

HKScan

HKScan Corporation
Q1 Interim report 2010

CEO Matti Perkonen
Investor briefing 4 May 2010

HKScan's mission and vision



Mission statement:

MEAT AND MORE

HKScan is a responsible food company which creates economic value added for its stakeholders through its meat-based product portfolio, food concepts and tasty products that are designed to contribute to the lives of consumers by making cooking easy and enjoyable.

Vision:

MEAT INDUSTRY SHAPER

HKScan is a responsible food company which sets the standard for best practices in the meat industry in Europe through strong brands, innovative products, an efficient and transparent production chain and skilled employees.

Group structure

HKScan Corporation Net sales in 2009: EUR : 2 124.7m* , CEO Matti Perkonoja			
Finland	Sweden	Baltics	Poland
net sales in 2009: EUR 732.5m	net sales in 2009: EUR 1 037.4m	net sales in 2009: EUR 156.9m	net sales in 2009: EUR 251.7m**
<ul style="list-style-type: none"> • HKScan Finland Oy Managing director Jari Leija 	<ul style="list-style-type: none"> • Scan AB Managing director Denis Mattsson 	<ul style="list-style-type: none"> • AS Rakvere Lihakombinaat Managing director Anne Mere • AS Tallegg Managing director Teet Soorm 	<ul style="list-style-type: none"> • Saturn Nordic Holding AB → Sokolów S.A. Managing director Boguslaw Mischczuk

* Between segments EUR -53.9 million

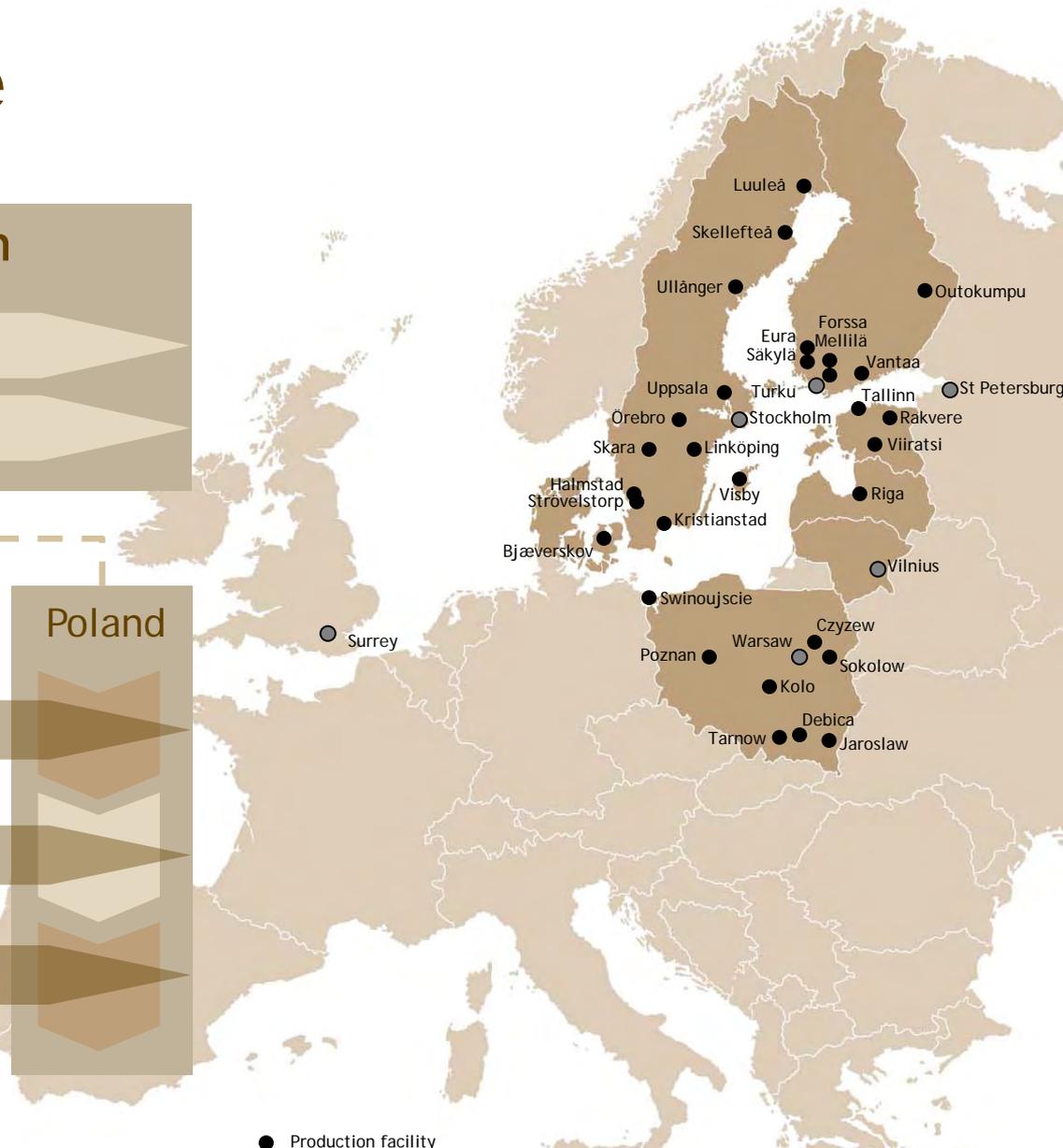
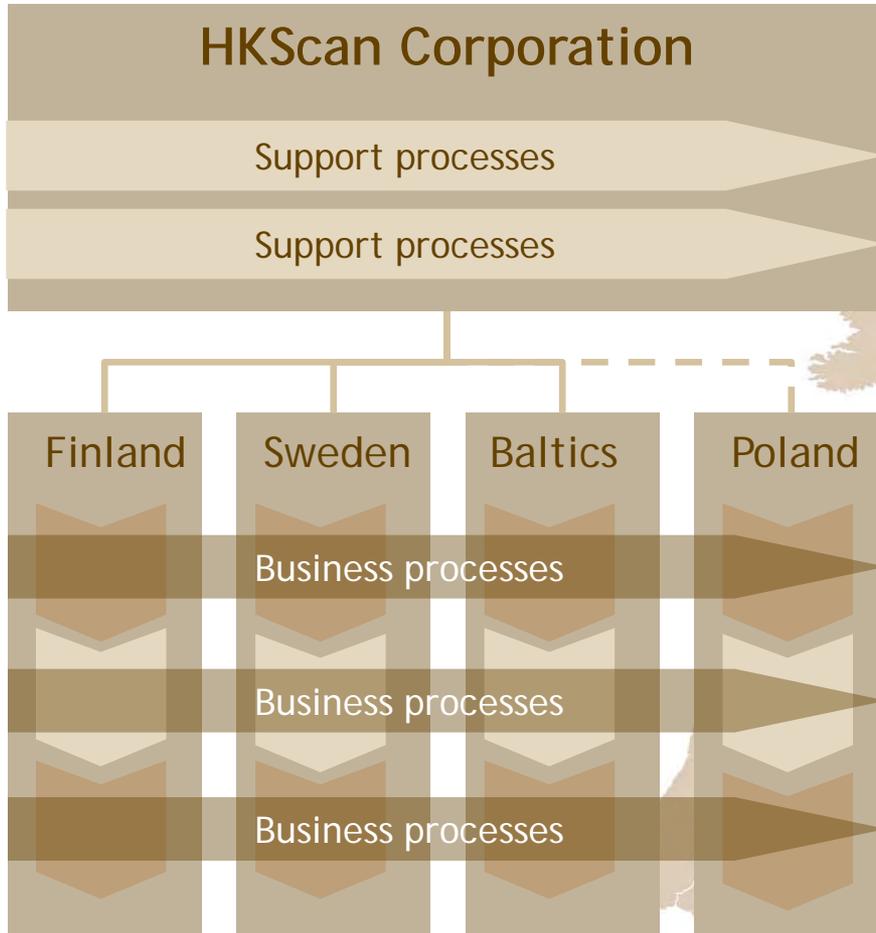
** Joint venture Saturn Nordic Holding owned 50/50 by HKScan and Danish Crown holds 100% of shares in Sokolów. In 2009, half of Sokolów's net sales i.e. EUR 251.7 million were accounted for in HKScan Group figures.



● Production facility
 ○ Sales office

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Group structure



- Production facility
- Sales office

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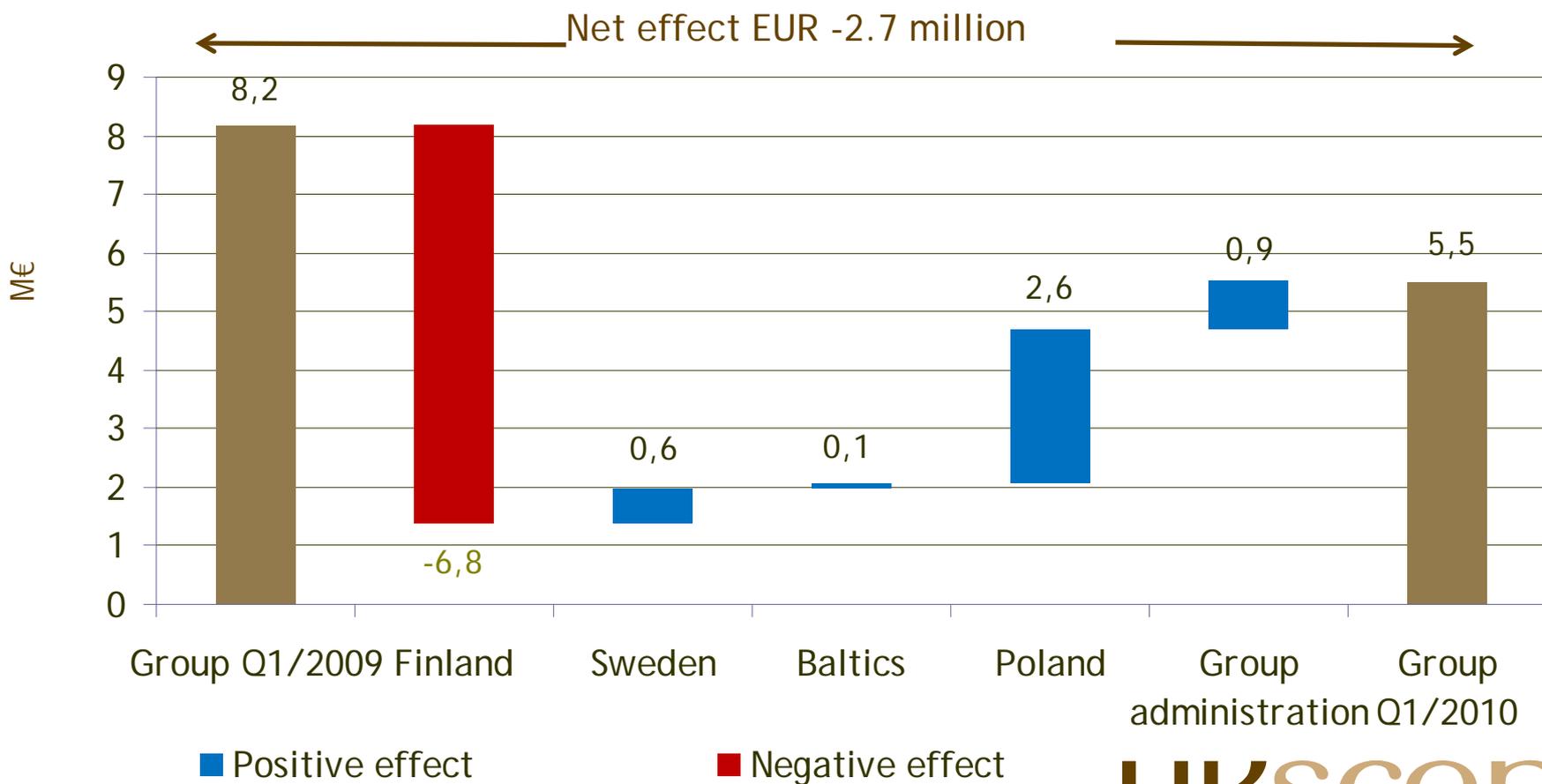
HKScan Corporation

	Q1/ 2010	Q1/ 2009	2009
Net sales, EUR mill.	483.6	492.1	2 124.7
EBIT, EUR mill.	5.5	8.2	55.1
- EBIT margin, %	1.1	1.7	2.6
Profit before taxes	3.9	1.7	37.3
EPS, EUR	0.06	0.00	0.64

- The HKScan Group maintained or improved its standing in all market areas in spite of the challenging market conditions in the early part of the year
- Despite stronger performance in the market segments of Sweden, the Baltics and Poland, the profitability of the HKScan Group's business in Q1 did not reach the level seen in 2009. EBIT came in at EUR 5.5 million (EUR 8.2m).
- Group net sales were EUR 483.6 million (EUR 492.1m). The key factors underlying the fall in net sales were the lower pork volumes in the Group's export markets and the sales prices of poultry meat in Finland.
- Progress as envisaged was made on the Group's business development projects.
- Earnings development at the end of the first quarter bears out the view held by management that the difficult market conditions seen in the early part of the year, especially in Finland, will improve in the important summer season and bolster profitability development.
- The company estimates that full-year EBIT exclusive of non-recurring items will not quite reach the level seen in 2009.

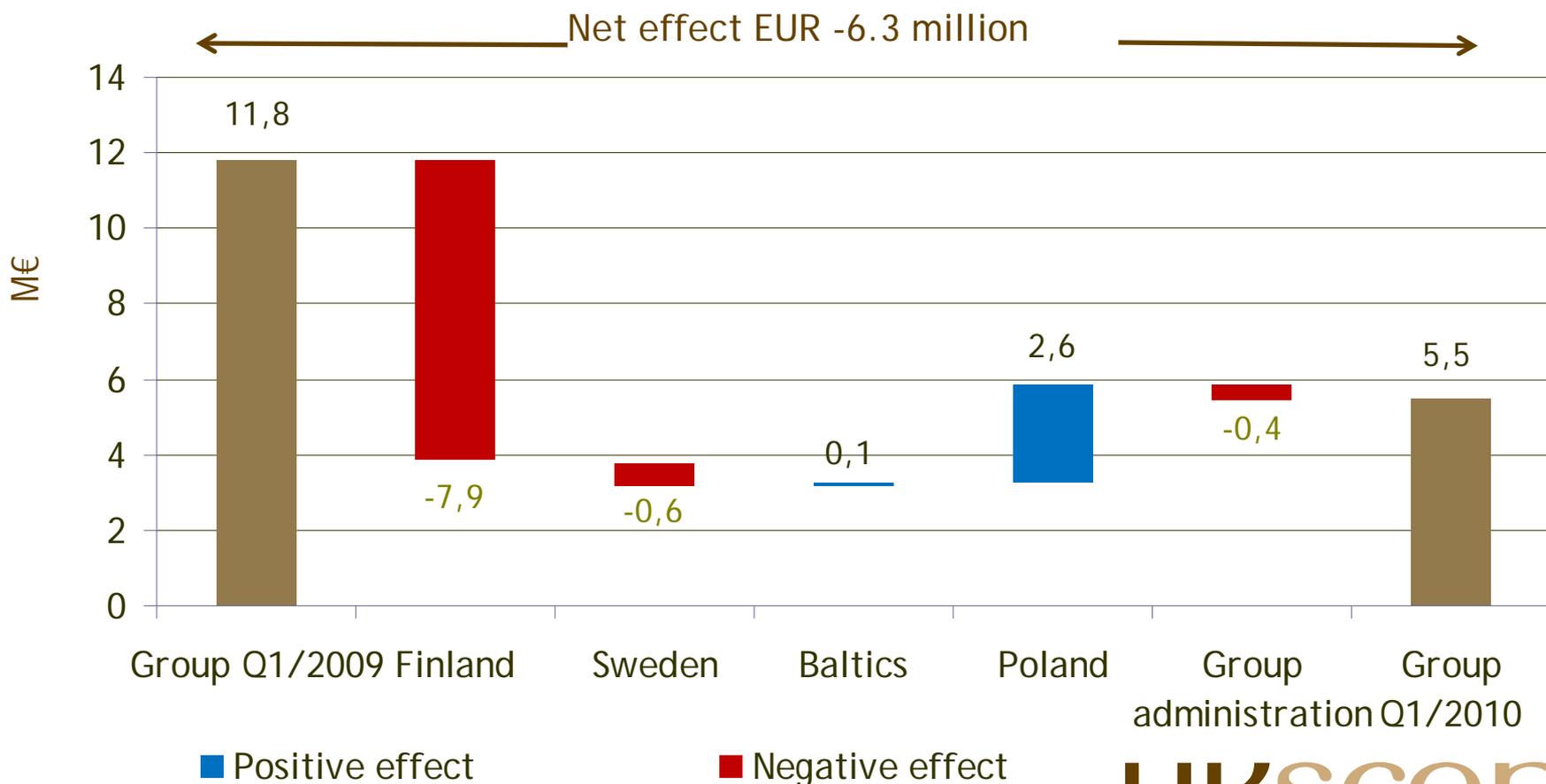
Group EBIT Bridge

- Q1 /2009 (reported EBIT) vs. Q1 /2010



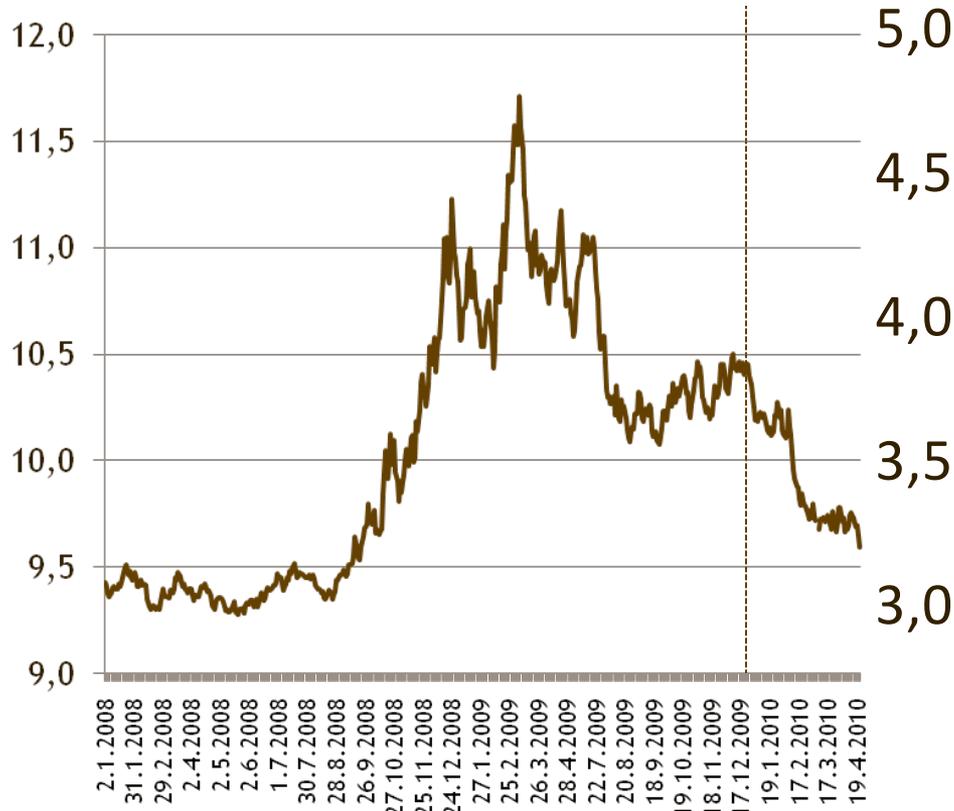
Group EBIT Bridge

- Q1 /2009 (EBIT from operations) vs. Q1 /2010



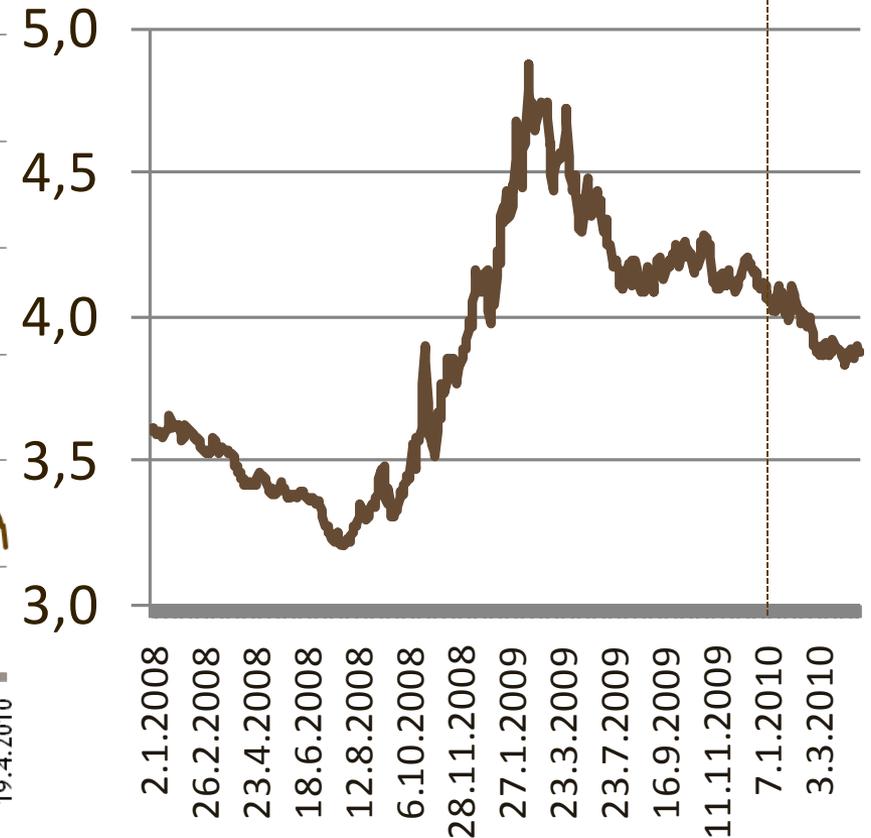
Exchange rate trends

Euro against the Swedish crown, SEK



Source: European Central Bank

Euro against the Polish zloty, PLN





Market area: Finland

	Q1/ 2010	Q1/ 2009	2009
Net sales, EUR mill.	167.8	175.3	732.5
EBIT, EUR mill.	-0.6	6.2	27.0
- EBIT margin, %	-0.4	3.6	3.7

- The price competition caused by defending market position brought EBIT in Finland into the red. The greatest market disruption was seen in respect of poultry meat.
- The lacklustre profitability development achieved in Finland will speed up the launch of development projects in the Group's business chain.
- Preliminary plans have HK Ruokatalo centralizing its production activities and markedly scaling back production outsourced to subcontractors.
- As a part of its responsibility scheme, HK Ruokatalo announced early in the year that it would launch on the market in 2011 a new, tastier and more healthful pork meat in which the fat content has been naturally modified to conform to nutrition recommendations.
- Industrial action in the food industry is projected to have a clear depressive impact on sales and earnings in Finland.

Market area: Sweden



	Q1/ 2010	Q1/ 2009	2009
Net sales, EUR mill.	230.5	238.4	1 037.4
EBIT, EUR mill.	2.7	2.1	16.7
- EBIT margin, %	1.2	0.9	1.6

- Net sales in Sweden declined to EUR 230.5 million. EBIT increased.
- Sales were especially good in March and the company performed ahead of targets in respect of e.g. sandwich meats sold under the Pärsons brand.
- The industrial restructuring launched in September 2009 at Scan is proceeding on schedule and according to plans.
- The restructuring continues to give rise to some additional production expenditure.
- In March Scan concluded a cooperation agreement with Swedish central retail organization Coop on supplying consumer-packed meat.

Market area: Baltics



	Q1/ 2010	Q1/ 2009	2009
Net sales, EUR mill.	35.8	37.3	156.9
EBIT, EUR mill.	1.1	1.0	9.8
- EBIT margin, %	3.0	2.7	6.3

- In the market area of the Baltics, AS Rakvere Lihakombinaat and AS Tallegg enhanced their profitability and solidified their position in the market.
- Business environment in the Baltics:
 - difficulties in the national economies
 - higher unemployment has reduced consumption
 - intensifying competition
- Net sales in the Baltics were in line with the comparison year. EBIT increased to EUR 1.1 million (EUR 1.0m in 2009) thanks to adaptation of the product range and successful cost control.
- AS Rigas Miesnieks has announced the signing of a letter of intent on acquiring a holding in excess of 90 percent in the Latvian AS Jelgavas Galas Kombinats. The planned acquisition will strengthen the position of the HKScan Group as industry leader in Latvia. .

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Market area: Poland

*)	Q1/ 2010	Q1/ 2009	2009
Net sales, EUR mill.	63.9	56.4	251.7
EBIT, EUR mill.	4.2	1.6	9.3
- EBIT margin, %	6.6	2.9	3.7

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

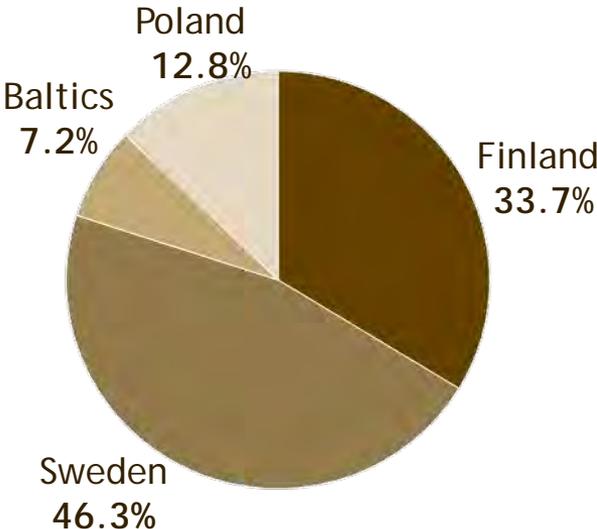
- In Poland, Sokolów's Q1 net sales measured in euro grew by 13 percent.
- The profitability of the business has improved markedly.
- Sokolów's Q1 earnings EUR 4.2 million:
 - successful Easter sales
 - robust progress in modern retail chains
 - accomplished cost control
 - good subsidiary performance
 - momentum in exports
- The European economic recession is not markedly evident in food consumption or consumer buying decisions in Poland.

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Breakdown of net sales and EBIT

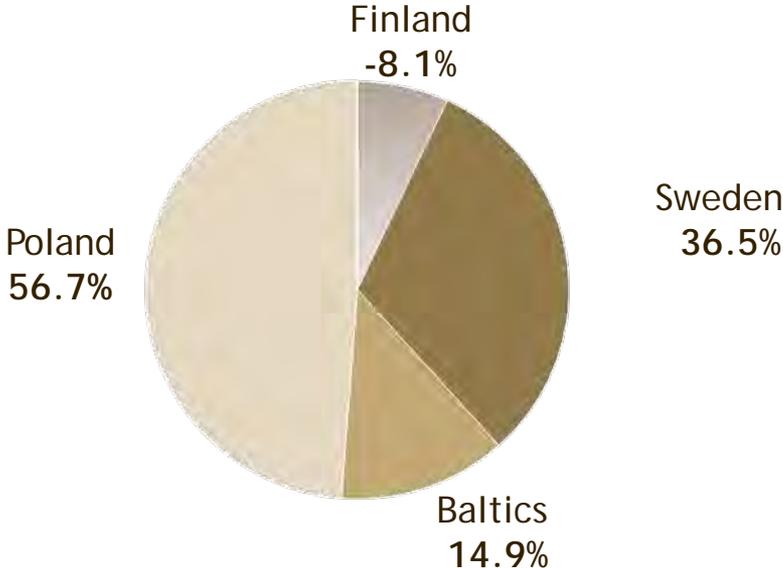
Q1/2010

Net sales EUR 483.6 million



* shares calculated including internal sales

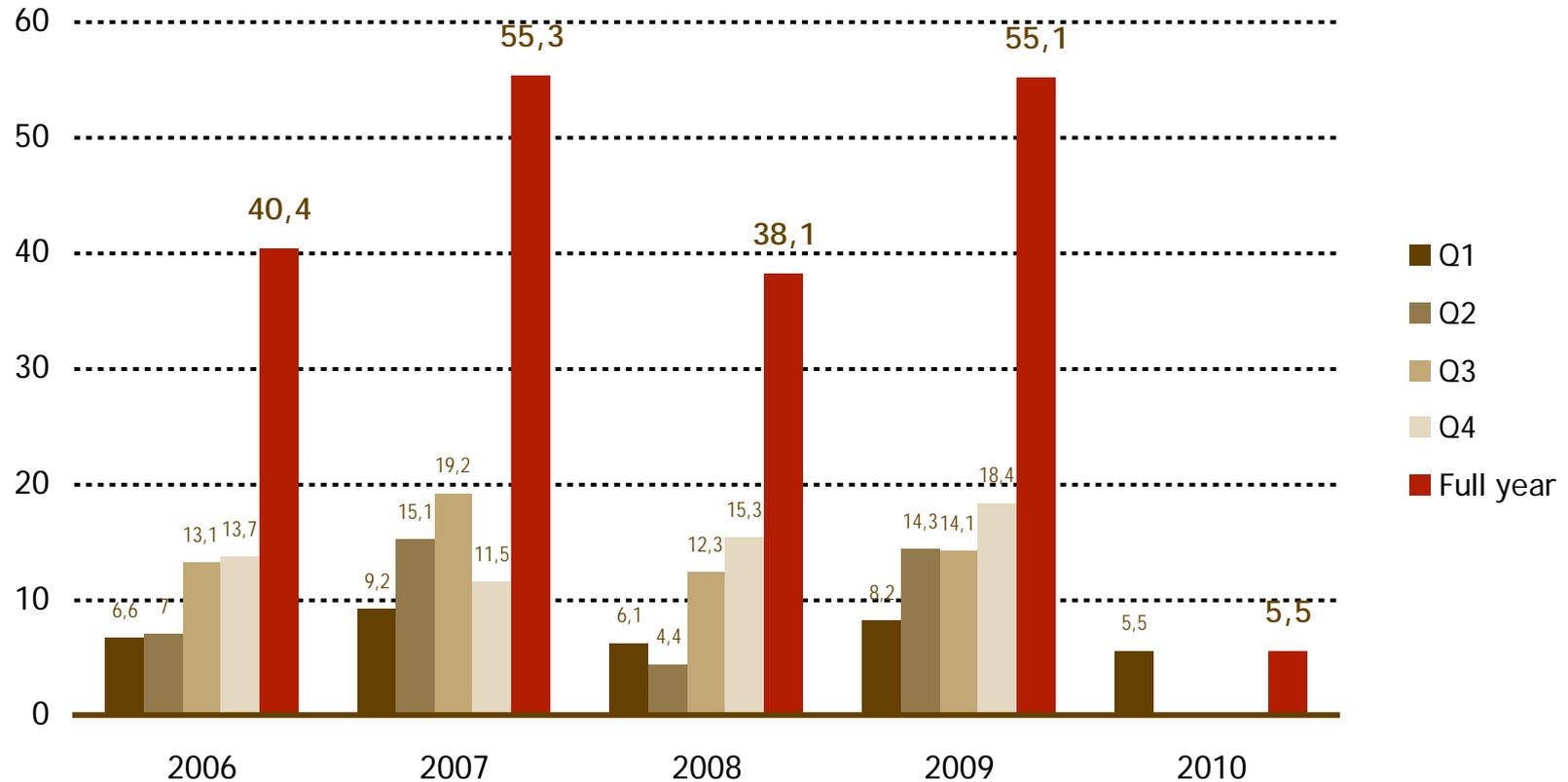
EBIT EUR 5.5 million



* shares calculated exclusive of Group administration costs

Quarterly EBIT* development

Meur



* reported

Future outlook



Consumer demand for food is still expected to remain steady in the Group's home markets and export markets are anticipated to pick up somewhat towards the end of the year. Business streamlining programmes, in particular the progress of the restructuring programme in Sweden and the launch of the streamlining programme planned in Finland, provide the foundation for the more favourable development of the Group's competitiveness and profitability.

In the Group's Finnish business, the industrial action, which started in April is projected to have a clear depressive impact on the segment's sales and earnings. It is also projected to result in the Group's profitability in the second quarter not reaching the level of the previous year.

With performance in the first half of the year falling markedly short of the same a year ago, the Group's full-year EBIT exclusive of non-recurring items is estimated to be at a level somewhat lower than in 2009.

HKScan income statement

(EUR million)	Q1/2010	Q1/2009	2009
NET SALES	483.6	492.1	2 124.7
Operating income and expenses	-464.1	-470.5	-2 013.3
Share of associates' results	0.5	0.2	0.9
Depreciation and impairment	-14.6	-13.6	-57.2
EBTI	5.5	8.2	55.1
- % of net sales	1.1	1.7	2.6
Financial income	2.2	1.9	5.2
Financial expenses	-4.8	-8.7	-24.9
Share of associates' results	1.0	0.3	2.0
PROFIT / LOSS BEFORE TAXES	3.9	1.7	37.3
- % of net sales	0.8	0.3	1.8
Income tax	0.1	-1.3	-4.9
PROFIT / LOSS FOR THE PERIOD	4.0	0.4	32.5
PROFIT / LOSS FOR THE PERIOD ATTRIBUTABLE TO			
Equity holders of the parent	3.4	0.1	29.9
Minority interests	0.6	0.3	2.6
TOTAL	4.0	0.4	32.5
Earnings/share, continuing operations, EUR	0.06	0.00	0.64

HKScan statement of comprehensive income

(EUR million)	Q1/2010	Q1/2009	2009
Profit / loss for the period	4.0	0.4	32.5
OTHER COMPREHENSIVE INCOME (after taxes)			
Exchange differences on translating foreign operations	7.2	-6.4	1.8
Available-for-sale investments	0.4	-0.2	0.4
Cash flow hedging	-2.8	-0.6	-7.1
TOTAL OTHER COMPREHENSIVE INCOME	4.8	-7.2	-4.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8.8	-6.8	27.6
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO			
Equity holders of the parent	8.0	-6.9	24.8
Minority interests	0.8	0.1	2.8
Total	8.8	-6.8	27.6

Consolidated balance sheet

(EUR million)	31.3.2010	31.3.2009	31.12.2009
ASSETS			
Non-current assets			
Intangible assets	68.3	57.0	65.7
Goodwill	90.3	82.7	88.2
Tangible assets	479.4	468.9	469.1
Holdings in associates	22.7	18.3	20.9
Trade and other receivables	21.0	18.5	18.2
Available-for-sale investments	11.1	9.8	10.5
Deferred tax asset	14.2	9.8	12.3
Total non-current assets	707.0	665.1	685.0
Current assets			
Inventories	133.5	144.9	118.7
Trade and other receivables	199.6	194.6	194.3
Income tax receivable	0.3	1.5	0.2
Other financial assets	2.1	2.1	2.0
Cash and cash equivalents	49.5	67.5	73.9
Total current assets	385.1	410.7	389.0
TOTAL ASSETS	1 092.1	1 075.8	1 074.0

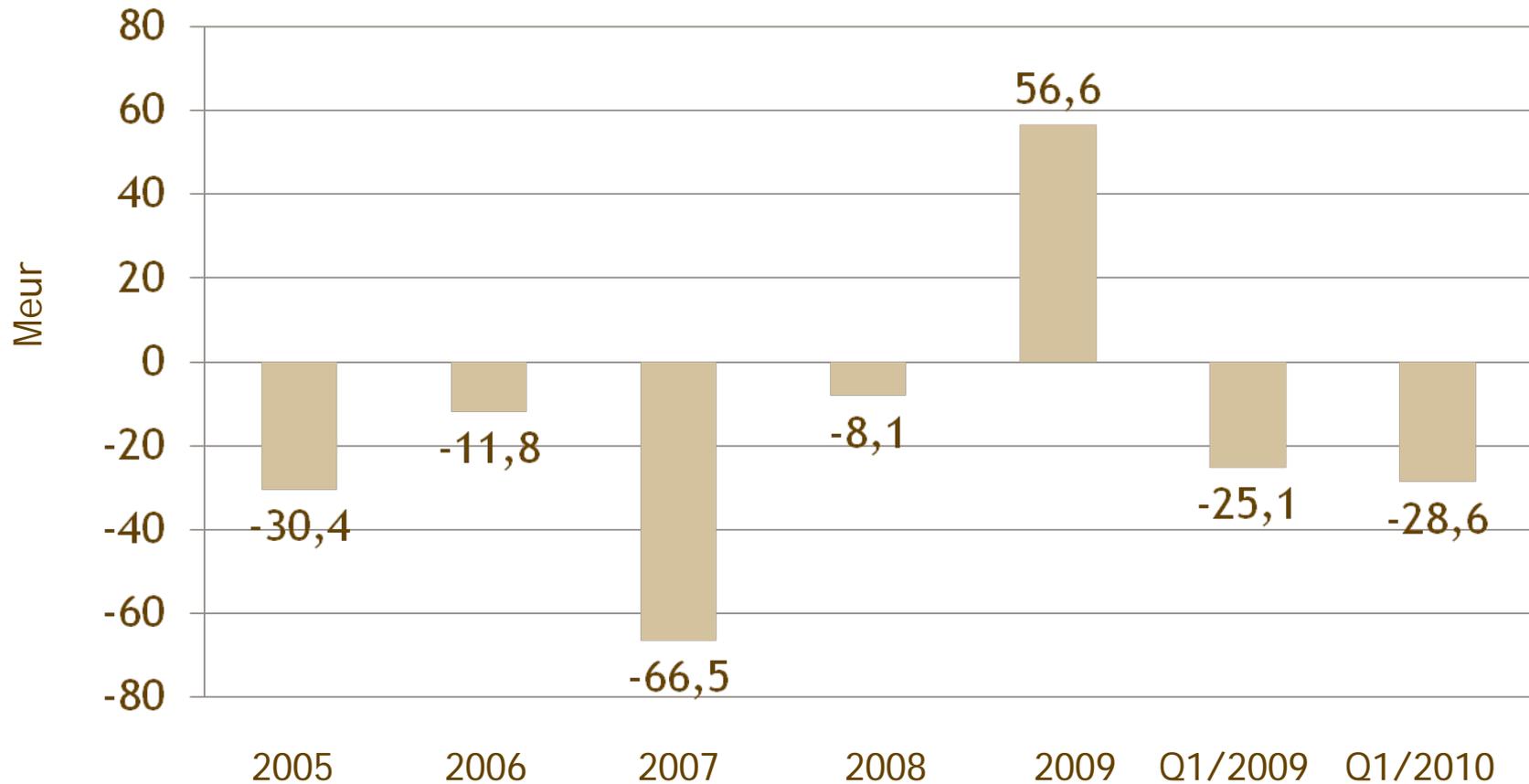
Consolidated balance sheet

(EUR million)	31.3.2010	31.3.2009	31.12.2009
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	396.2	311.5	389.3
Minority interest	9.5	5.5	9.4
Total shareholders' equity	405.7	317.0	398.7
Deferred tax liability	31.7	33.2	32.2
Non-current interest-bearing liabilities	335.6	428.1	329.9
Non-current non-interest bearing liabilities	5.0	5.3	5.9
Pension commitments	3.5	3.6	3.6
Non-current provisions	6.0	2.7	8.5
Non-current liabilities	381.9	472.9	380.1
Current interest-bearing liabilities	99.4	89.7	87.5
Trade and other payables	199.0	193.1	202.0
Income tax liability	3.0	0.6	2.7
Current provisions	3.1	2.4	2.8
Current liabilities	304.5	285.8	295.1
EQUITY AND LIABILITIES	1 092.1	1 075.8	1 074.0

Cash flow statement

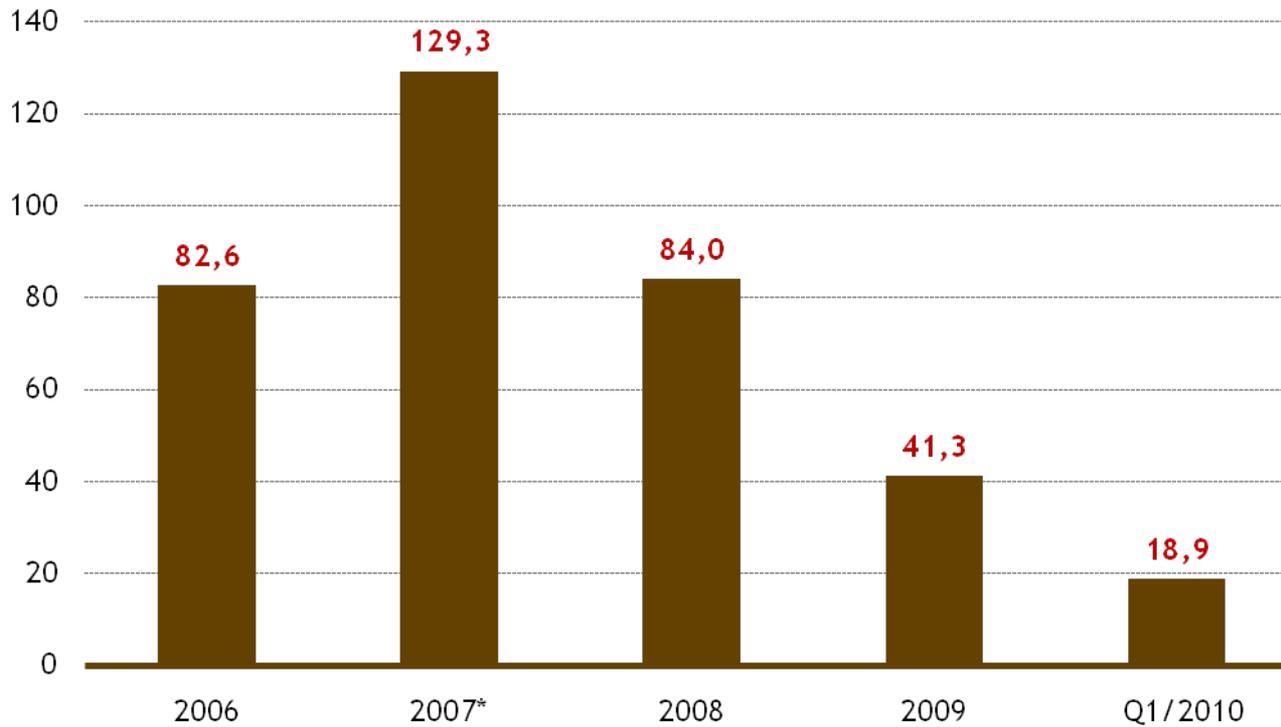
(EUR million)	31.3.2010	31.3.2009	2009
Operating activities			
EBIT and depreciation (incl. adjustments)	19.4	24.0	111.9
Change in provisions	-2.8	2.0	7.6
Change in net working capital	-27.2	-30.2	2.5
Financial income and expenses	-2.6	-6.8	-19.7
Taxes	0.1	-1.3	-4.9
Net cash flow from operating activities	-13.1	-12.4	97.4
Investing activities			
Gross investments in PPE	-16.1	-13.2	-43.7
Disposals of PPE	1.5	0.5	2.9
Investments in subsidiary	0.0	-	-4.7
Shares in associates acquired	-0.3	0.0	-0.3
Loans granted and repaid	-0.6	0.1	5.1
Net cash flow from investing activities	-15.5	-12.7	-40.8
Cash flow before financing activities	-28.6	-25.1	56.6
Financing activities			
Proceeds from share offering	-	-	76.8
Repayments of hybrid bond	-	-	-20.0
Loans raised and repaid	3.2	2.9	-121.8
Interest on hybrid bond	-	-	-2.1
Dividends paid	-	-	-9.4
Purchases of own shares	0.0	0.0	0.0
Net cash flow from financing activities	3.2	2.9	-76.5
Change in cash and cash equivalents	-25.5	-22.2	-19.9

Cash flows after investments 2005-2010



Investments

Meur



* exclusive of enterprise value on Scan AB acquisition

Financial highlights

	31.3.2010	31.3.2009	2009
EPS, diluted, EUR	0.06	0.00	^{*)} 0.64
Equity / share, 31.3., EUR ^{*)}	7.34	6.99	7.21
Dividend per share			0.22
Equity ratio, %	37.2	29.5	37.1
Average no. of shares, mill.			
- average in period	54.0	44.6	44.9
Production-related investment, EUR mill.	18.9	12.7	41.3
Average no. of employees	6 825	6 968	7 429

^{*)} Interest accrued on the hybrid bond has been deducted from profit for the period in calculating earnings per share.

Per-data share for the comparison year has been adjusted for the 2009 share offering.

Financial targets and target achievement

2006 - Q1/2010

	Target	Achievement				
		Q1/2010	2009	2008	2007	2006
EBIT	over 5% of net sales	1.1	2.6	1.7	2.6	4.3
Return on equity	over 15%	4.0	9.0	2.3	9.2	11.9
Equity ratio	over 40%	37.2	37.1	29.5	29.3	43.7
Dividend distribution	at least 30% of net earnings		34.5	199.3	37.7	34.2

