

HKScan

HKScan Corporation
Q2 Interim report 10 August 2011

CEO Matti Perkonen

Media and investor briefing 10 August 2011

HKScan - Significant Northern European Food Company



- Net sales 2010 EUR 2 113.9 million
- Employees, ca. 11 300:
 - Finland 2 464
 - Sweden 3 143
 - Denmark 913 (31.12.2010)
 - Baltics 1 884
 - Poland 5 734 (50% 2 867)
- Locations in nine countries
- A core business principle of HKScan is consumer and customer satisfaction, which calls for high quality products and service at every stage of the value chain.

Group structure

HKScan Corporation

Net sales in 2010: EUR 2 113.9 million*, CEO Matti Perkonoja
 Pro forma net sales 2010: EUR 2 325.5 million **

Finland

Net sales in 2010:
 EUR 718.5 million

HKScan Finland Oy
 Managing Director
 Jari Leija



Sweden

Net sales in 2010:
 EUR 997.1

Scan AB
 Managing Director
 Denis Mattsson



Denmark

Net sales in
 2009/2010:
 appr. EUR 218.3
 million

Rose Poultry A/S
 Managing Director
 Olli Antniemi



Baltics

Net sales in 2010:
 EUR 160.4 million

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



Poland

Net sales in 2010:
 EUR 279.3 million***

Saturn Nordic
 Holding AB
 -> Sokolów
 Managing Director
 Boguslaw Miszczuk



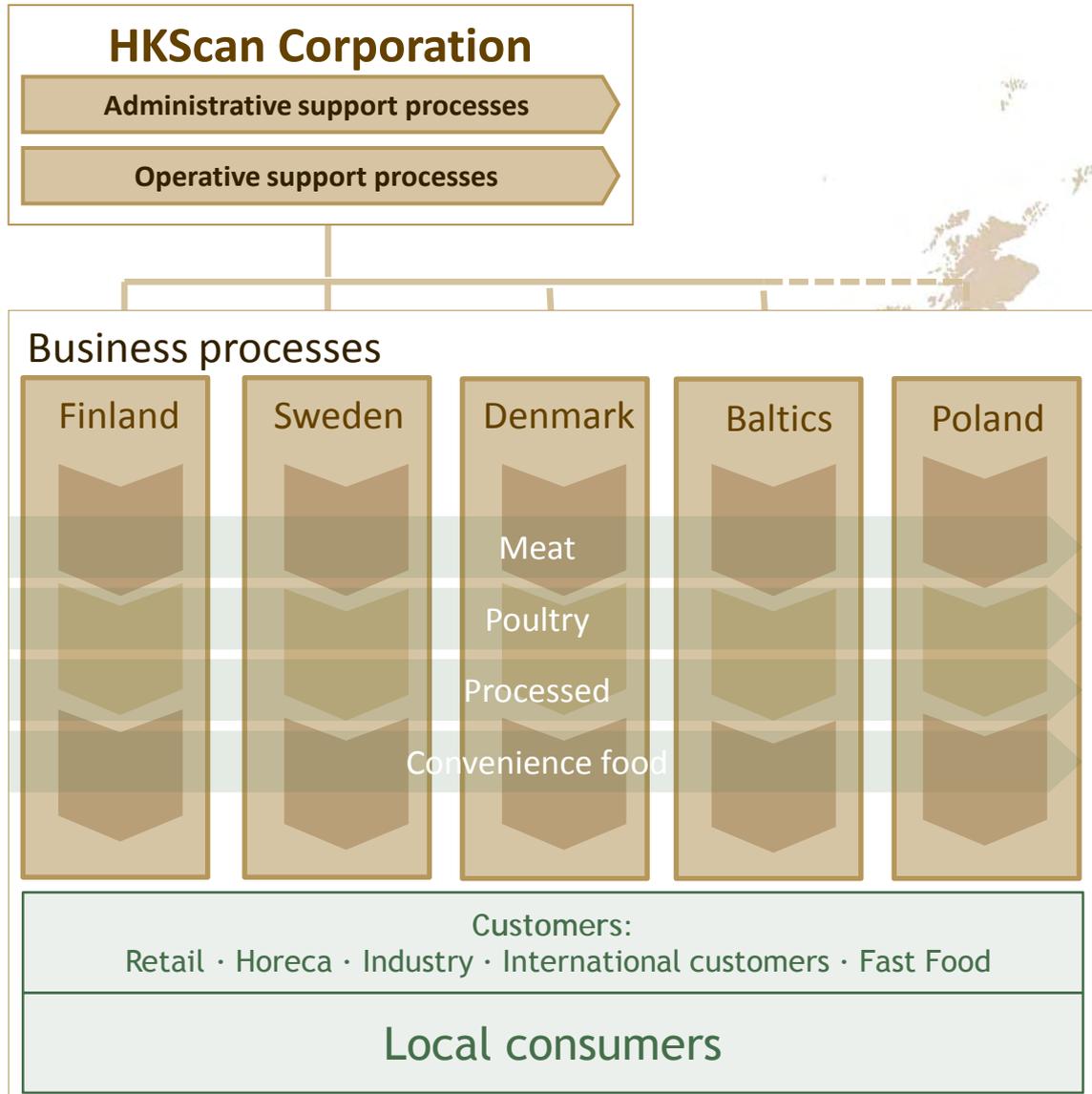
- Production facility
- Sales office

* Between segments - Finland, Sweden, Baltic and Poland - EUR -63.3 million.
 ** Includes as pro forma figures the net sales of operations acquired in 2010.
 ***Joint venture Saturn Nordic Holding AB owned 50/50 by HKScan and Danish Crown holds 100% of shares in Sokolów. In 2010 half of Sokolów's net sales, i.e. EUR 279.3 million were accounted for in HKScan Group figures.

HKScan

MEAT INDUSTRY SHAPER

Business structure



HKScan

MEAT INDUSTRY SHAPER

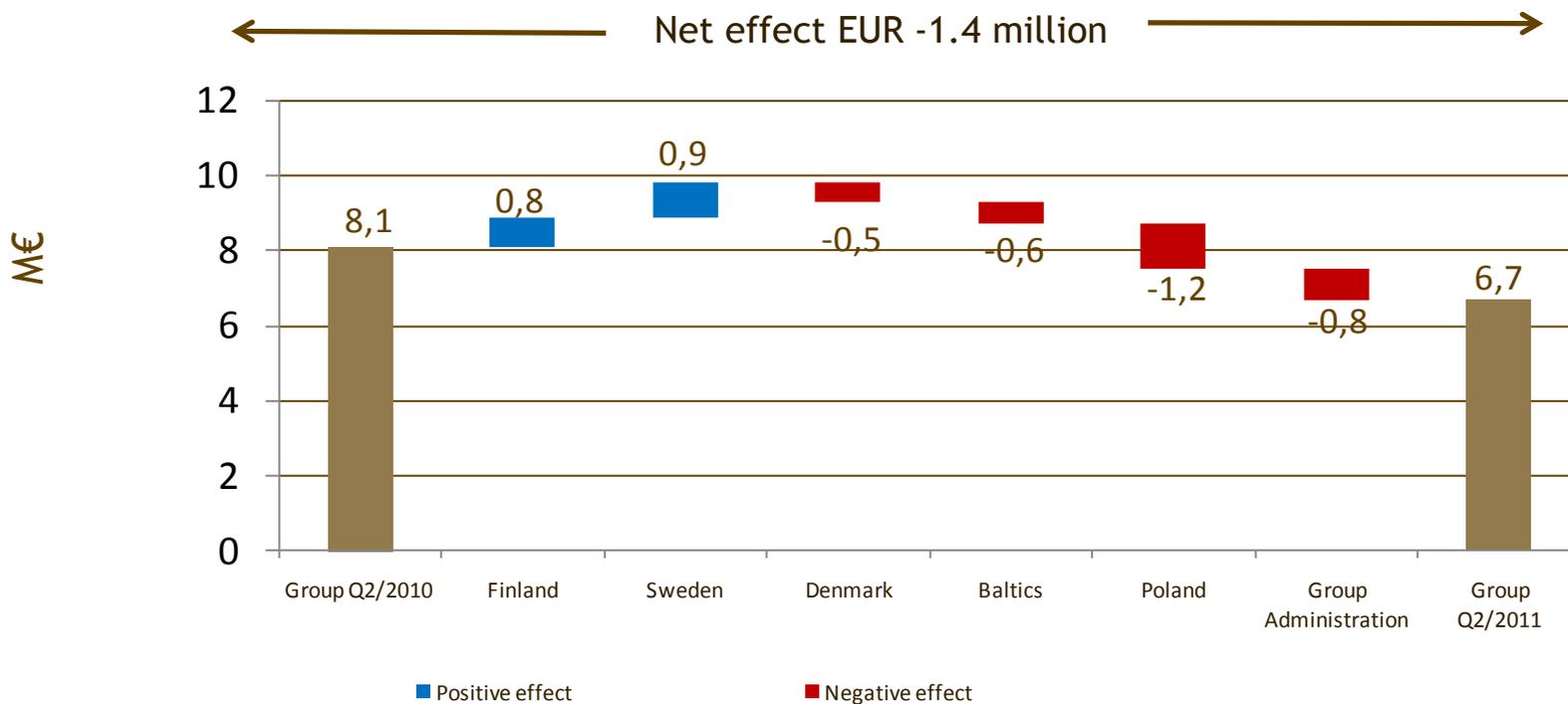
HKScan Corporation

	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	630.6	502.3	1 223.3	985.9	2 113.9
EBIT, EUR mill.	6.7	8.1	8.0	13.6	48.0
- EBIT margin %	1.1	1.6	0.7	1.4	2.3
Profit before taxes	-0.1	5.0	-3.5	8.9	36.5
EPS, EUR	0.01	0.07	-0.05	0.13	0.52

- The HKScan Group's net sales in the first six months of the year grew to EUR 1 223.3 million. The growth (24%) was mainly attributable to completed corporate acquisitions. Eliminating changes in currency rates, organic growth stood at approximately 5 percent.
- The Group's EBIT during the first six months stood at EUR 8.0 million.
- The Group's performance continued to be eroded by the poor profitability of pork.
- The protracted profitability crisis will change most permanently the structures and production volumes of the entire supply chain.
- HKScan has been able to retain and even strengthen its market position.
- The company amended its EBIT guidance on 26 July 2011: the Group's full-year EBIT is expected to fall short of 2010 levels.

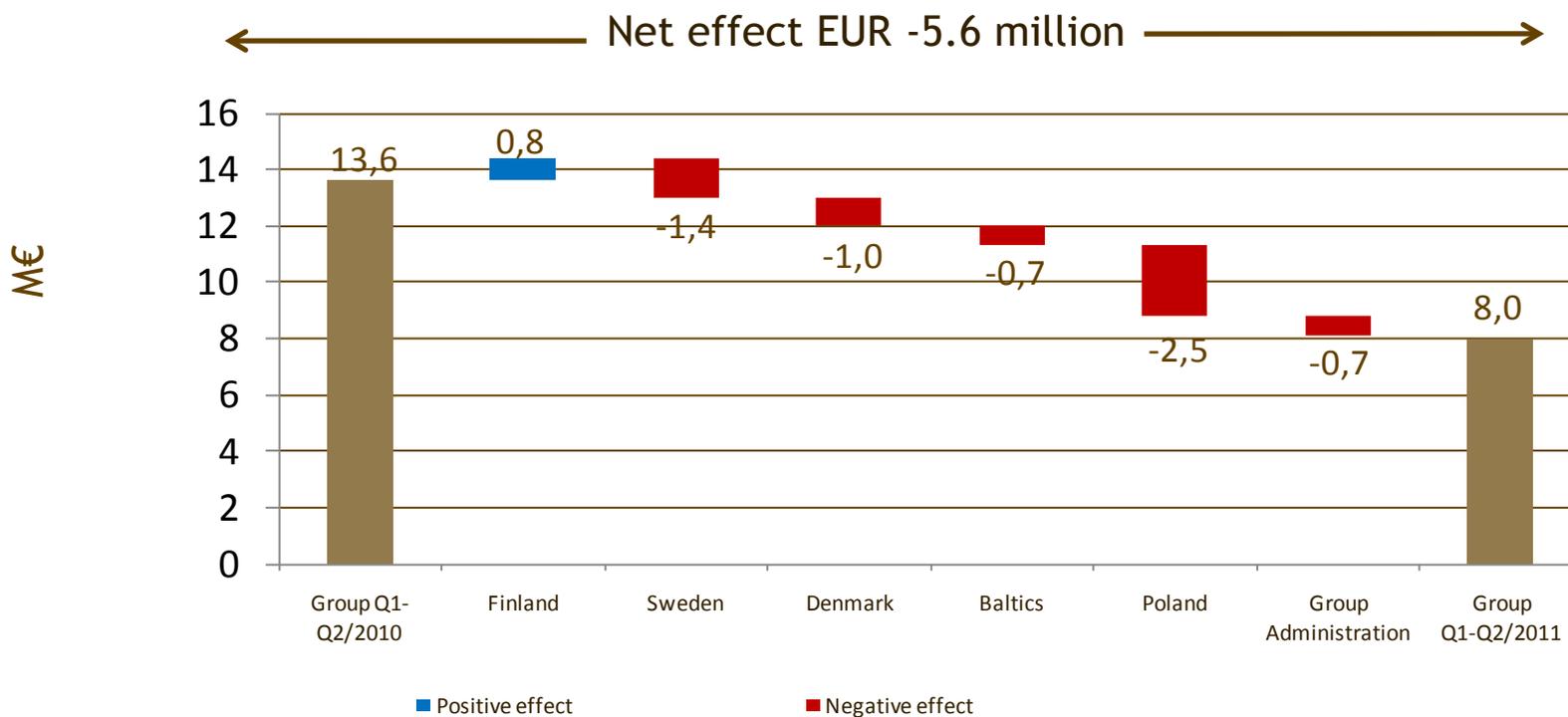
Group EBIT Bridge

- Q2 /2010 vs. Q2 /2011



Group EBIT Bridge

- Q1-Q2 /2010 vs. Q1-Q2 /2011



Market area: Finland



	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	207.9	173.5	395.9	341.3	718.5
EBIT, EUR mill.	0.7	-0.1	0.1	-0.7	10.7
- EBIT margin %	0.3	-0.1	0.0	-0.2	1.5

- In Finland, the profitability of the business fell short of the targets. In the second quarter, EBIT stood at EUR 0.7 million.
- Net sales in the quarter totalled EUR 207.9 million. Net sales were boosted by Järvi-Suomen Portti Oy's merger with the Group at the beginning of the year.
- In Finland:
 - Profitability was weakened by the protracted difficulties in pork production as well as by poor pork price levels in the export and domestic markets.
 - Rapeseed pork launched in February has been extremely well received by customers and consumers.
 - With respect to poultry meat and processed meats, the quarter progressed as planned.
 - HK Ruokatalo has during the first part of the year strengthened its share of the total market.
 - HK Ruokatalo's productivity programme is progressing. Pork cutting operations will be centralized to Forssa during the autumn.
 - The beef slaughterhouse investment in Outokumpu has been completed.
 - Järvi-Suomen Portti Oy started a development programme.

Market area: Sweden



	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	263.0	241.9	515.4	472.3	997.1
EBIT, EUR mill.	4.0	3.1	4.3	5.7	20.4
- EBIT margin %	1.5	1.3	0.8	1.2	2.0

- In Sweden, the profitability of business operations improved. EBIT in Q2 stood at EUR 4 million.
- Net sales in the quarter totalled EUR 263.0 million Net sales in krona were at the same level as the previous year.
- In Sweden:
 - Despite tightening competition, Scan AB's second quarter went commercially according to plan in Sweden.
 - The efficiency programme underway at Scan is progressing.
 - The scarcity of the supply of Swedish beef and pork has increased the purchase prices of local raw material.
 - The strong krona has contributed to an increase in the volumes of imported raw material.
 - The competitiveness of production based on Swedish meat raw material is weak at the moment.



Market area: Denmark

	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	55.9	-	113.5	-	21.8*
EBIT, EUR mill.	-0.5	-	-1.0	-	-0.0*
- EBIT margin %	-1.0	-	-0.9	-	0.0*

- Rose Poultry was merged with the HKScan Group on 29 November 2010
- In Denmark, profitability fell short of the targets and EBIT in the second quarter was EUR -0.5 million.
- Net sales in Q2 totalled EUR 55.9 million.
- In Denmark:
 - By developing the fresh product range the company's profitability will be improved and the business's position further strengthened, especially in its home market.
 - Rose Poultry is concentrating and improving its operations in the production facilities located in Vinderup and Skovsgaard.
 - Poultry slaughtering operations at the Padborg plant in southern Denmark have been discontinued.

Market area: Baltics



	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	44.1	40.2	83.5	76.0	160.4
EBIT, EUR mill.	2.7	3.3	3.6	4.3	8.7
- EBIT margin %	6.1	8.1	4.3	5.7	5.4

- In the Baltics, business has progressed steadily.
- EBIT in the quarter stood at EUR 2.7 million.
- In the second quarter, net sales totalled EUR 44.1 million. The merger of AS Jelgavas Galas Kombinats with the Group on 1 July 2010 has contributed to the growth in net sales.
- In the Baltics:
 - The consumption of meat products is enjoying a modest recovery with the growth of the economy.
 - Strengthening inflation has rapidly increased the prices of raw materials and other inputs.
 - The focus of development has been on the product range and operational efficiency.
 - Business operations have adjusted to the prevailing market situation well.

Market area: Poland



*)	Q2/ 2011	Q2/ 2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
Net sales, EUR mill.	77.0	66.0	147.5	129.9	279.3
EBIT, EUR mill.	2.8	4.0	5.8	8.3	15.5
- EBIT margin %	3.6	6.1	3.9	6.4	5.6

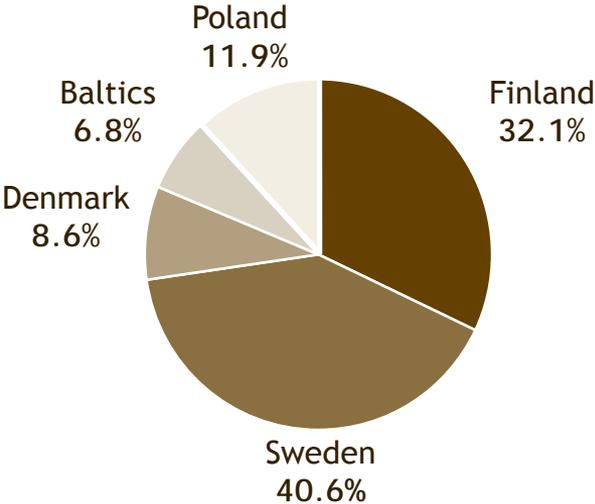
*) The figures refer to HKScan's share (50%) of the Sokolów Group's figures.

- In Poland, business has progressed in accordance with expectations.
- Sokolów's EBIT in the second quarter was EUR 2.8 million.
- Net sales totalled EUR 77.0 million.
- In Poland:
 - The poor profitability of pork and increased production costs are exerting a strain on operations.
 - Sales were boosted by successful turnover of barbecue products in the second quarter and by broad marketing campaigns.
 - The most important production-related development project has been the Sokolów Podlaski plant, which is being modernised during the next few years.

Breakdown of net sales and EBIT

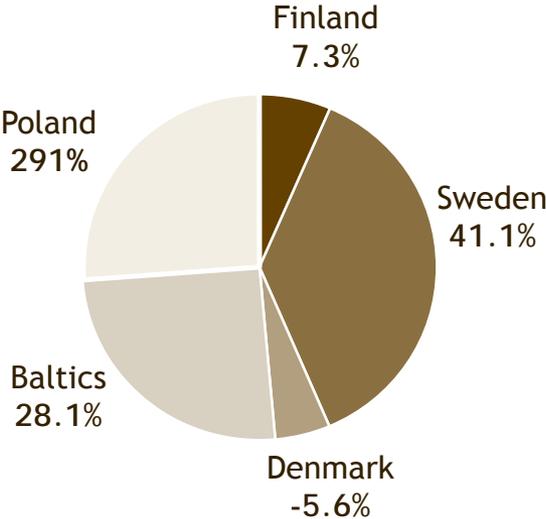
Q2/2011

Net sales * EUR 630.6 million



* shares calculated including internal sales

EBIT* EUR 6.7 million

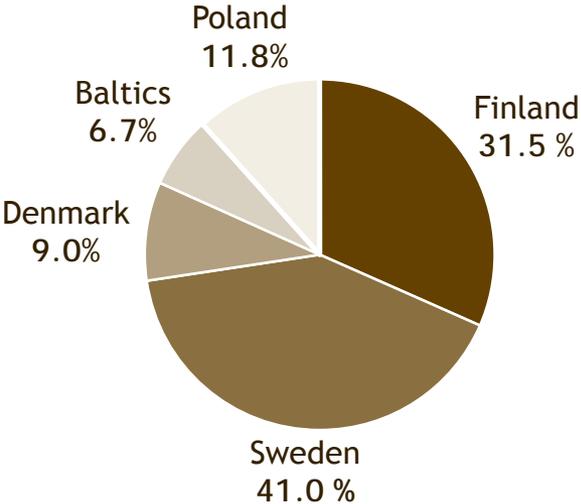


* shares calculated exclusive of Group administration costs

Breakdown of net sales and EBIT

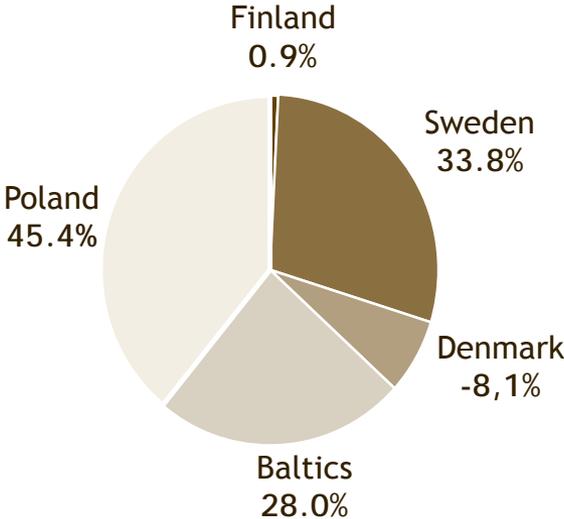
Q1-Q2/2011

Net sales* EUR 1 223.3 million



* shares calculated including internal sales

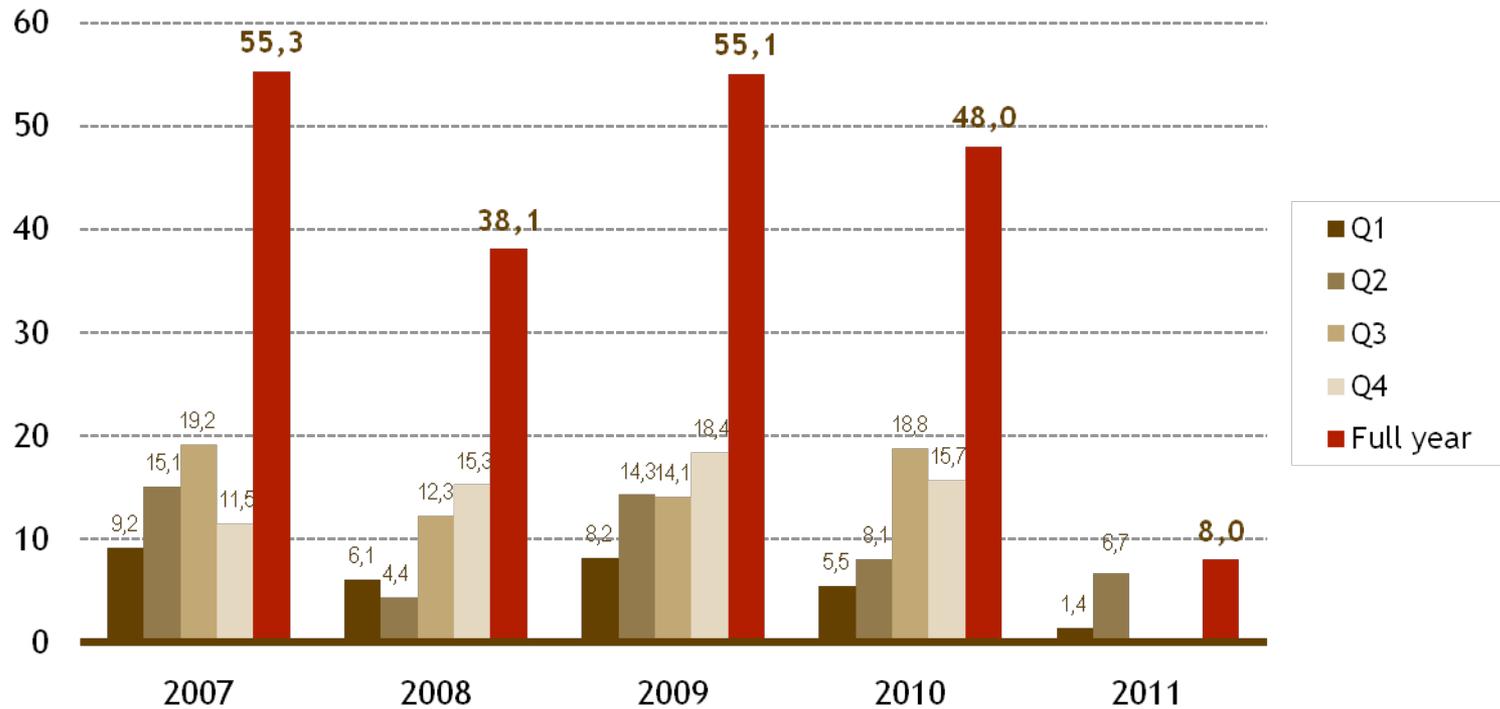
EBIT* EUR 8.0 million



* shares calculated exclusive of Group administration costs

Quarterly EBIT * development

EUR
million



* reported

Future outlook

Consumer demand for meat is expected to remain steady in the Group's domestic markets. The decentralized structure of HKScan's business in different product groups and geographical areas, and the initiated efficiency programmes in Finland and Sweden provide the foundation for stronger development of the Group's competitiveness and profitability.



The difficult global market situation for pork will continue during the current year in all of HKScan's market areas, especially in Finland. The protracted profitability crisis will change most permanently the structures and production volumes of the entire supply chain. With respect to pork, the company will improve profitability by raising selling prices and through the controlled adjustment of procurement volumes.

The Group's full-year EBIT is expected to fall short of 2010 levels.

HKScan income statement

(EUR million)	Q2/2011	Q2/2010	Q1-Q2/ 2011	Q1-Q2/ 2010	2010
NET SALES	630.6	502.3	1 223.3	985.9	2 113.9
Operating income and expenses	-605.8	-479.9	-1 179.4	-944.0	-2 006.2
Share of associates' results	0.2	0.3	0.4	0.8	1.8
Depreciation and impairment	-18.3	-14.5	-36.3	-29.1	-61.5
EBIT	6.7	8.1	8.0	13.6	48.0
- % of net sales	1.1	1.6	0.7	1.4	2.3
Financial income	1.9	1.3	3.5	3.5	8.1
Financial expenses	-9.5	-4.9	-16.4	-9.7	-21.9
Share of associates' results	0.8	0.5	1.4	1.5	2.2
PROFIT / LOSS BEFORE	-0.1	5.0	-3.5	8.9	36.5
- % of net sales	-0.0	1.0	-0.3	0.9	1.7
Income tax	1.1	-0.8	1.8	-0.6	-5.7
PROFIT / LOSS FOR THE PERIOD	1.0	4.3	-1.7	8.3	30.8
PROFIT / LOSS FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	0.6	3.6	-2.5	7.0	27.9
Non-controlling interests	0.4	0.7	0.8	1.2	2.9
TOTAL	1.0	4.3	-1.7	8.3	30.8
Earnings/share, continuing operations, EUR	0.01	0.07	-0.05	0.13	0.52

HKScan statement of comprehensive income

(EUR million)	Q2/2011	Q2/2010	Q1-Q2 /2011	Q1-Q2/ 2010	2010
Profit/loss for the period	1.0	4.3	-1.7	8.3	30.8
OTHER COMPREHENSIVE INCOME (after taxes)					
Exchange differences on translating foreign operations	-2.8	-0.2	-1.7	7.0	13.5
Available-for-sale investments	0.0	-0.4	0.0	0.0	0.0
Cash flow hedging	-1.7	-1.1	1.0	-3.9	1.8
TOTAL OTHER COMPREHENSIVE INCOME	-4.5	-1.7	-0.8	3.1	15.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-3.5	2.6	-2.5	11.4	46.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-4.0	1.9	-3.2	9.9	42.6
Non-controlling interests	0.5	0.7	0.8	1.5	3.5
Total	-3.5	2.6	-2.5	11.4	46.1

Consolidated balance sheet

(EUR million)	30.6.2011	30.6.2010	31.12.2010
ASSETS			
Non-current assets			
Intangible assets	75.0	69.2	77.1
Goodwill	99.4	90.9	100.4
Tangible assets	530.2	482.3	537.8
Holdings in associates	27.9	22.7	27.0
Trade and other receivables	29.0	20.6	25.3
Available-for-sale investments	12.1	11.3	13.1
Deferred tax asset	14.8	13.2	14.4
Non-current assets	788.4	710.2	795.0
Current assets			
Inventories	174.3	134.0	159.9
Trade and other receivables	227.9	207.4	240.6
Income tax receivable	4.4	2.2	0.3
Other financial assets	0.4	2.2	3.9
Cash and cash equivalents	43.6	68.6	69.5
Current assets	450.5	414.4	474.1
ASSETS	1 238.8	1 124.6	1 269.2

Consolidated balance sheet

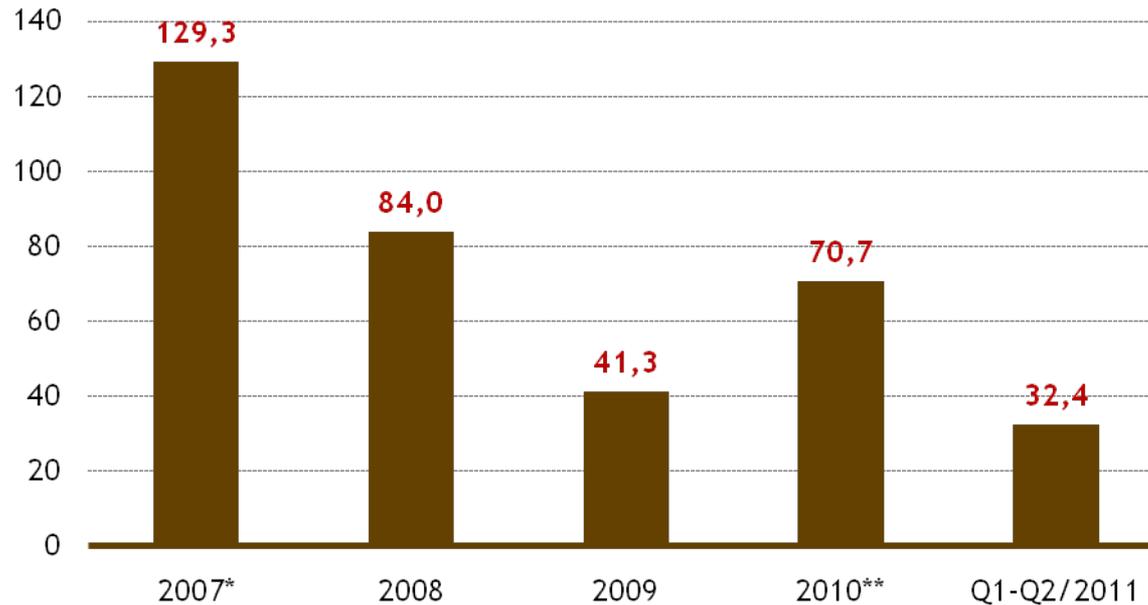
(EUR million)	30.6.2011	30.6.2010	31.12.2010
EQUITY AND LIABILITIES			
Attributable to the equity holders of the Company	405.8	386.6	419.6
Non-controlling interests	10.9	9.4	11.1
Total equity	416.7	396.1	430.6
Deferred tax liability	37.3	32.5	38.9
Non-current interest-bearing liabilities	407.6	352.1	361.2
Non-current non-interest bearing liabilities	12.6	5.0	12.4
Non-current provisions	1.4	2.8	2.4
Pension obligations	3.0	3.5	3.1
Non-current liabilities	461.9	395.9	418.0
Current interest-bearing liabilities	101.1	113.5	153.0
Trade and other payables	255.1	213.3	262.5
Income tax liability	3.2	2.8	2.7
Current provisions	0.8	3.1	2.3
Current liabilities	360.2	332.7	420.6
EQUITY AND LIABILITIES	1 238.8	1 124.6	1 269.2

Cash flow statement

(EUR million)	30.6.2011	30.6.2010	2010
Operating activities			
EBIT and depreciation (incl. adjustments)	41.5	36.3	97.0
Change in net working capital	-10.6	-25.4	-3.7
Financial income and expenses	-11.7	-6.2	-13.8
Taxes	-1.9	-0.6	-5.7
Net cash flow from operating activities	17.3	4.1	73.8
Investing activities			
Gross investments in property, plant and equipment	-31.7	-35.7	-73.6
Disposals of property, plant and equipment	1.0	2.3	7.0
Investments in subsidiary	0.0	0.0	-25.2
Shares in associates acquired and disposed	-0.2	0.0	-0.3
Loans granted and repaid	-1.0	-0.2	0.2
Net cash flow from investing activities	-31.9	-33.6	-91.9
Cash flow before financing activities	-14.6	-29.5	-18.1
Financing activities			
Loans raised and repaid	-1.8	34.2	23.0
Dividends paid	-12.1	-12.0	-11.9
Net cash flow from financing activities	-13.9	22.1	11.1
Change in cash and cash equivalents	-28.5	-7.4	-7.0

Investments

EUR
million



* Exclusive of enterprise value of Scan AB acquisition, appr. EUR 158 million

** Exclusive of enterprise value of Rose Poultry A/S EUR 23.4 million

Financial highlights

	30.6.2011	30.6.2010	2010
EPS, diluted, EUR	-0.05	0.13	0.52
Equity / share, 30.6., EUR	7.38	7.16	7.63
Dividend per share			0.22
Equity ratio, %	33.7	35.2	34.0
Average number of shares, mill.			
- average in period	55.0	54.0	54.0
Production-related investment, EUR mill.	32.4	36.9	70.7
Average no. of employees	8 594	7 446	7 491

