

HKScan

HKScan Corporation
Q3 Interim report, 5 Nov 2010

CEO Matti Perkonen

Media and investor briefing, 5 November
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

- upon closing of transaction of Rose Poultry A/S

HKScan Corporation

Net sales in 2009: EUR 2,124.7 million*, CEO Matti Perkonaja

Finland

Net sales in 2009:
EUR 73.,5 million

HKScan Finland Oy
Managing Director
Jari Leija



Sweden

Net sales in 2009:
EUR 1,037.4

Scan AB
Managing Director
Denis Mattsson



Denmark

Net sales in
2008/2009:
over EUR 200
million

Rose Poultry A/S
Managing Director
Per V. Møller



Baltia

Net sales in 2009:
EUR 156.9 million

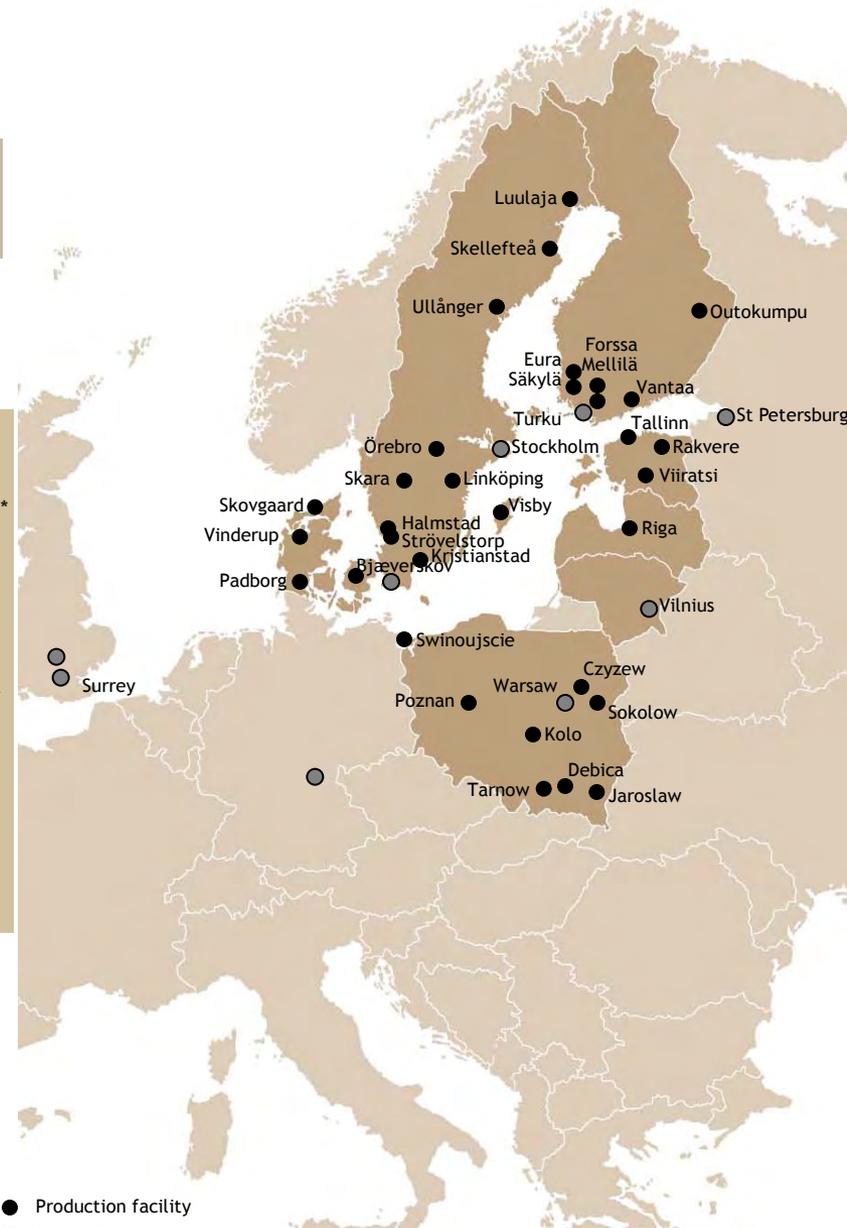
AS Rakvere
Lihakombinaat
Managing Director
Anne Mere
AS Tallegg
Managing Director
Teet Soorm



Poland

Net sales in 2009:
EUR 251.7 million**

Saturn Nordic
Holding AB
-> Sokolow
Managing Director
Boguslaw Miszczuk



- Production facility
- Sales office

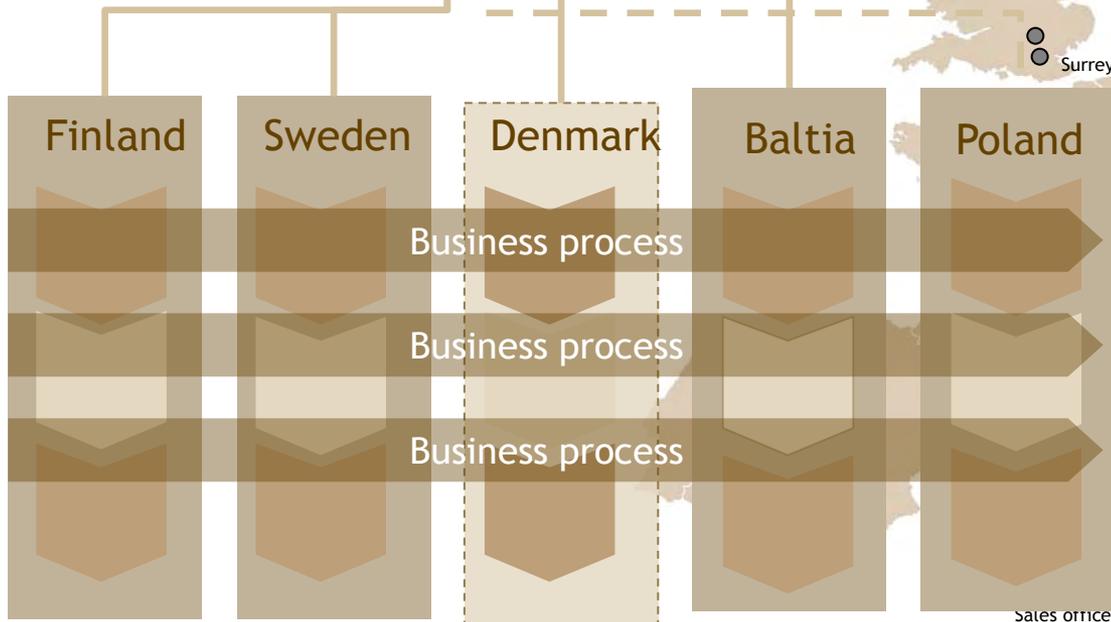
HKSCAN

* Between segments - Finland, Sweden, Baltic and Poland - EUR -53,9 million, does not include Rose Poultry's net sales from Denmark

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

Group structure

- upon closing of transaction of Rose Poultry A/S



CUSTOMERS

HKScan

HKScan Corporation

	Q3/ 2010	Q3/ 2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales, EUR mill.	532.4	533.5	1 518.3	1 567.2	2 124.7
EBIT, EUR mill.	18.8	14.1	32.3	36.6	55.1
EBIT margin, %	3.5	2.6	2.1	2.3	2.6
Profit before taxes	16.5	10.8	25.3	21.9	37.3
EPS, EUR	0.24	0.20	0.37	0.35	0.64

- HKScan's Q3 was as planned. EBIT for the third quarter rose to EUR 18.8 million:
 - Normalisation of business in Finland
 - Non-recurring gains in Sweden
 - Excellent success in the Polish market area
- The Group's net sales over the nine-month period came to EUR 1 518.3 million and EBIT to EUR 32.3 million.
- The company's strategic strengths, decentralized geographical structure and large number of product segments support the steady and predictable development of the business .
- HKScan Corporation and the owners of the Danish company, Rose Poultry A/S signed an agreement in September according to which Denmark's largest poultry company, Rose Poultry A/S, will be acquired by HKScan.
- The company reaffirms its given previously earnings guidance: The Group's full-year EBIT exclusive of non-recurring items is estimated to fall somewhat short of the level seen in 2009.



Market area: Finland

	Q3/ 2010	Q3/ 2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales, EUR mill.	179.0	181.6	520.3	547.2	732.5
EBIT, EUR mill.	6.8	7.7	6.0	20.6	27.0
- EBIT margin %	3.8	4.2	1.2	3.8	3.7

- In Finland, the situation was returning to normal. EBIT in the third quarter came to EUR 6.8 million.
- Finland:
 - The summer barbecue season was successful and sales were in line with expectations.
 - HK Ruokatalo adjusted specified its development plans, which aim to:
 - Strengthen the company's position and increase work productivity in Finland
 - Deliver development benefits of EUR 12.5 million by the end of 2011
 - The export deliveries of the production facilities in Forssa and Mellilä to Russia were disrupted in July. The export ban with respect to the Mellilä production facility was lifted in late August. Disruption of exports from Forssa has caused some growth in stocks.
 - In collaboration with its partners HK Ruokatalo has developed a new kind of pork, Rapeseed pork, which is both tasty and good for the heart. The new heart-healthy Rapeseed pork products will be launched on the consumer market in February 2011.
 - The Finnish Competition Authority approved on 6 October 2010 the plan of HKScan Finland Oy and Järvi- Suomen Portti Osuuskunta to establish a new corporate entity. The aim is for the new company to begin operations not later than at the turn of 2010/2011.

Places of business in Finland



Head office: Turku

HK Ruokatalo Oy

Vantaa: Processed meats, convenience foods, distribution centre

Forssa: Pork slaughtering and cutting

Mellilä: Pork and sow slaughtering

Outokumpu: Beef slaughtering and cutting

Eura: Poultry production

Säkylä: Processed meats and convenience foods

LSO Foods Oy: Forssa, Turku

'Järvi-Suomen Portti', new corporate entity: Mikkeli

Lihatukku Harri Tamminen Oy: Vantaa, Espoo

Kivikylän Kotipalvaamo Oy: Rauma, Huittinen

Länsi-Kalkkuna Oy: Säkylä

Best-In Oy: Kuopio

Market area: Sweden



	Q3/ 2010	Q3/ 2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales, EUR mill.	249.8	256.2	722.1	759.1	1 037.4
EBIT, EUR mill.	6.6	2.5	12.3	7.6	16.7
- EBIT margin, %	2.6	1.0	1.7	1.0	1.6

- Net sales in Sweden amounted to EUR 249.8 million. The reasons for the decrease in net sales were:
 - Disruptions in supply relating to the running-in phase of the new logistics centre
 - The considerable increase in beef imports, which has decreased consumption and market price level of Swedish beef
 - The strengthened Swedish krona has significantly weakened the competitiveness of Swedish raw material-based production
- EBIT came in at EUR 6.6 million. EBIT was increased by the EUR 7.9 million gains on the disposal of the production facilities in Uppsala and Visby.
- During the early part of the year the ongoing restructuring has given rise to an estimated EUR 8 million in additional expenditure, of which ca. EUR 4.6 million was in Q3.
- Sweden:
 - In September, Scan AB decided to expand the development programme initiated a year ago to secure the development benefits of EUR 30 million announced in 2009.
 - Scan's national distribution centre in Linköping was inaugurated in August.
 - The Pärsons brand of cold cuts succeeded well in Q3. The Scan brand, too, has strengthened its position in processed products.

Plan: restructuring in Sweden 2011-2013

Scan AB, ÖREBRO

- Production of food sausages to Linköping

Scan AB, SKARA

- New solution based on shared model of operation
- Transfer of head office and administrative functions to Linköping

STRÖVELSTORP (Pärsons)

- Transfer to Scan's other production facilities



Scan AB, LINKÖPING

- Centralization of production of food sausages
- Logistics centre
- Centralization of head office and administrative functions

Scan AB, KRISTIANSTAD

- Transfer of production of food sausages to Linköping

Market area: Baltics



	Q3/ 2010	Q3/ 2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales, EUR mill.	42.3	40.5	118.4	118.8	156.9
EBIT, EUR mill.	2.5	3.4	6.9	7.9	9.8
- EBIT margin, %	6.0	8.3	5.8	6.6	6.3

In the Baltics the business environment was impacted by:

- Recession
- Tightening competition
- Erosion in consumer purchasing power

In the Baltics, EBIT was EUR 2.5 million.

- Earnings were eroded by the merger of Jelgavas Galas Kombinats with AS Rigas Miesnieks, which acquired the company at the beginning of the year

The Baltics:

- In Latvia, the efficiency of operation has been enhanced by consolidating the sales and logistics function of Rigas Miesnieks and Jelgavas Galas Kombinats as of September. Production-related activities will be centralized during the course of next year mainly in Jelgavas' new and efficient facility. Rigas Miesnieks' dispatching department and administration will remain in Riga.
- Rakvere Lihakombinaat's animal waste processing unit was completed in August. The new facility is the most efficient and environmentally friendly in its sector in Estonia.



Market area: Poland

*)	Q3/ 2010	Q3/ 2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales, EUR mill.	76.9	69.2	206.8	186.5	251.7
EBIT, EUR mill.	4.3	2.2	12.5	6.4	9.3
- EBIT margin, %	5.6	3.2	6.1	3.4	3.7

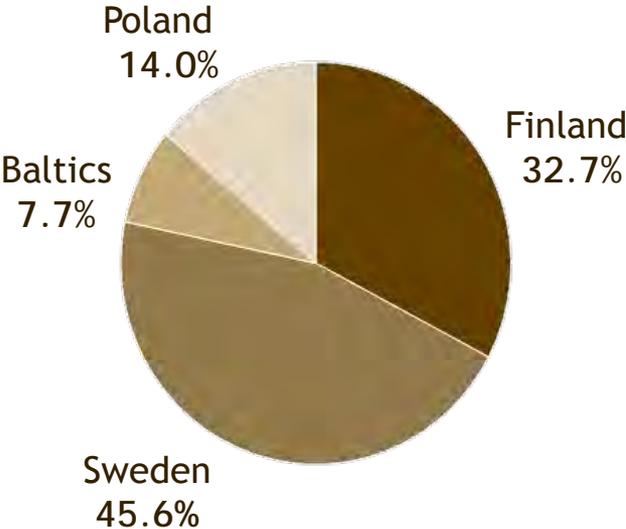
*) The figures refer to HKScan's share (50%) of the Sokolów Group's figures.

- In Poland, Sokolów's EBIT nearly doubled to EUR 4.3 million.
- Net sales increased to EUR 76.9 million.
- Poland:
 - The company had even greater success in the ranges of super- and hypermarkets of the modern retail chains
 - Exports have risen
 - The company's financial standing is in equilibrium and its cost competitiveness is good
 - Tight cost control has assisted in retaining margins despite the fall in market prices

Breakdown of net sales and EBIT

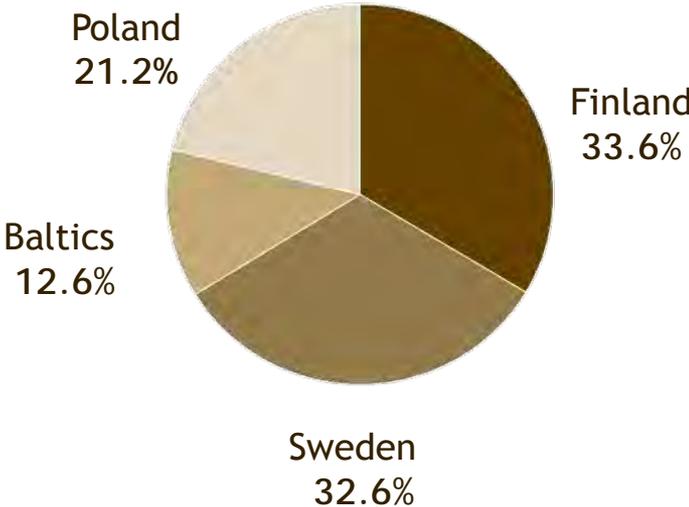
Q3/2010

Net sales EUR 532.4 million



* shares calculated including internal sales

EBIT EUR 18.8 million

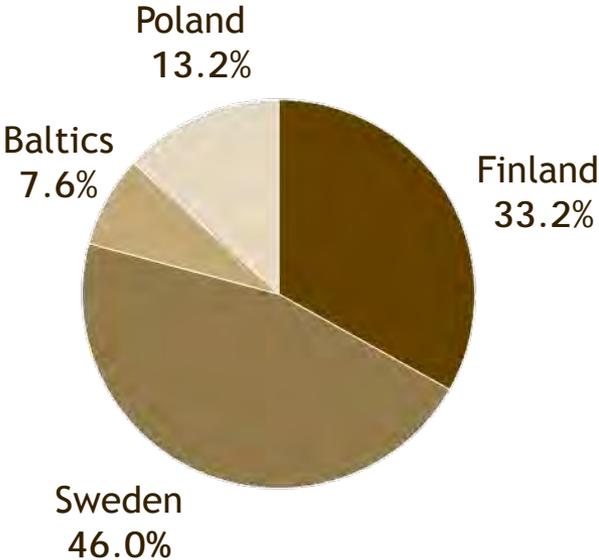


* shares calculated exclusive of Group administration costs

Breakdown of net sales and EBIT

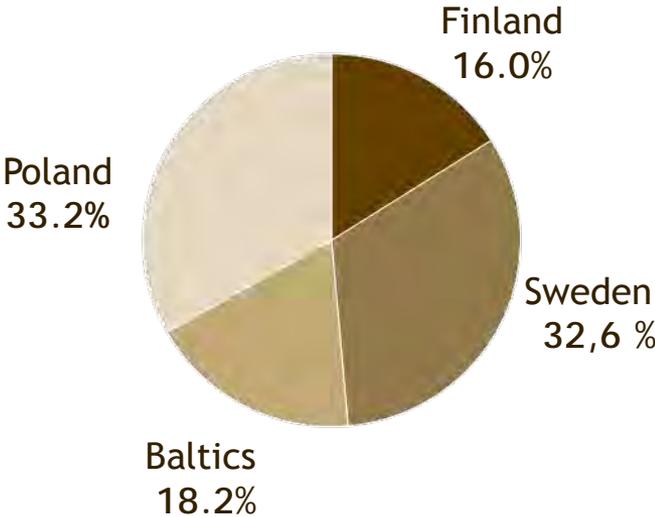
Q1-Q3/2010

Net sales EUR 1 518.3 million



* shares calculated including internal sales

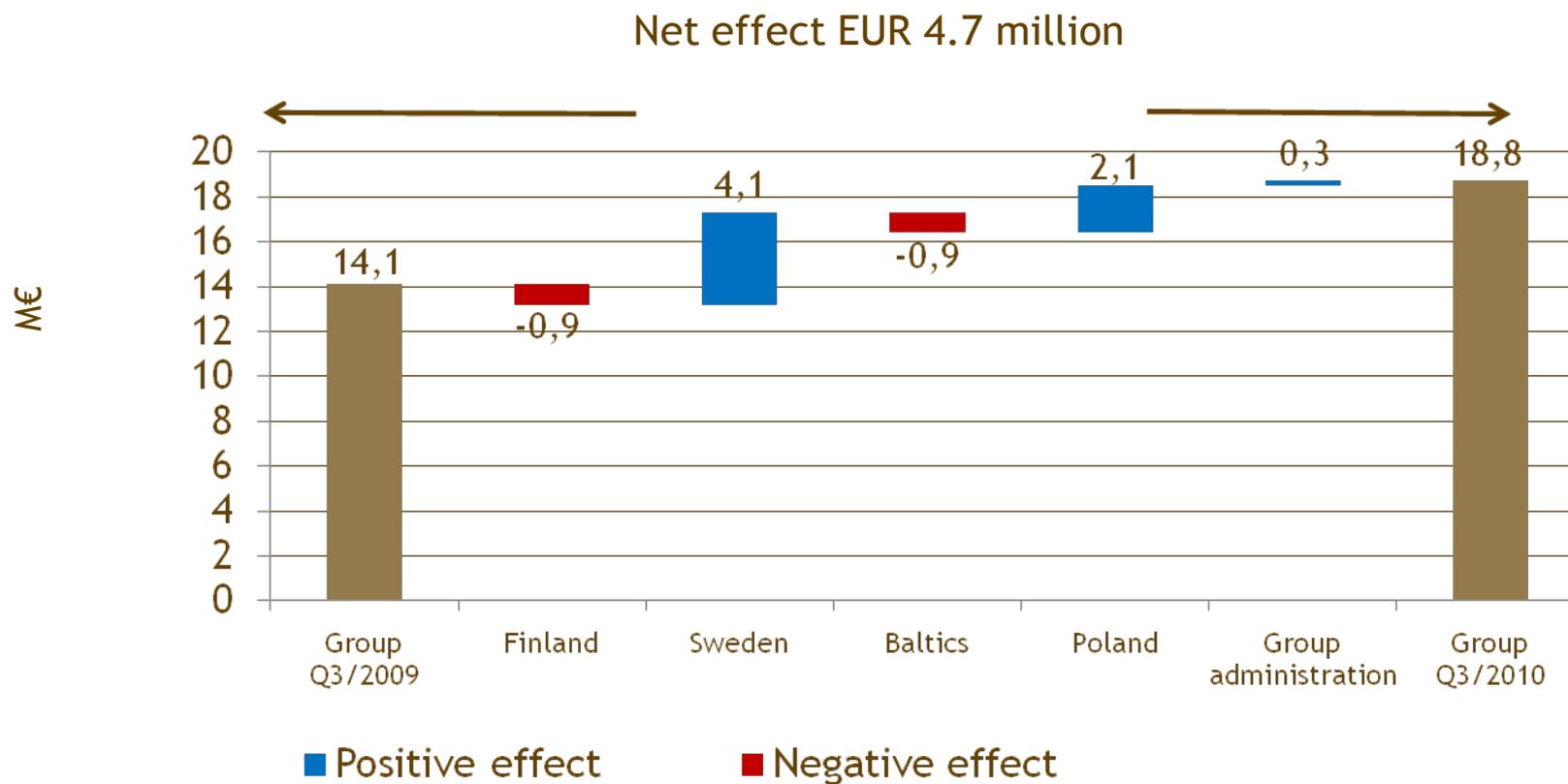
EBIT EUR 32.3 million



* shares calculated exclusive of Group administration costs

Group EBIT Bridge, Reported EBIT

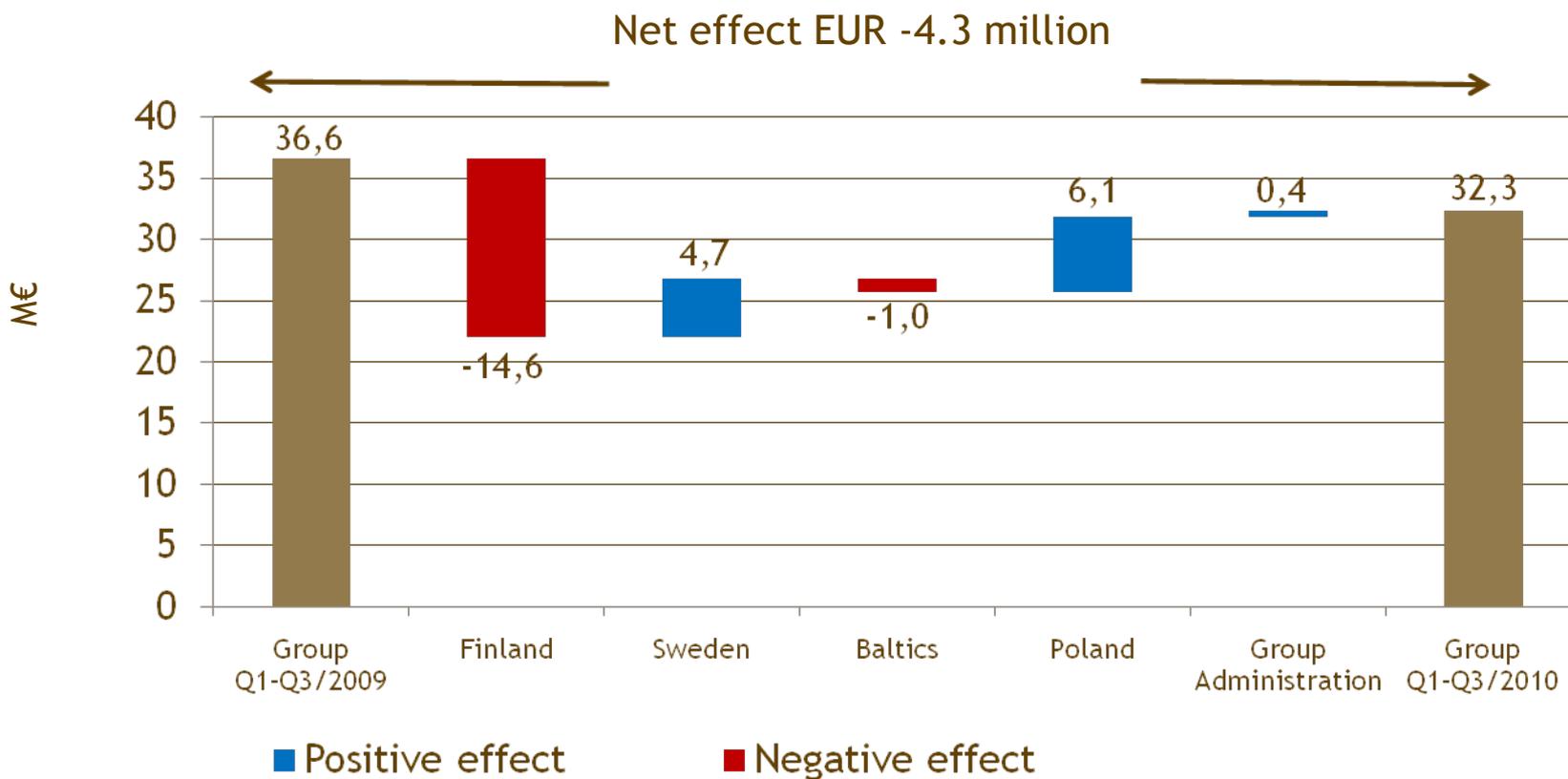
- Q3/2009 vs. Q3/2010



HKScan

Group EBIT Bridge, Reported EBIT

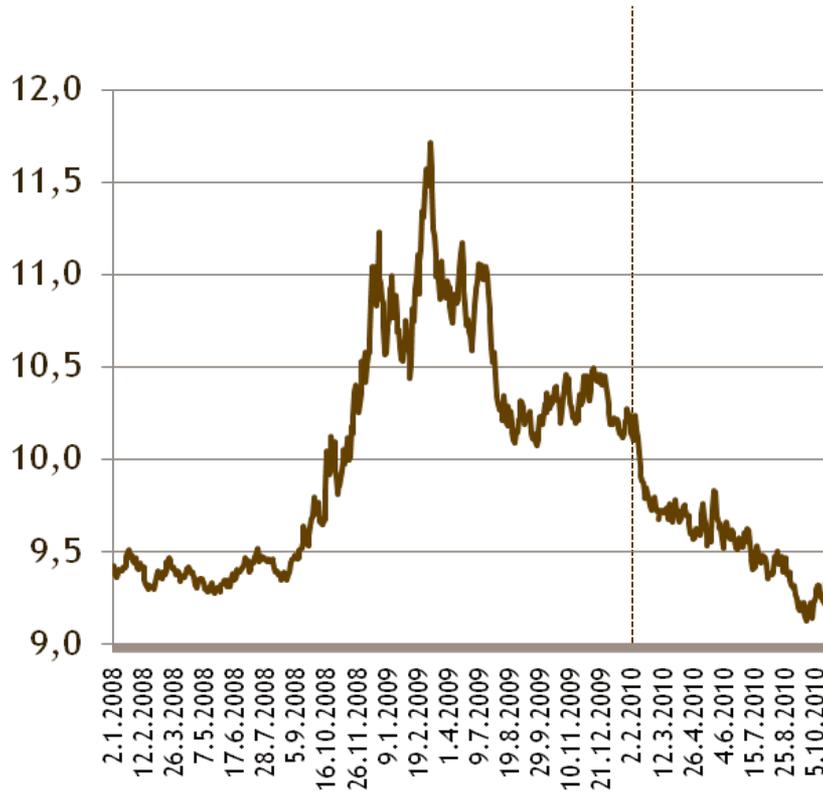
- Q1-Q3/2009 vs. Q1-Q3/2010



HKSCAN

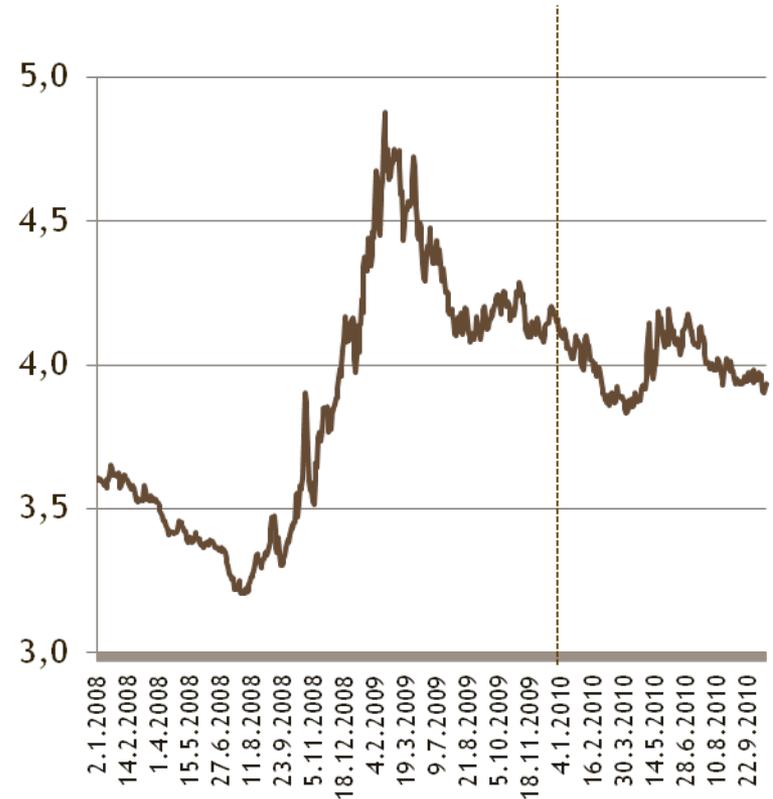
Exchange rate trends

Euro against the Swedish krona, SEK



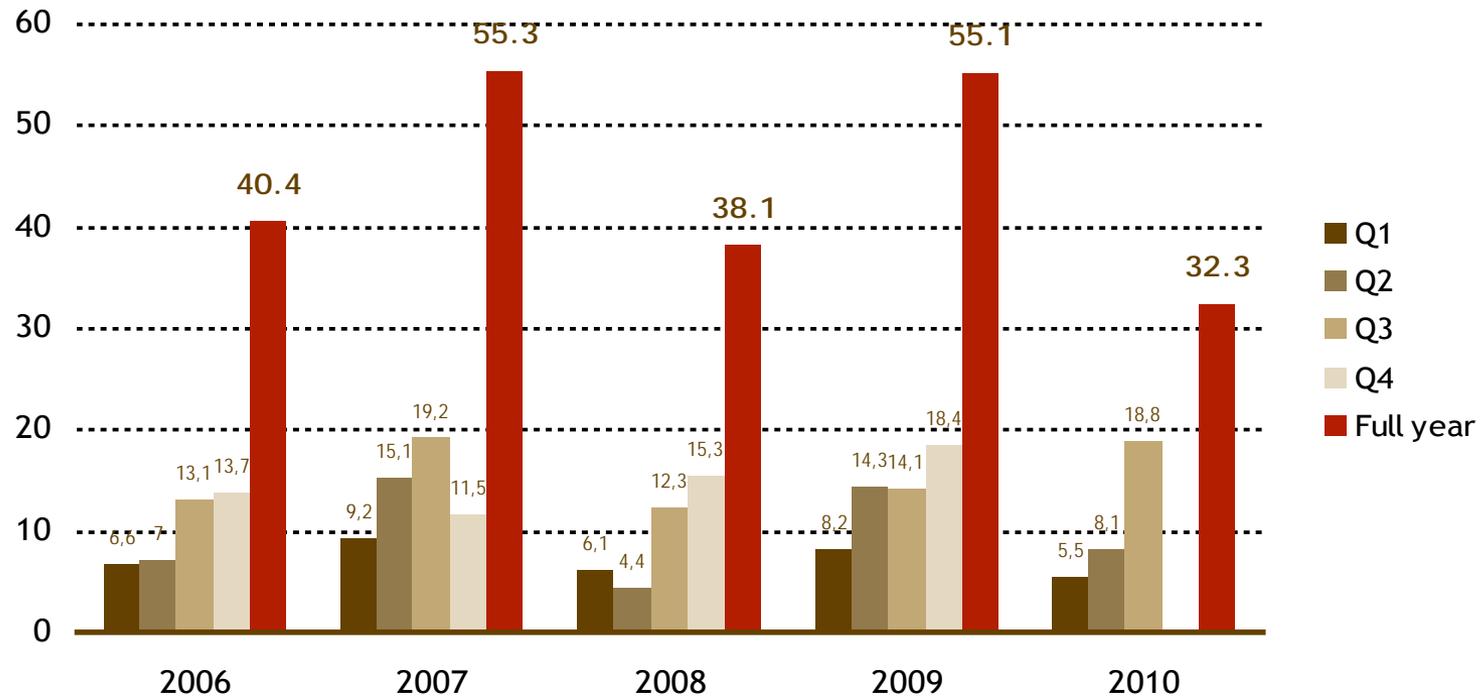
Source: European Central Bank

Euro against the Polish zloty, PLN



Quarterly EBIT * development

EUR million



* reported

Future outlook



Consumer demand for food is expected to continue to remain steady in the Group's home markets. Success in Christmas sales – which are traditionally strong in the company – is crucial in terms of overall performance for the year. The balanced situation in the business and the streamlining programmes already launched and planned provide the foundation for the stronger development of the Group's competitiveness and profitability.

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)	Q3/2010	Q3/2009	Q1-Q3/ 2010	Q1-Q3/ 2009	2009
Net sales	532.4	533.5	1 518.3	1 567.2	2 124.7
Operating income and expenses	-497.7	-504.0	-1 441.7	-1 488.2	-2 013.3
Share of associates' results	0.3	0.6	1.1	0.8	0.9
Depreciation and impairment	-16.2	-16.0	-45.3	-43.2	-57.2
EBIT	18.8	14.1	32.3	36.6	55.1
- % of net sales	3.5	2.6	2.1	2.3	2.6
Financial income	2.0	1.8	5.5	4.9	5.2
Financial expenses	-5.1	-5.6	-14.8	-21.0	-24.9
Share of associates' results	0.8	0.5	2.3	1.4	2.0
PROFIT / LOSS BEFORE TAXES	16.5	10.8	25.3	21.9	37.3
- % of net sales	3.1	2.0	1.7	1.4	1.8
Income tax	-2.7	-1.1	-3.3	-3.3	-4.9
PROFIT / LOSS FOR THE PERIOD	13.8	9.8	22.0	18.7	32.5
PROFIT / LOSS FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	12.9	9.1	19.9	16.7	29.9
Non-controlling interests	0.9	0.7	2.1	2.0	2.6
TOTAL	13.8	9.8	22.0	18.7	32.5
Earnings/share, continuing operations, EUR/share	0.24	0.20	0.37	0.35	0.64

HKScan statement of comprehensive income

(EUR million)	Q3/2010	Q3/2009	Q1-Q3 /2010	Q1-Q3/ 2009	2009
Profit / loss for the period	13.8	9.8	22.0	18.7	32.5
OTHER COMPREHENSIVE INCOME (after taxes)					
Exchange differences on translating foreign operations	5.5	4.6	12.5	1.0	1.8
Available-for-sale investments	0.0	0.2	0.0	0.1	0.4
Cash flow hedging	0.0	-0.3	-3.9	0.2	-7.1
TOTAL OTHER COMPREHENSIVE INCOME	5.5	4.6	8.6	1.3	-4.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19.3	14.4	30.7	20.0	27.6
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	18.1	13.4	28.0	17.7	24.8
Non-controlling interests	1.2	1.0	2.7	2.2	2.8
Total	19.3	14.4	30.7	20.0	27.6

Consolidated balance sheet

(EUR million)	30.9.2010	30.9.2009	31.12.2009
ASSETS			
Non-current assets			
Intangible assets	71.4	64.3	65.7
Goodwill	95.4	85.3	88.2
Tangible assets	490.0	467.5	469.1
Holdings in associates	25.8	20.3	20.9
Trade and other receivables	23.0	21.6	18.2
Available-for-sale investments	11.8	10.6	10.5
Deferred tax asset	13.3	10.5	12.3
Total non-current assets	730.6	680.0	685.0
Current assets			
Inventories	145.2	135.1	118.7
Trade and other receivables	220.7	200.7	194.3
Income tax receivable	3.3	1.4	0.2
Other financial assets	2.2	2.2	2.0
Cash and cash equivalents	58.7	49.1	73.9
Total current assets	430.1	388.4	389.0
TOTAL ASSETS	1 160.7	1 068.4	1 074.0

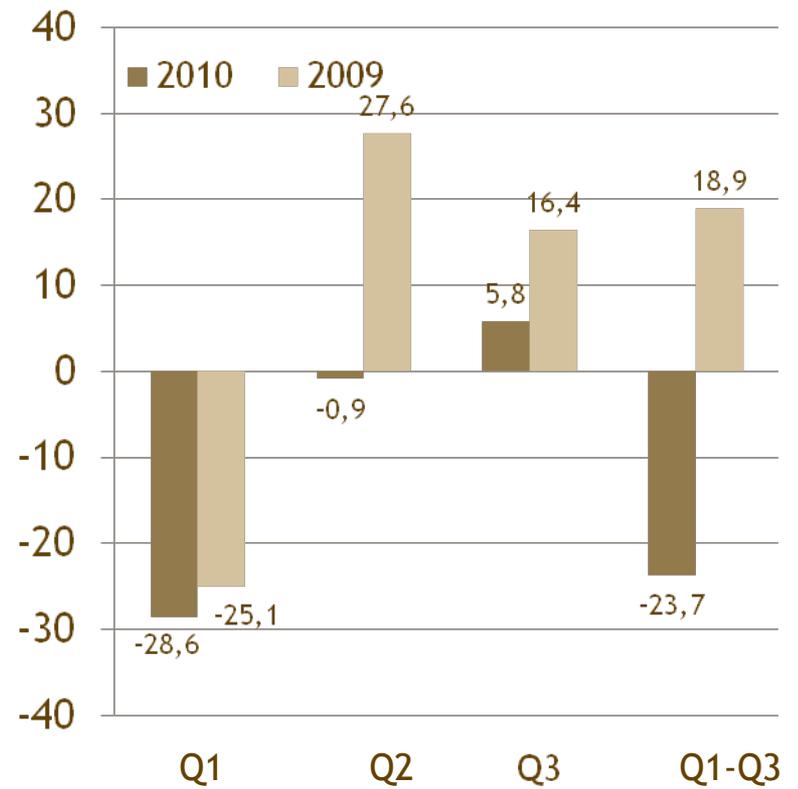
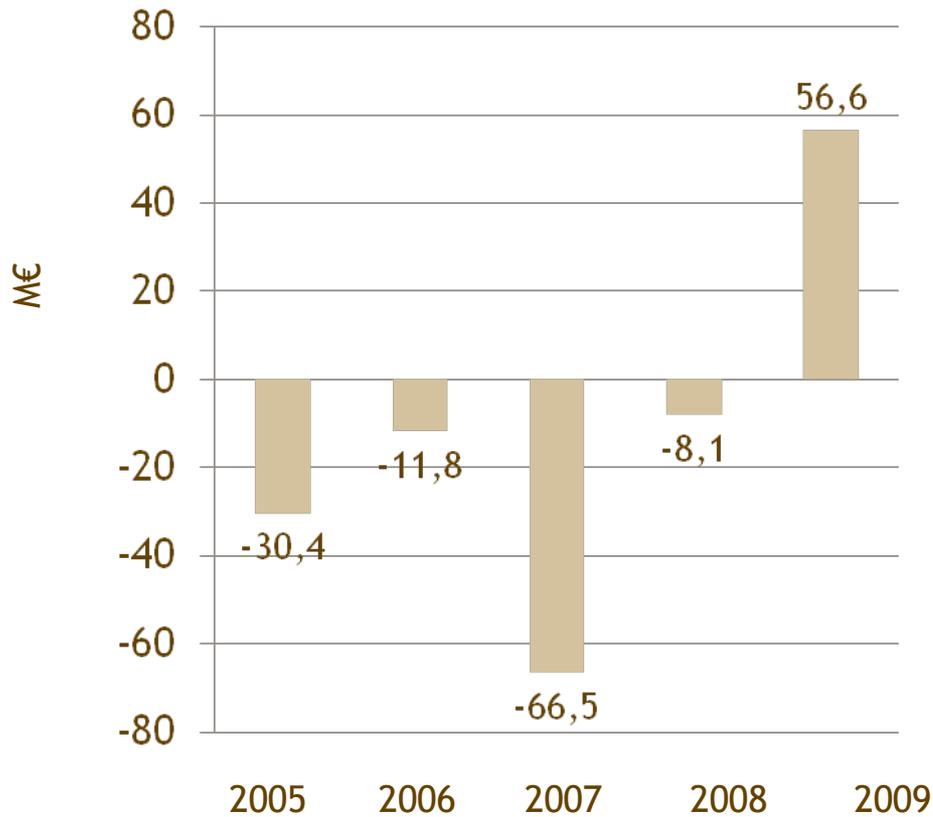
Consolidated balance sheet

(EUR million)	30.9.2010	30.9.2009	31.12.2009
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	404.6	325.6	389.3
Non-controlling interests	10.4	6.2	9.4
Total shareholders' equity	415.1	331.8	398.7
Deferred tax liability	33.6	33.5	32.2
Non-current interest-bearing liabilities	357.7	425.0	329.9
Non-current interest-bearing liabilities	4.8	4.5	5.9
Pension commitments	3.1	3.5	3.6
Non-current provisions	3.0	3.5	8.5
Non-current liabilities	402.2	470.0	380.1
Current interest-bearing liabilities	101.1	58.6	87.5
Trade and other payables	235.3	204.8	202.0
Income tax liability	3.8	0.4	2.7
Current provisions	3.3	2.7	2.8
Current liabilities	343.5	266.5	295.1
EQUITY AND LIABILITIES	1 160.7	1 068.4	1 074.0

Cash flow statement

(EUR million)	1-9/2010	1-9/2009	2009
Operating activities			
EBIT and depreciation (incl. adjustments)	69.8	78.8	111.9
Change in provisions	-6.1	2.8	7.6
Change in net working capital	-29.0	-11.5	2.5
Financial income and expenses	-9.3	-16.1	-19.7
Taxes	-3.3	-3.3	-4.9
Net cash flow from operating activities	22.1	50.7	97.4
Investing activities			
Gross investments in PPE	-50.8	-32.7	-43.7
Disposals of PPE	8.0	1.7	2.9
Investments in subsidiary	-1.3	-0.9	-4.7
Shares in associates acquired	-1.7	0.0	-0.3
Shares in associates disposed	0.2	0.0	0.0
Loans granted and repaid	-0.2	0.3	5.1
Net cash flow from investing activities	-45.8	-31.8	-40.8
Cash flow before financing activities	-23.7	18.9	56.6
Financing activities			
Proceeds from share offering	0.0	0.0	76.8
Repayments of hybrid bond	0.0	0.0	-20.0
Loans raised and repaid	17.0	-52.2	-121.8
Interest on hybrid bond	0.0	-1.3	-2.1
Interest on hybrid bond	-11.9	-9.4	-9.4
Purchases of treasury shares	0.0	0.0	0.0
Net cash flow from financing activities	5.1	-62.9	-76.5
Change in cash and cash equivalents	-18.6	-44.0	-19.9

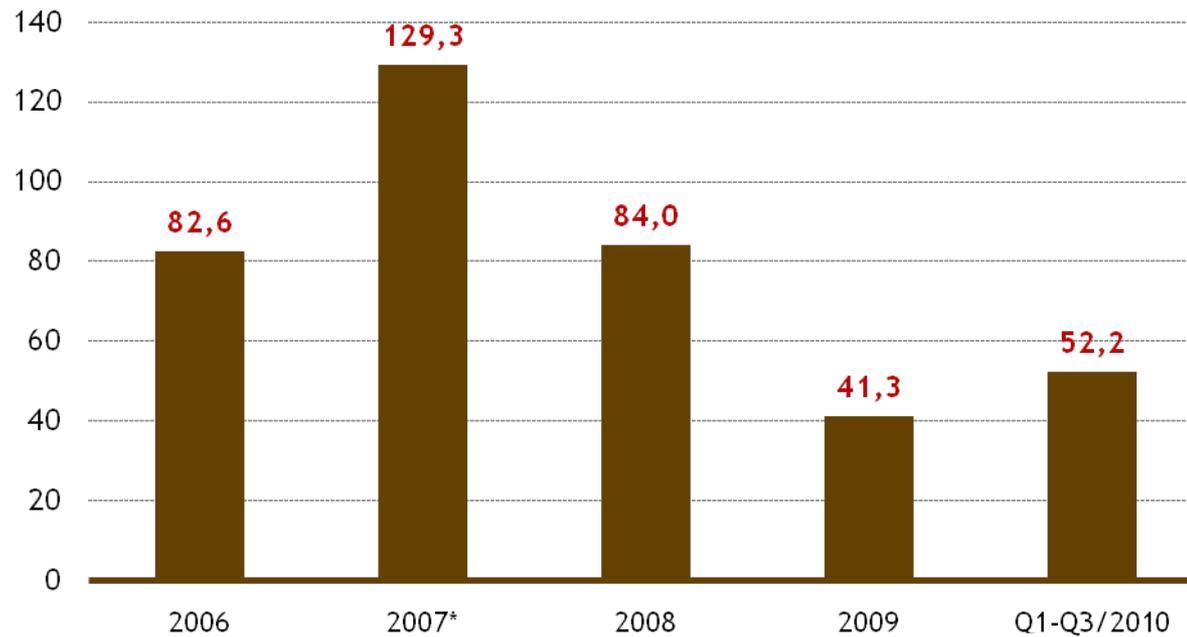
Cash flows after investments 2005-2010



HKScan

Investments

EUR million



* exclusive of enterprise value on Scan AB acquisition

Financial highlights

	30.9.2010	30.9.2009	2009
EPS, diluted, EUR	0,37	0,35	*) 0,64
Equity /share, 30.9., EUR*)	7,50	7,30	7,21
Equity ratio, %	35,8	31,1	37,1
Average no. of shares, mill.			
- average in period	54,0	39,3	44,9
Production-related investment, EUR mill.	52,2	33,8	41,3
Average no. of employees	7 342	7 301	7 429

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

Financial targets and target achievement

2006 - Q3/2010

	Target	Achievement				
		Q1-Q3/ 2010	2009	2008	2007	2006
EBIT	over 5% of net sales	2.1	2.6	1.7	2.6	4.3
Return on equity	over 15%	7.2	9.0	2.3	9.2	11.9
Equity ratio	over 40%	35.8	37.1	29.5	29.3	43.7
Dividend distribution	at least 30% of net sales	-	34.5	199.3	37.7	34.2

An important step in the development of the company's poultry business

- The consumption of poultry meat is continuing to grow globally and in HKScan's market areas.
- Poultry meat is sold fresh especially in Finland and the Baltic countries; in Sweden and Denmark mainly frozen.
- HKScan has know-how and a strong foothold in the poultry meat market in Finland and in the Baltic countries.
- HKScan's poultry meat brands:



Finland



Estonia

- Rose Poultry A/S is Denmark's largest poultry company.
- Upon closing of the transaction, HKScan's operations in the poultry market will expand to Denmark and Sweden.
- The company will become one of the leading players in the poultry market in northern Europe.



Denmark and Sweden



Rose Poultry A/S

- Net sales in the financial year 2008/2009 exceeded EUR 200 million.
- Produces annually more than 130 million kg of poultry meat.
- Products are sold under the company's own Rose brand as well as under private labels.
- Company's main markets: Denmark, Sweden and the UK.
- Rose Poultry is the market leader in its sector in Denmark (approx. 29%).
- Product range consists of fresh and frozen poultry meat and processed products.
- Three production facilities
- Employees, approx. 1 000
- Contract producers in Denmark nearly 100, of which 10 are organic producers.



Rose Poultry A/S

- Net sales (30.9.2009) DKK 1 572.7 mill. (approx. EUR 211.1 million)
- EBIT (30.9.2009) DKK - 5.0 million (approx. EUR -0.7 million)
- For the current financial year commencing on October 1, 2009 net sales estimated to increase slightly and EBIT is estimated to be positive.
- Total asset in its balance sheet (30.9.2009) were DKK 688.9 million (approx. EUR 93 million)
- Interest bearing net debt (30.9.2009) was DKK 356.2 million (EUR 47.8 million).
- The profitability of Rose Poultry corresponds to the average level of profitability in its line of business in Europe.
- The acquisition is in line with the previously announced strategy of the HKScan Group.



Heart-healthier Rapeseed pork



- has eaten feed containing rapeseed oil
- is an innovation whereby the quality of fat in pork has been improved in line with nutritional recommendations (max. 1/3 hard fat)
- beneficial effect on heart health
- contains as much as 4 times more omega 3 fatty acids than ordinary pork
- is a meat which is tastier and more tender
 - The meat is softer
 - Most of the fat melts during cooking
 - The taste of the fat is fresher
- as a raw material also affects current products making them even more healthier

