million	4.4	15.1	10.5	24.3	55.3
- EBIT margin, %	0.7	2.9	1.0	2.4	2.6
Profit / loss before taxes	-2.3	10.5	-2.4	16.1	36.3
Earnings per share	-0.09	0.22	-0.11	0.32	0.72

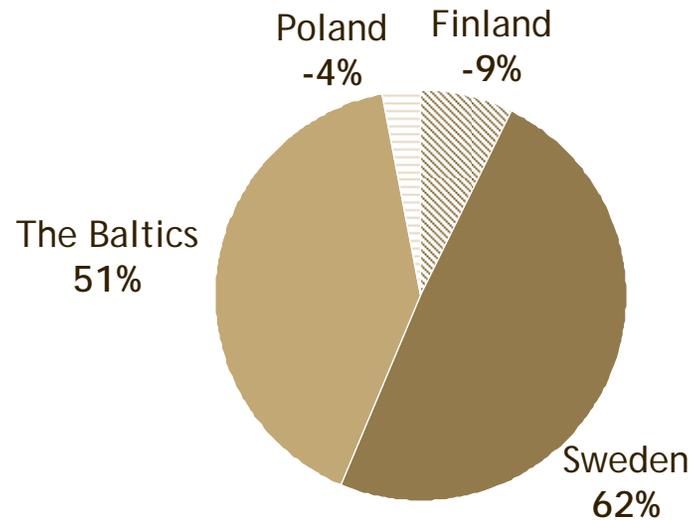
- Second-quarter EBIT in Finland and Poland was eroded by high changeover costs and writedowns, pushing the first half of year into the red.
- The cost structure in Finland is clearly leaner after the restructuring.
- The pork market cycle will turn around in the latter half of the year.
- The ongoing difficult situation in the pork market eroded the company's performance in all market areas.
- In addition to the high costs of raw materials, the rising prices of power and fuels also took their toll on performance.
- The price increases implemented were yet insufficient.

# Breakdown of net sales and EBIT Q2/2008

Net sales EUR 591.9m



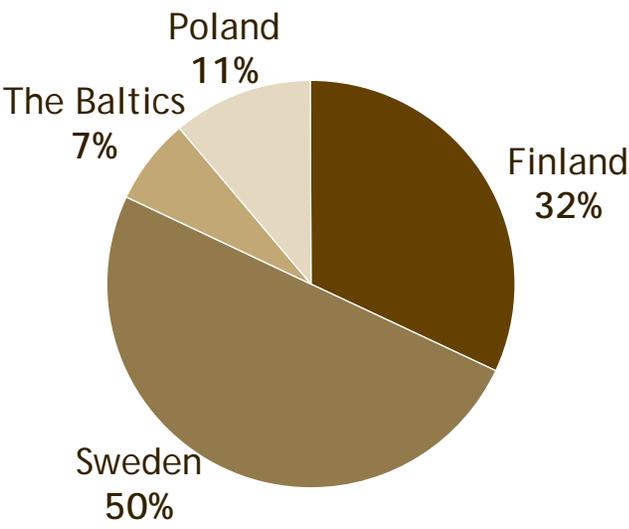
EBIT EUR 4.4m



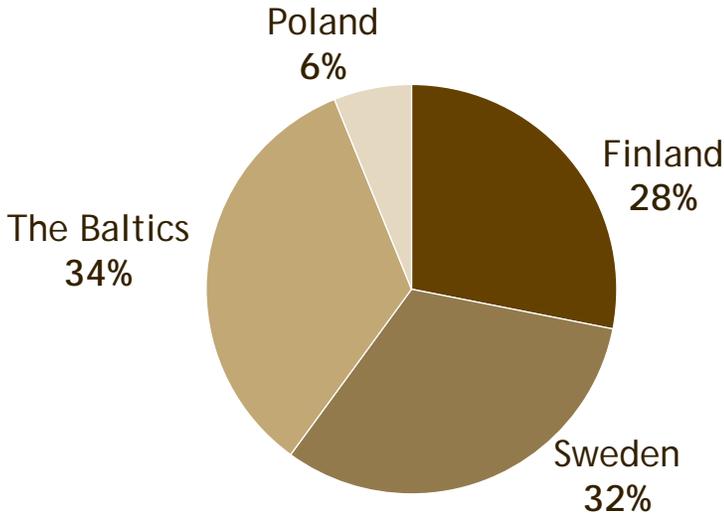
\* shares calculated excluding Group administration costs

# Breakdown of net sales and EBIT Q1-Q2/2008

Net sales EUR 1 102.0m



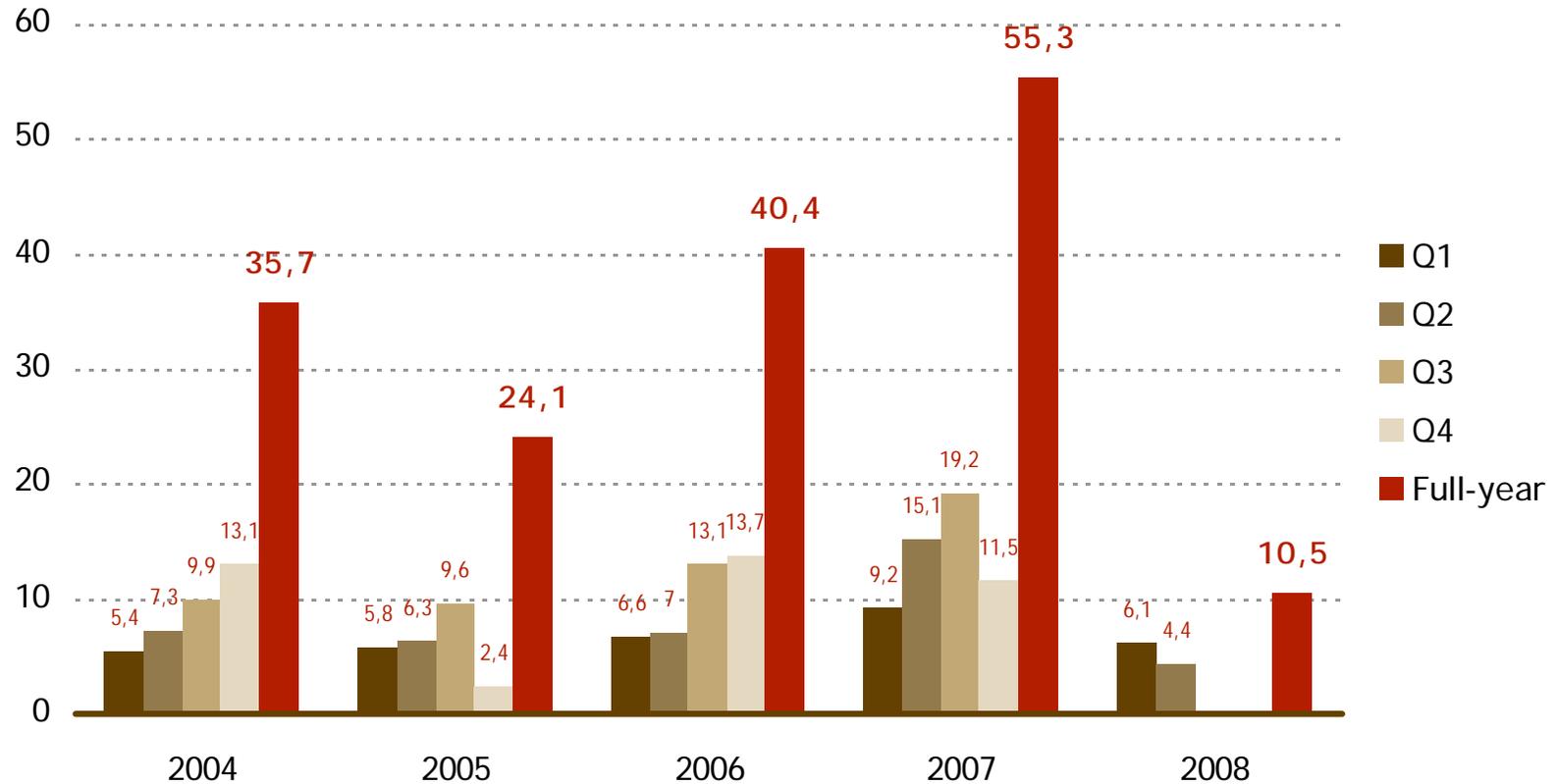
EBIT EUR 10.5m



\* shares calculated excluding Group administration costs

# Quarterly EBIT\* development

EUR million



\* reported

# Market area: Finland



	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales, EUR million	194.5	171.2	359.5	326.7	674.3
EBIT, EUR million	-0.5	5.6	3.5	12.9	22.8
- EBIT margin, %	-0.3	3.3	1.0	3.9	3.4

- Industrial restructuring in Finland completed. Good delivery reliability restored. New structure enables steady future development with a leaner cost structure.
- Losses in the meat business in Finland rose from Q1.
- Higher costs could not be passed on to sales prices to a sufficient degree.
- High frozen meat stores were destocked despite the poor market situation.
- The extensive final restructuring expenditure and the last cost overlaps were recognised in the review period.
- The poultry business delivered a fair performance.
- Sourcing agreement with Saarioinen on chicken raw materials, activities are to commence in October-November 2008.

# Market area: Sweden



	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales, EUR million	305.0	272.5	562.4	537.0	1 111.9
EBIT, EUR million	3.3	6.4	3.9	6.1	23.0
- EBIT margin, %	1.1	2.4	0.7	1.1	2.1

- Business in Sweden still saw pressure from the difficult international pork market situation. The price hikes implemented have not been enough to shore up profitability.
- Profitability remained low in exports and industrial sales during the review period.
- Targets were failed in processed meats.
- The extension at the Swinoujście bacon plant was completed and steps taken to transfer slaughtering operations from Uppsala.

# Market area: the Baltics



	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales, EUR million	43.0	37.9	81.0	69.7	145.3
EBIT, EUR million	2.7	3.9	4.2	6.4	10.7
- EBIT margin, %	6.4	10.3	5.1	9.2	7.4

- Q2 in the Baltics was largely in line with Q1.
- Sales continued to see positive development, operational costs were kept under control and performance overall was in line with target.
- The difficult situation in the international pork market undermined the profitability of local raw material production.
- Ekseko ran at a loss in the second quarter as well.
- Tallegg was reasonably successful at balancing prices and expenditure.
- The slowdown in the national economies is an uncertainty factor.
- Further shakeouts can be expected in the industry.



# Market area: Poland

*)	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales, EUR million	69.3	54.7	130.4	106.6	220.9
EBIT, EUR million	-0.2	1.1	0.7	2.2	3.7
- EBIT margin, %	-0.3	2.0	0.5	2.1	1.7

\*) The figures represent HKScan's share (50%) of the Sokolów Group's figures.

- Sokolów's meat and processed meat and convenience food business mostly performed in line with targets.
- Problems in Poland centred on primary production company Agro-Sokolów, where substantial writedowns were taken in the period under review.
- Pozmeat remained in the red but its losses declined markedly.

# HKScan income statement

(EUR million)	Q2/ 2008	Q2/ 2007	Q1-Q2/ 2008	Q1-Q2/ 2007	2007
Net sales	591.9	524.3	1 102.0	1 022.9	2 107.3
EBIT	4.4	15.1	10.5	24.3	55.3
- % of net sales	0.7	2.9	1.0	2.4	2.6
Share of associates' results	0.4	-0.2	0.5	0.4	0.4
Net financial income (expenses)	-7.0	-4.4	-13.3	-8.6	-19.4
Profit / loss before taxes	-2.3	10.5	-2.4	16.1	36.3
- % of net sales	-0.4	2.0	-0.2	1.6	1.7
Income taxes	-0.7	-1.5	-1.3	-3.0	-6.8
Profit / loss for the period	-2.9	9.1	-3.7	13.1	29.5
Profit / loss attributable to:					
Equity holders of the parent	-3.3	8.6	-4.3	12.1	27.8
Minority interests	0.4	0.5	0.6	1.0	1.7
Total	-2.9	9.1	-3.7	13.1	29.5
EPS, EUR undiluted / diluted	-0.09	0.22	-0.11	0.32	0.72

# Consolidated balance sheet at 30 Jun 2008

(EUR million)	30.6.2008	30.6.2007	31.12.2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	64.9	18.4	65.5
Goodwill	85.0	105.9	85.1
Tangible assets	502.1	460.6	476.6
Shares in associates	21.5	16.8	20.3
Trade and other receivables	15.8	11.0	18.0
Available-for-sale investments	11.4	11.7	11.4
Deferred tax asset	8.3	2.7	8.3
<b>Total non-current assets</b>	<b>708.9</b>	<b>627.0</b>	<b>685.1</b>
<b>Current assets</b>			
Inventories	140.8	139.3	140.2
Trade and other receivables	229.1	272.3	244.9
Income tax receivable	6.0	2.5	2.5
Other financial assets	3.6	3.7	3.7
Cash and cash equivalents	47.5	29.7	53.2
<b>Total current assets</b>	<b>427.0</b>	<b>447.5</b>	<b>444.5</b>
<b>TOTAL ASSETS</b>	<b>1 135.9</b>	<b>1 074.5</b>	<b>1 129.6</b>

# Consolidated balance sheet at 30 Jun 2008

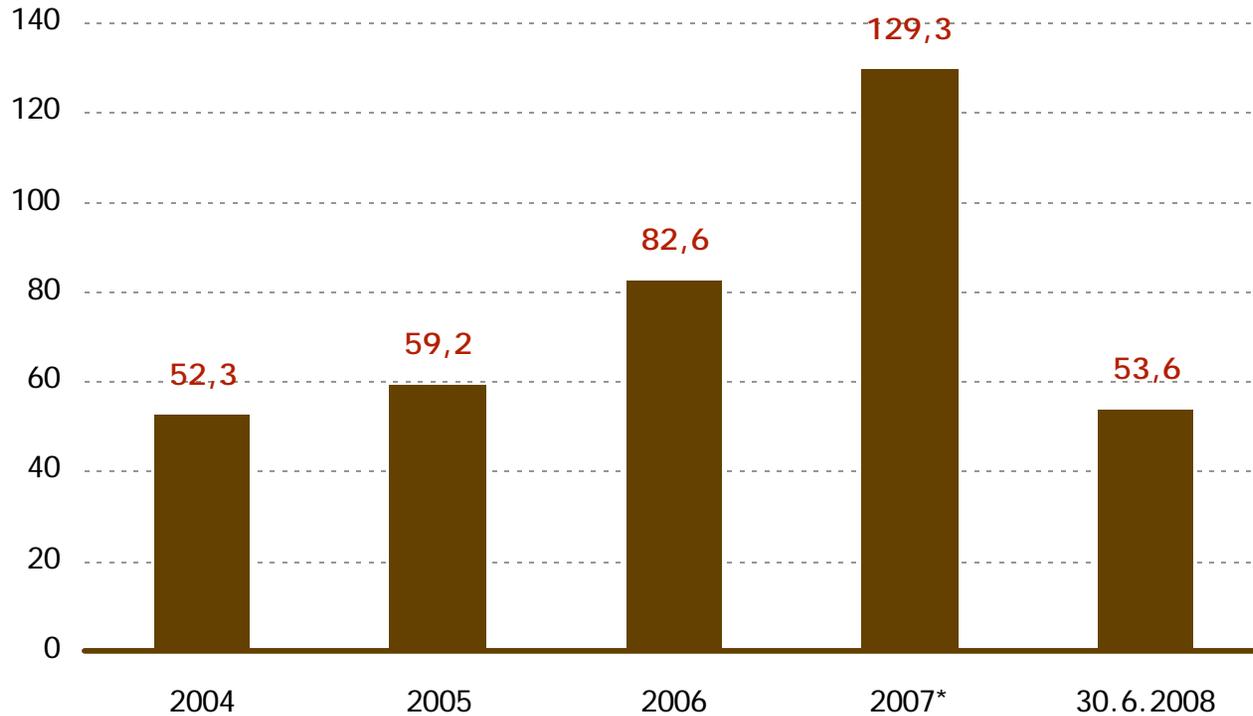
(EUR million)	30.6.2008	30.6.2007	31.12.2007
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent	319.2	313.4	328.5
Minority interest	2.4	2.3	2.9
<b>Total equity</b>	<b>321.6</b>	<b>315.7</b>	<b>331.5</b>
Deferred tax liability	35.3	18.3	34.0
Non-current interest-bearing liabilities	429.8	445.1	421.6
Non-current non-interest bearing liabilities	6.3	6.2	6.9
Pension obligations	3.1	5.1	4.7
Provisions	0.2	2.9	0.0
<b>Non-current liabilities</b>	<b>474.7</b>	<b>477.6</b>	<b>467.2</b>
Current interest-bearing liabilities	120.0	82.8	92.9
Trade and other payables	218.0	197.4	236.6
Income tax liability	0.1	0.0	0.1
Current provisions	1.4	0.9	1.3
<b>Current liabilities</b>	<b>339.5</b>	<b>281.2</b>	<b>330.9</b>
<b>EQUITY AND LIABILITIES</b>	<b>1 135.9</b>	<b>1 074.5</b>	<b>1 129.6</b>

# Cash flow statement

(EUR million)	1-6/2008	1-6/2007	1-12/2007
<b>Operating activities</b>			
EBIT and depreciation (incl. adjustment items)	32.4	43.8	97.2
Change in working capital	2.0	-24.1	50.1
Financial income and expenses	-13.3	-8.6	-19.3
Taxes	-1.3	-2.2	-6.8
<b>Net cash flow from operating activities</b>	<b>19.8</b>	<b>8.9</b>	<b>121.2</b>
<b>Investing activities</b>			
Gross investments in PPE	-53.7	-59.1	-131.6
Disposals of PPE	8.4	9.6	15.8
Investments in subsidiary		-70.1	-70.1
Loans extended and repayments	0.6		-1.9
<b>Net cash flow from investing activities</b>	<b>-44.7</b>	<b>-119.6</b>	<b>-187.8</b>
<b>Cash flow before financing activities</b>	<b>-24.9</b>	<b>-110.7</b>	<b>-66.5</b>
<b>Financing activities</b>			
Borrowings raised and repaid	29.9	139.5	122.4
Dividends paid	-10.6	-9.3	-9.3
Purchase of treasury shares	-0.1	-1.8	-1.8
<b>Net cash flow from financing activities</b>	<b>19.2</b>	<b>128.4</b>	<b>111.3</b>
<b>Change in liquid assets</b>	<b>-5.7</b>	<b>17.7</b>	<b>44.7</b>

# Investing activities

EUR million



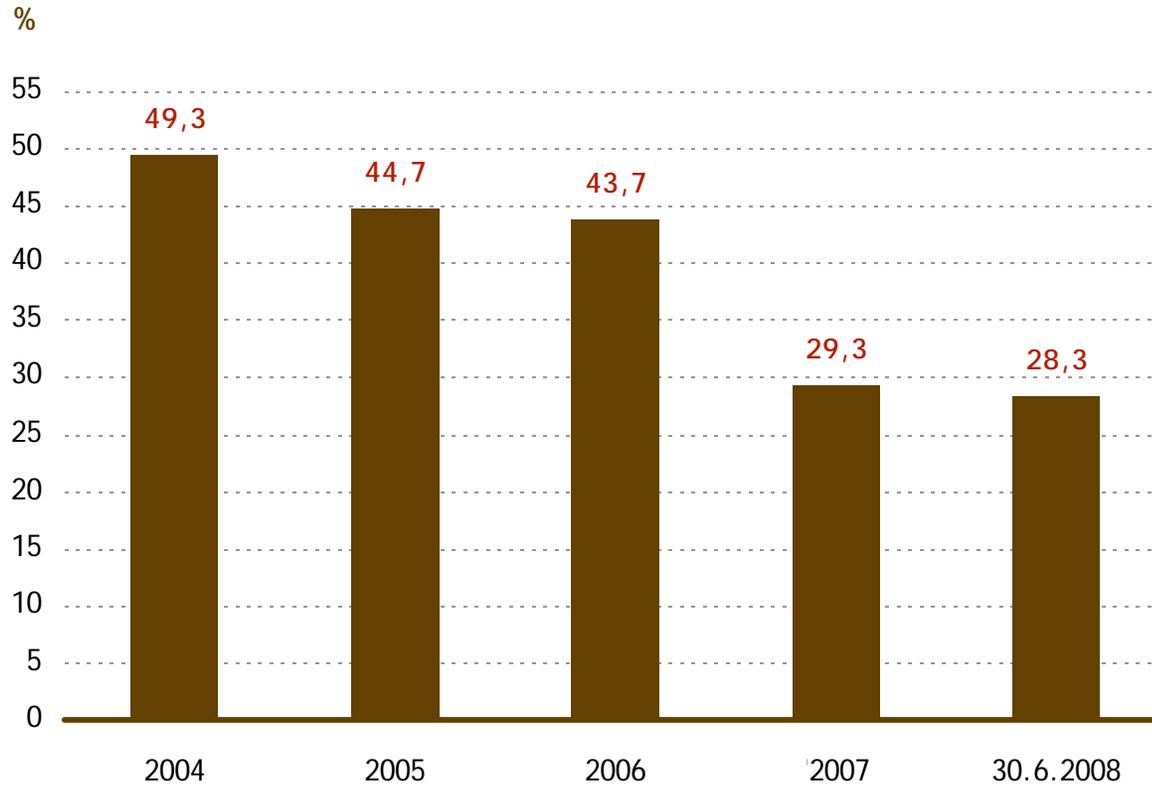
\* exclusive of enterprise value on Scan AB acquisition

# Financial highlights

	30.6.2008	30.6.2007	31.12.2007
EPS, diluted, EUR	-0.11	0.32	0.72
Equity / share at 30 June, EUR <sup>1)</sup>	8.12	7.99	8.36
Equity ratio, %	28.3	29.4	29.3
Average no. of shares, mill.	39.3	38.4	38.8
Productional investments, EUR million	53.6	59.1	129.3
Workforce on average	7 536	7 932	7 840

<sup>1)</sup> Excluding minority interest in equity

# Equity ratio



# Financial targets

		Target	30.6.2008	2007
EBIT	over 5% of net sales		1.0 %	2.6 %
Return on equity		over 15%	-2.3 %	9.2 %
Equity ratio		over 40%	28.3 %	29.3 %
Dividend distribution		at least 30% of net earnings		37.7 %

# The future



- The company maintains its views updated on 4 July 2008 of full-year EBIT falling clearly short of that seen in 2007.

# Share performance 08/2003 - 08/2008



