

HKScan

HKScan Corporation
Q1 Interim Report 7 May 2008

CEO Kai Seikku

Investor briefing 7 May 2008

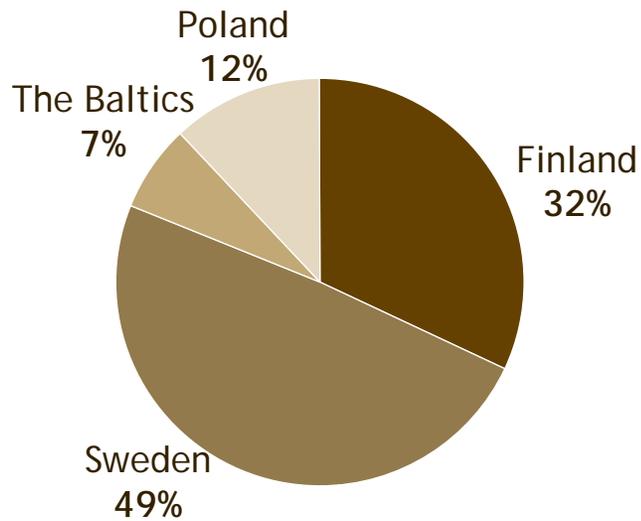
HKScan Corporation

	Q1/ 2008	Q1/ 2007	2007
Net sales, EUR million	510.1	498.6	2 107.3
EBIT, EUR million	6.1	9.2	55.3
- EBIT margin, %	1.2	1.8	2.6
EBIT from operations	6.1	10.1	65.2
- Operative EBIT margin, %	1.2	2.0	3.1
Profit / loss before tax	-0.1	5.5	36.3
Profit / loss for the period	-0.8	4.0	29.5
Earnings/share	-0.02	0.09	0.72

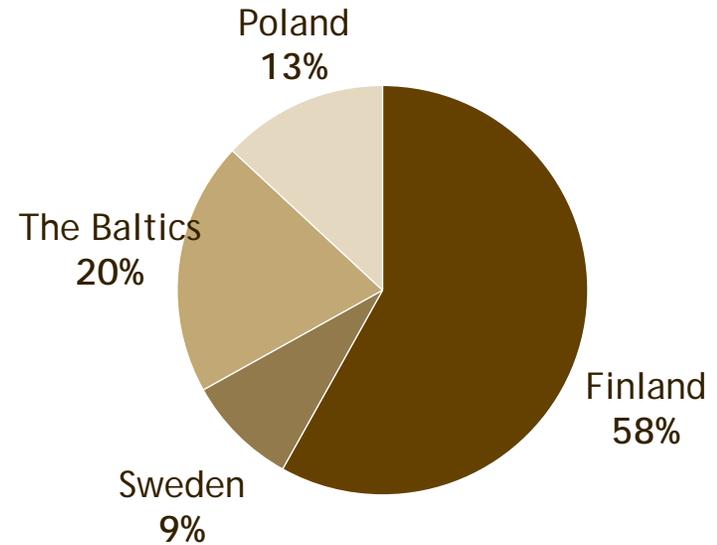
- Early part of year difficult as anticipated
- Challenging pork market situation eroded profitability in all Group markets.
- Slower going than anticipated in commercial operations in March
- Restructuring programme in Finland entered its final phase.
- In Sweden, the pork market situation eroded profitability especially in exports and industrial sales.
- Business in the Baltics developed as planned except for the loss-making meat business.
- Business in Poland was divided as usual.

Breakdown of net sales and EBITQ1/2008

Net sales EUR 510.1m



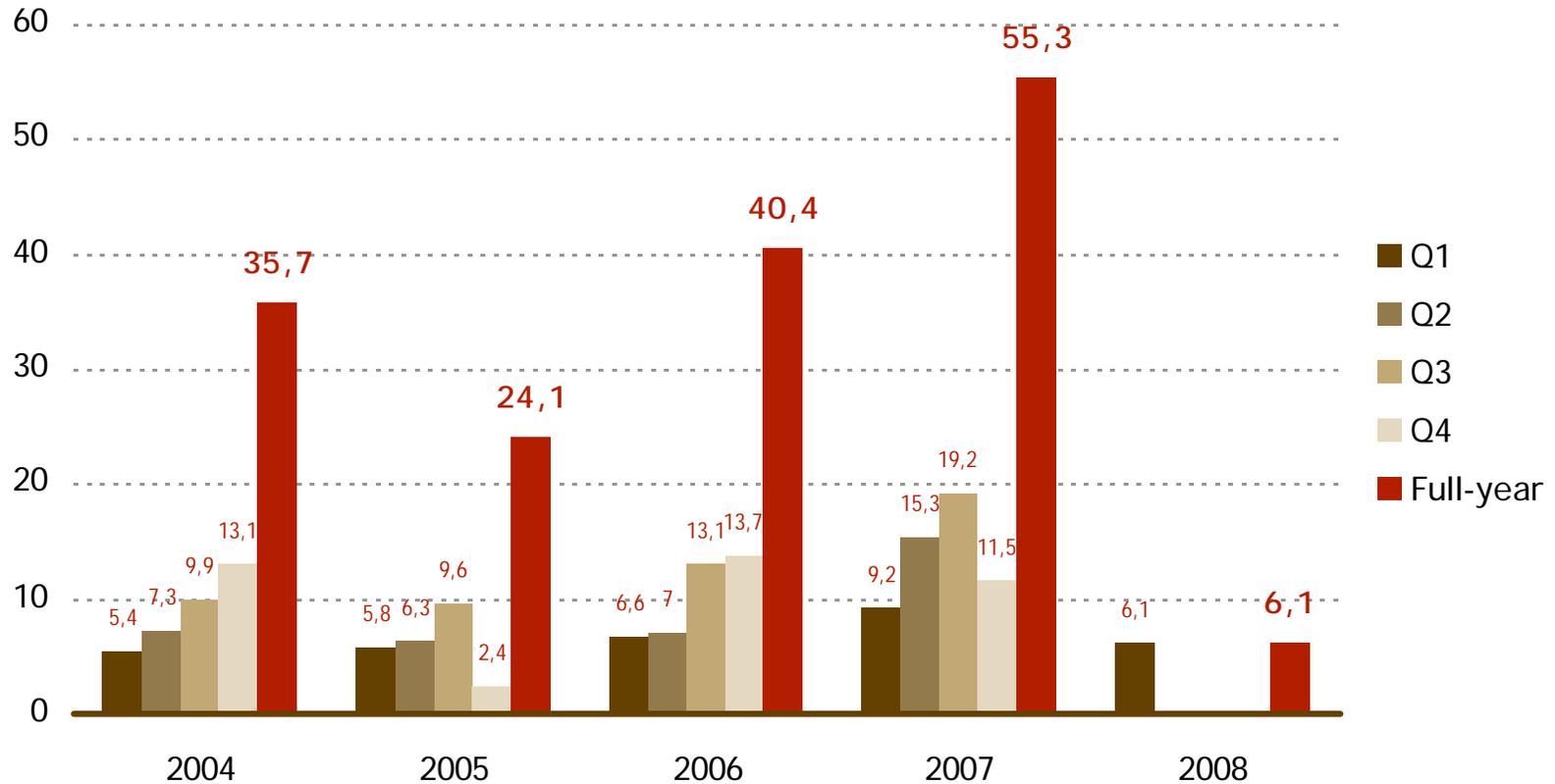
EBIT EUR 6.1m



* shares calculated excluding Group administration costs

Quarterly EBIT* development

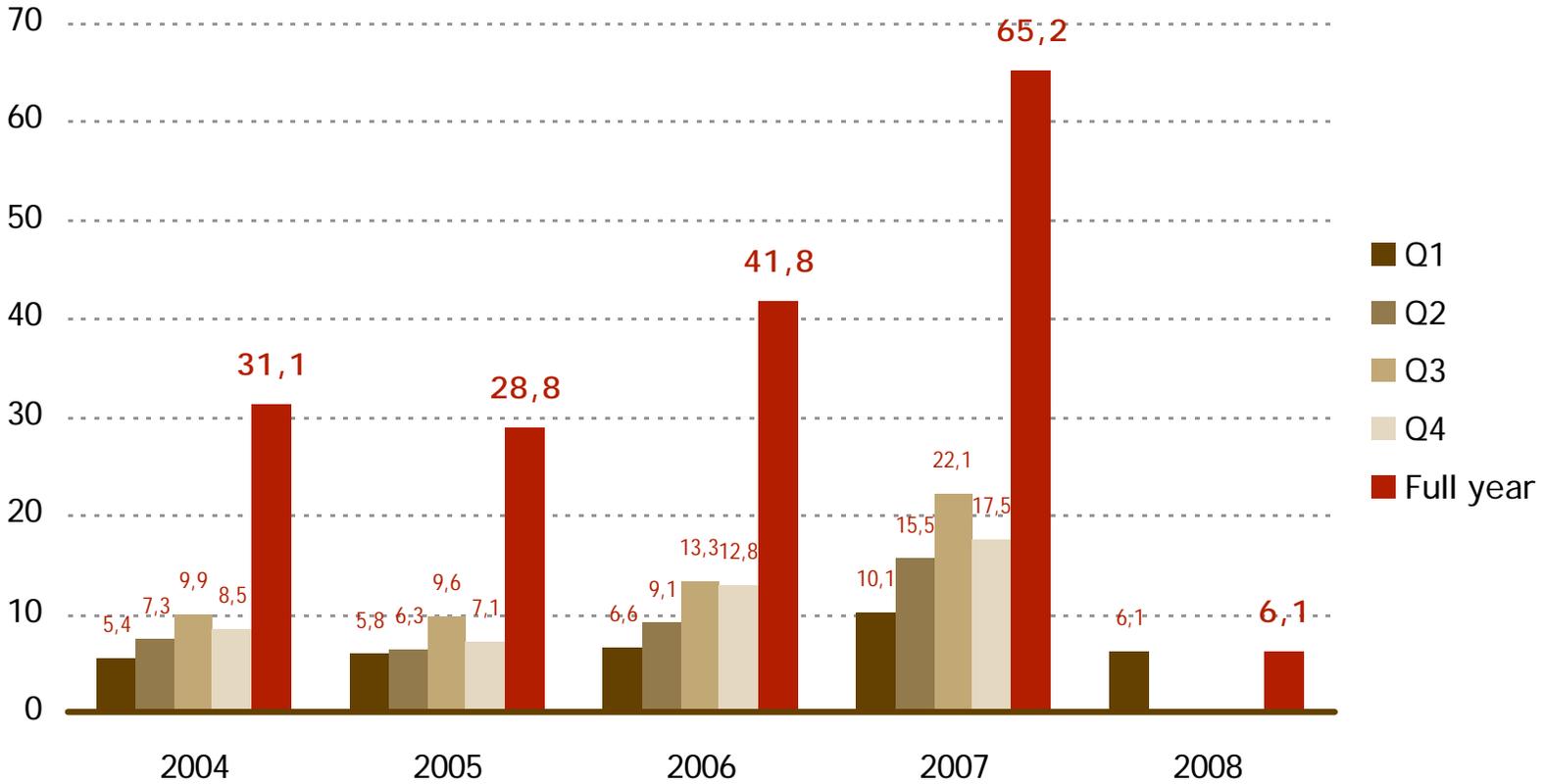
EUR million



* reported

Quarterly EBIT* development

EUR million



* comparable EBIT from operations

Market area: Finland



	Q1/ 2008	Q1/ 2007	2007
Net sales, EUR million	165.0	155.5	674.3
EBIT, EUR million	4.1	7.3	22.8
- EBIT margin, %	2.5	4.7	3.4
EBIT from operations	4.1	8.2	33.3
- Operative EBIT margin, %	2.5	5.3	4.9

- Restructuring programme in Finland reaches final phase.
- Restoring customer confidence is a key priority for the company.
- HK Ruokatalo's meat business showed a clear loss.
- Exports of meat exceeded anticipated level despite exceptionally low export prices
- The company's poultry business achieved fair performance but fell just slightly short of targets.
- HK Ruokatalo and Saarioinen signed a preliminary agreement in February on sourcing chicken raw material.
- The profitability of the convenience foods and processed meats business remained modest.

Market area: Sweden



	Q1/ 2008	Q1/ 2007	2007
Net sales, EUR million	257.4	264.5	1 111.9
EBIT, EUR million	0.6	-0.3	23.0
- EBIT margin, %	0.2	-0.0	2.1
EBIT from operations	0.6	-0.3	23.0
- Operative EBIT margin, %	0.2	-0.0	2.1

- Business in Sweden performed better in Q1/2008 than a year earlier despite falling just a tad short of targets for the early part of the year.
- In Sweden, the pork market situation eroded profitability especially in exports and industrial sales. Profitability was also insufficient in processed meats.
- Increases in consumer prices, alongside efficiency programmes and cost-cutting measures, will be vital to earnings development.
- In January, Scan and associated company Nyhléns & Hugosons agreed on cooperation in the area of animal transport in northern Sweden.
- Scan also opened talks with Swedish Meats on a joint primary production company.

Market area: The Baltics



	Q1/ 2008	Q1/ 2007	2007
Net sales, EUR million	38.0	31.8	145.3
EBIT, EUR million	1.4	2.5	10.7
- EBIT margin, %	3.7	7.9	7.4
EBIT from operations	1.4	2.5	10.1
- Operative EBIT margin, %	3.7	7.9	6.9

- Q1 in the Baltics in line with expectation
- EBIT for the quarter is enhanced by the indemnification paid to Tallegg for the outbreak of avian disease discovered at one of its egg farms in autumn 2007.
- The profitability of in-house raw material production has fallen.
- The business environment in the Baltics is in the grips of change after many years of brisk growth. Basic products are gaining increasing favour due to rising prices.
- The slow-down in the rate of consumption growth was evidenced in the period under review as increased competition in retail and increasingly tight negotiations with suppliers on price and deliveries.



Market area: Poland

	Q1/ 2008	Q1/ 2007	2007
Net sales, EUR million	61.1	51.9	220.9
EBIT, EUR million	0.9	1.1	3.7
- EBIT margin, %	1.4	2.1	1.7
EBIT from operations	0.9	1.1	3.7
- Operative EBIT margin, %	1.4	2.1	1.7

- Business in Poland was divided as usual. Pozmeat and primary production company Agro-Sokolów showed a loss while other parts of Sokolów in fact exceeded performance targets somewhat.
- The key to improving earnings development in Poland lies in turning around the loss-making units in the current year.
- Sokolów's Q1 sales value denominated in euro increased by nearly 12 percent from the same period a year earlier. Growth was seen especially in sales to retail chains, which are rising to equal Sokolów's own retail network as a sales channel.
- Exports rose to contribute 31 percent to Sokolów's sales in the first quarter. The profitability of exports were hampered by the stronger Polish zloty.

HKScan income statement

(EUR million)	Q1/ 2008	Q1/ 2007	Q1-Q4/ 2007
Net sales	510.1	498.6	2 107.3
EBIT	6.1	9.2	55.3
- % of net sales	1.2	1.8	2.6
Share of associates' results	0.1	0.5	0.4
Financial income and expenses, net	-6.4	-4.2	-19.4
Profit / loss before tax	-0.1	5.5	36.3
- % of net sales	-0.0	1.1	1.7
Income tax	-0.6	-1.5	-6.8
Profit / loss for the period	-0.8	4.0	29.5
Attributable to:			
Equity holders of the parent	-0.9	3.5	27.8
Minority interests	0.1	0.5	1.7
Total	-0.8	4.0	29.5
Earnings/share, diluted, EUR	-0.02	0.09	0.72

Consolidated balance sheet at 31 Mar 2008

(EUR million)	31.3.2008	31.3.2007	31.12.2007
ASSETS			
Non-current assets			
Intangible assets	65.6	18.4	65.5
Goodwill	85.2	105.3	85.1
Tangible assets	488.8	444.3	476.6
Shares in associates	20.9	16.6	20.3
Trade and other receivables	18.2	10.1	18.0
Available-for-sale investments	11.5	11.6	11.4
Deferred tax assets	8.2	2.6	8.3
Total non-current assets	698.4	609.0	685.1
Current assets			
Inventories	153.8	139.4	140.2
Trade and other receivables	228.6	250.7	244.9
Income tax receivable	4.3	2.2	2.5
Other financial assets	3.7	3.9	3.7
Cash and cash equivalents	32.1	23.0	53.2
Total current assets	422.4	419.2	444.5
TOTAL ASSETS	1 120.8	1 028.1	1 129.6

Consolidated balance sheet at 31 Mar 2008

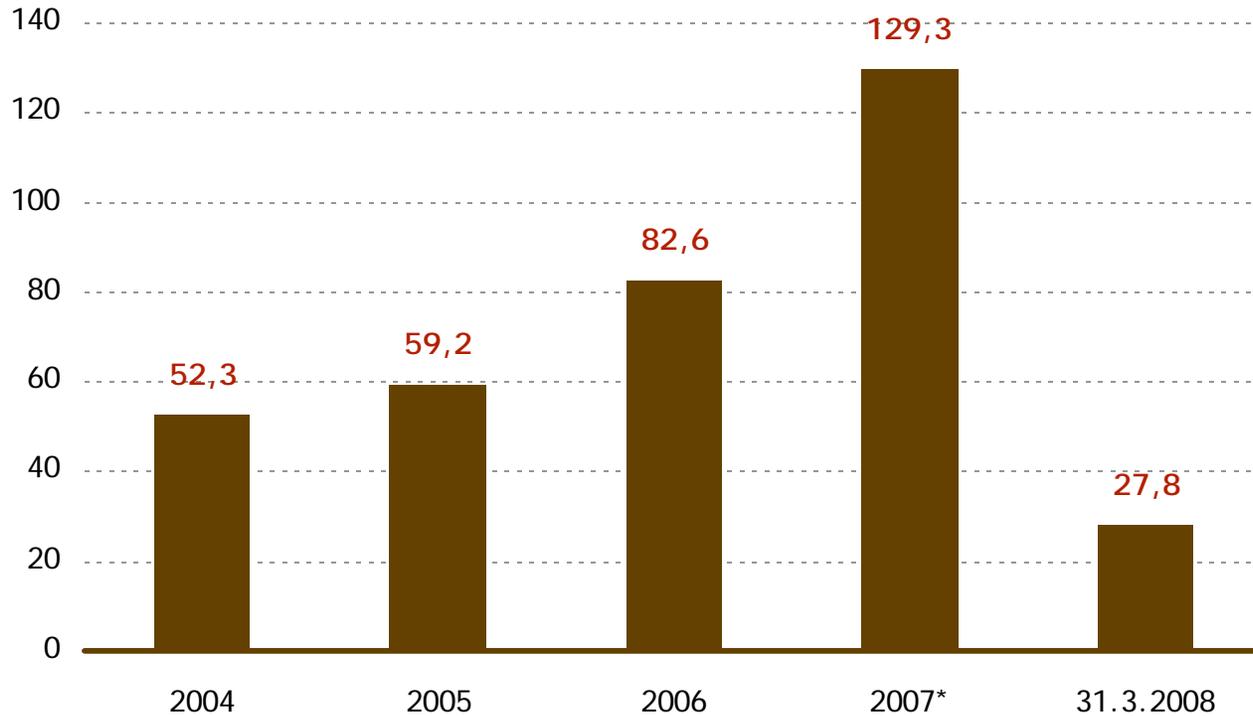
(EUR million)	31.3.2008	31.3.2007	31.12.2007
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	328.8	311.6	328.5
Minority interest	2.7	3.0	2.9
Total equity	331.6	314.6	331.5
Deferred tax liability	34.0	16.5	34.0
Non-current interest-bearing liabilities	424.1	194.6	421.6
Non-current zero-interest liabilities	6.9	7.9	6.9
Pension obligations	3.1	5.2	4.7
Provisions	0.0	9.2	0.0
Non-current liabilities	468.2	233.5	467.2
Current interest-bearing liabilities	108.9	282.6	92.9
Trade and other payables	210.5	195.6	236.6
Income tax liability	0.3	1.1	0.1
Provisions	1.3	0.7	1.3
Current liabilities	321.0	480.0	330.9
TOTAL EQUITY AND LIABILITIES	1 120.8	1 028.1	1 129.6

Cash flow statement

(EUR million)	Q1/2008	Q1/2007	2007
Operating activities			
EBIT and depreciation (incl. adjustment items)	21.3	22.3	97.2
Change in working capital	-30.0	-14.4	50.1
Financial income and expenses	-6.2	-4.2	-19.3
Taxes	-0.6	-1.6	-6.8
Net cash flow from operating activities	-15.5	2.1	121.2
Investing activities			
Gross investments in PPE	-24.4	-22.2	-131.6
Disposals of PPE	2.8	3.5	15.8
Investments in subsidiary	0.0	-67.6	-70.1
Loans granted and repaid	-1.1	0.0	-1.9
Net cash flow from investing activities	-22.6	-86.3	-187.8
Cash flow before financing activities	-38.1	-84.2	-66.5
Financing activities			
Borrowings raised and repaid	17.2	95.1	122.4
Change in non-current receivables	0.0	0.0	0.0
Dividends paid	0.0	0.0	-9.3
Purchases of treasury shares	-0.1	0.0	-1.8
Net cash flow from financing activities	17.1	95.1	111.3
Change in liquid assets	-21.1	10.9	44.7

Investing activities

EUR million

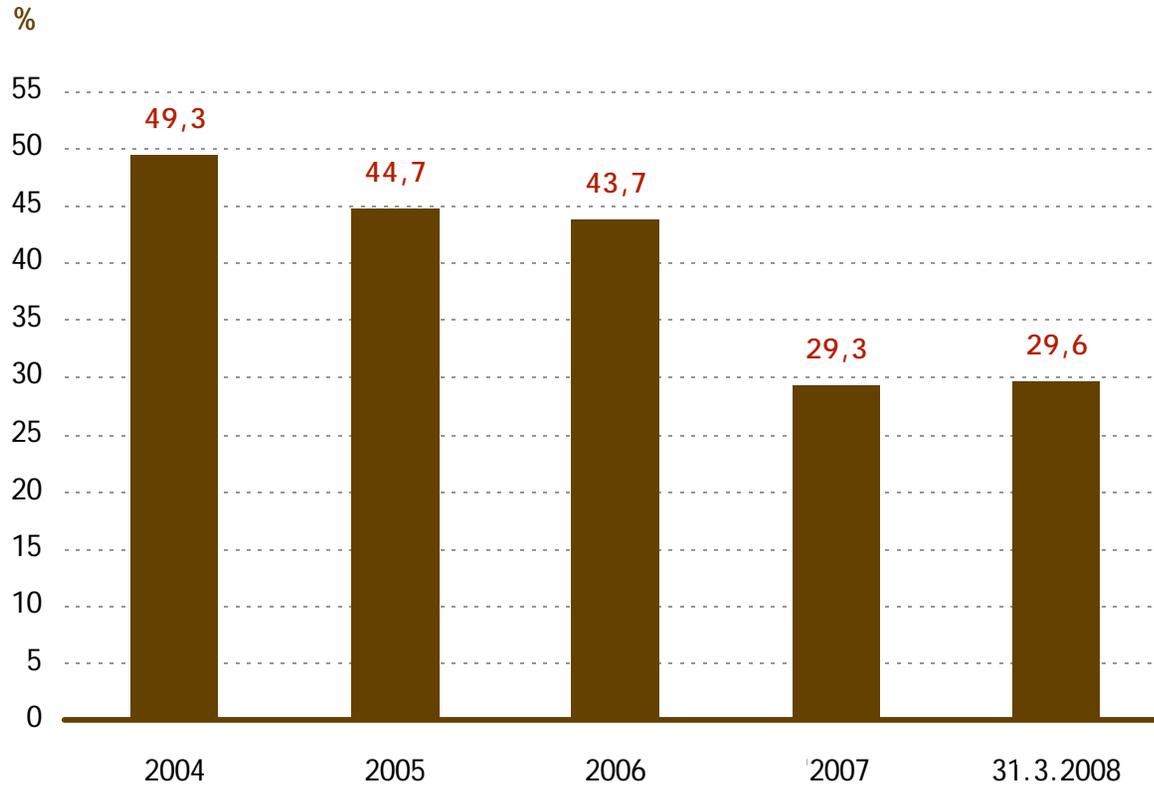


* exclusive of enterprise value on Scan AB acquisition

Financial highlights

	31.3.2008	31.3.2007	31.12.2007
EPS, diluted, EUR	-0.02	0.09	0.72
Equity per share, EUR	8.37	7.93	8.36
Equity ratio, %	29.6	30.6	29.3
Average no. of shares in millions	39.3	37.4	38.8
Production-related investment, EUR million	27.8	22.2	129.3
Average no. of employees	7 285	7 680	7 840

Equity ratio



Financial targets

	Target	31.3.2008	2007
EBIT	over 5% of net sales	1.2 %	2.6 %
Return on equity	over 15%	-0.9%	9.2 %
Equity ratio	over 40%	29.6 %	29.3 %
Dividend distribution	at least 30% of net profit		37.7 %

The future



- The difficult situation in the international pork market will significantly erode the profitability of the meat business and influence the entire company's performance in all markets, especially in Finland and the Baltics, in the early part of the year.
- Full-year EBIT from operations for the entire Group in 2008 will be in line with the previous year, provided that the company's estimate of the pork market evening out in the latter half of the year is realised.

Share performance 05/2003 - 05/2008



