

HKScan

HKScan Corporation
Q1 Interim report 6 May, 2011

CEO Matti Perkonaja

Media and investor briefing 6 May 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 Mischczuk



● 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.

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MEAT INDUSTRY SHAPER

Business structure development

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Administrative support processes

Operative support processes

Business processes

Finland

Sweden

Denmark

Baltics

Poland

Meat

Poultry

Processed

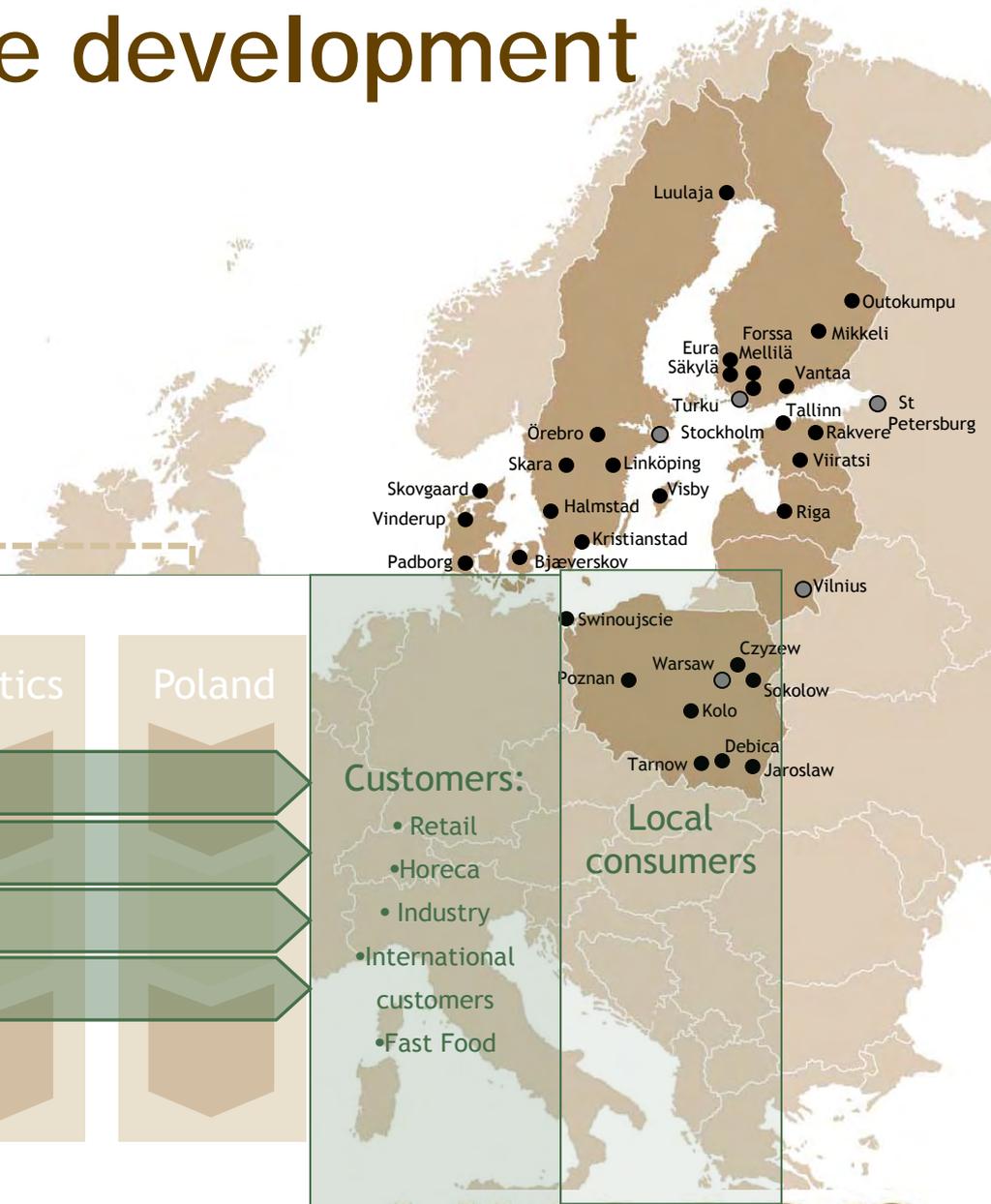
Convenience food

Customers:

- Retail
- Horeca
- Industry
- International customers
- Fast Food

Local consumers

HKScan



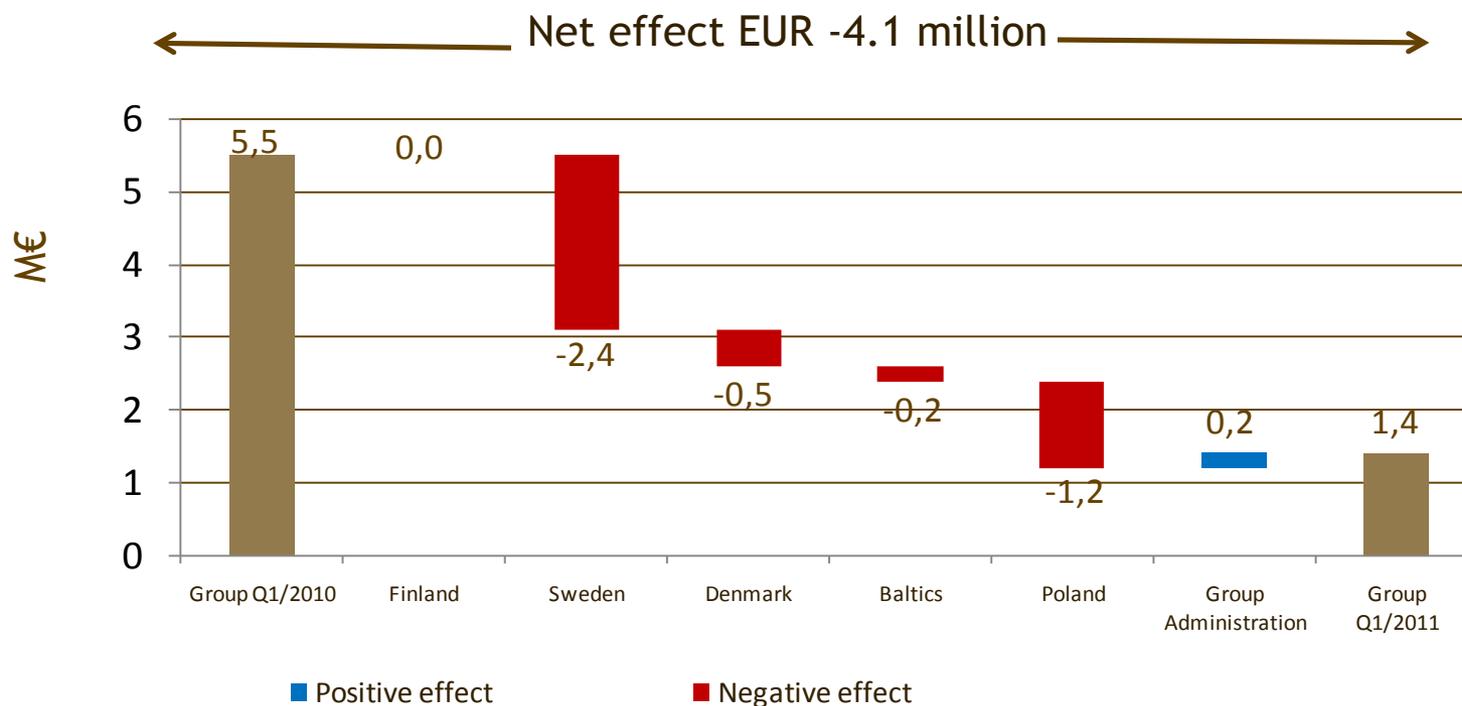
HKScan Corporation

	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	592.7	483.6	2 113.9
EBIT, EUR mill.	1.4	5.5	48.0
- EBIT margin %	0.2	1.1	2.3
Profit before taxes	-3.3	3.9	36.5
Earnings per share, EUR	-0.06	0.06	0.52

- Net sales came to EUR 592.7 million. Net sales grew by more than 22 percent, mainly as a result of completed corporate acquisitions. Organic growth stood at approximately 4 percent.
- EBIT was EUR 1.4 million.
- The HKScan Group's market standing is strong and the company is a leading player in all its market areas.
- Performance was eroded by the poor profitability of the pork business in Finland and Sweden.
- As the profitability of pork exports has weakened for an extended period, the company has decided to significantly reduce exporting pork.
- The efficiency programmes in Finland and Sweden as well as Rose Poultry's integration in Denmark progressed as planned.
- In the Baltics and Poland business was developed as planned.
- The company reaffirms its previously given guidance. The Group's full-year EBIT is expected to improve compared with 2010.

Group EBIT Bridge

- Q1 /2010 vs. Q1 /2011



Market area: Finland



	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	188.0	167.8	718.5
EBIT, EUR mill.	-0.6	-0.6	10.7
- EBIT margin %	-0.3	-0.4	1.5

- In Finland, net sales grew compared with the previous year standing at EUR 188.0 million.
 - Part of the increase was attributable to Järvi-Suomen Portti Oy's merger with the Group as of 1 January 2011
- EBIT stood at EUR -0.6 million.
- The early part of the year progressed as planned with respect to poultry meat and processed meats.
- EBIT was eroded by the weak profitability of pork.
- Rapeseed pork launched in February has been extremely well received by customers and consumers.
- The productivity programme concerning the period 2011–2013 is ready. The programme is envisioned to deliver productivity benefits of EUR 12 million on an annual level. The impacts will be evident in full by the end of next year.
- HK Agri's beef procurement will be developed in Finland:
 - Procurement has been enhanced in, among other areas, eastern Finland
 - Service agreement with Paimion Teurastamo on the slaughter of beef procured by HK Agri

Market area: Sweden



	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	252.3	230.5	997.1
EBIT, EUR mill.	0.3	2.7	20.4
- EBIT margin %	0.1	1.2	2.0

- Net sales were EUR 252.3 million and EBIT EUR 0.3 million.
- Sales volumes in Swedish retail have declined by an exceptional amount.
- The competitiveness of production based on Swedish meat raw material has been undermined by and the price of imported meat has been reduced by:
 - Overproduction of pork meat in Europe
 - The dioxin scandal regarding production-animal feed in Germany at the beginning of the year
 - The strong Swedish krona, which has continued to exert an impact on the growth of imported raw material volumes
- The efficiency programme underway at Scan is proceeding as planned.
- Scan will towards the end of the year launch products based on imported raw material under its own brand. The meat raw material will be imported primarily from other production facilities belonging to the HKScan Group.
Products marketed under the Scan brand will continue to be made from Swedish meat raw material.
- Scan will launch in autumn 2012 a new pork meat, Rapsgris, for the Swedish market based on the Finnish Rapeseed pork concept.
- Sales of the Pärsons brand of cold cuts have developed as planned.

HKScan

MEAT INDUSTRY SHAPER



Market area: Denmark

	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	57.5	-	21.8
EBIT, EUR mill.	-0.5	-	-0.0
- EBIT margin %	-0.9	-	0.0

- Rose Poultry's net sales amounted to EUR 57.5 million.
- EBIT stood at EUR -0.5 million.
- The integration of Rose Poultry A/S is progressing according to plan.
- In the future:
 - Rose Poultry's fresh product range will be developed through HKScan's strong know-how in poultry
 - The company's position will be further strengthened in its home market in Denmark, in Sweden and in the UK
- The company has decided to concentrate and improve its operations in the production facilities located in Vinderup and Skovsgaard and discontinue slaughtering operations at the Padborg plant in southern Denmark.

Market area: Baltics



	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	39.3	35.8	160.4
EBIT, EUR mill.	0.9	1.1	8.7
- EBIT margin %	2.2	3.0	5.4

- Net sales increased compared with the previous year standing at EUR 39.3 million.
- EBIT came in at EUR 0.9 million.
- Integration in AS Rigas Miesnieks of the 98.8 percent holding in AS Jelgavas Galas Kombinats acquired last year has gone as planned:
 - The companies' production-related activities will be transferred during the course of the year to Jelgavas' new and efficient facility
 - Integration has given rise to some overlapping expenditure
- The price of meat and energy costs have risen in the Baltics.
- Consumers' purchasing behaviour and growth in the demand for more affordable products have been affected by:
 - High unemployment
 - Higher food prices
- Despite the challenges, business in the Baltics has adjusted to the prevailing market conditions in an exemplary manner.

Market area: Poland



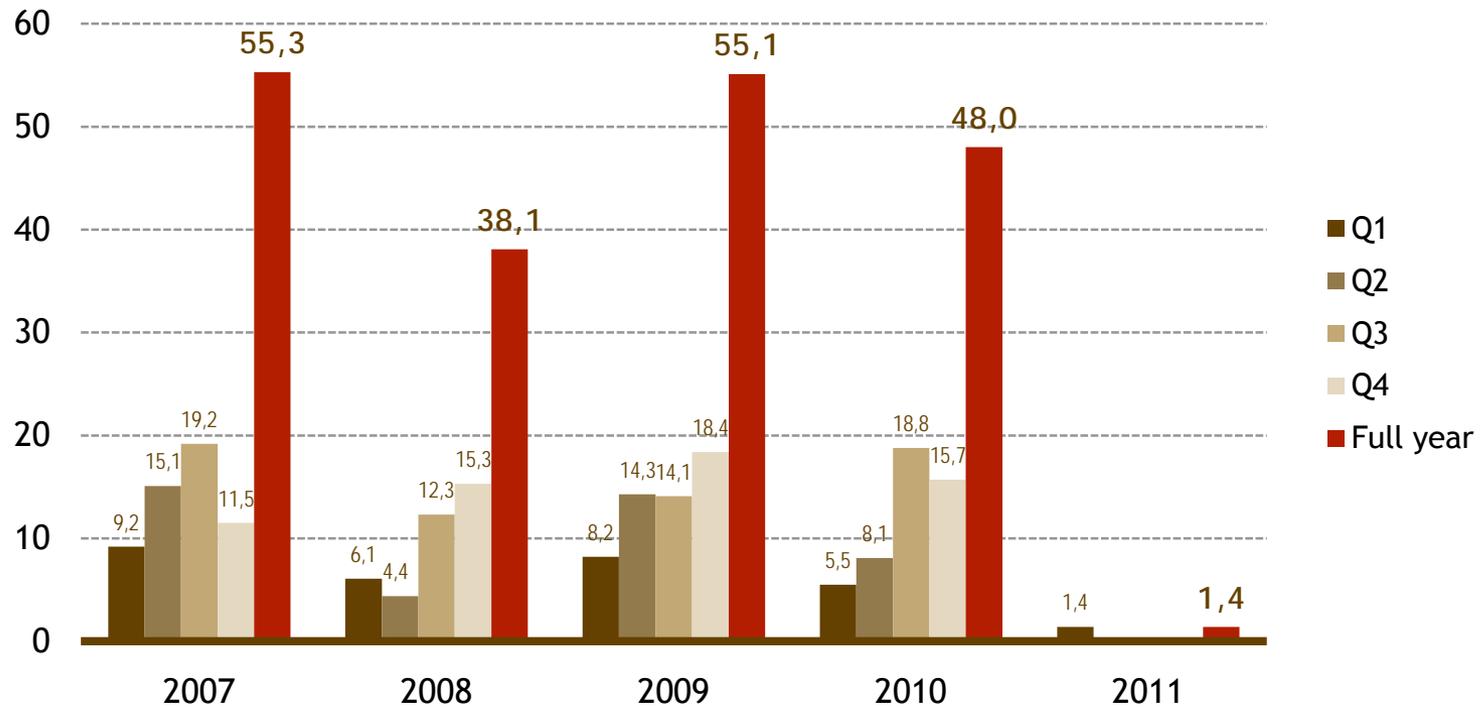
*)	Q1/ 2011	Q1/ 2010	2010
Net sales, EUR mill.	70.5	63.9	279.3
EBIT, EUR mill.	3.0	4.2	15.5
- EBIT margin %	4.2	6.6	5.6

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

- Sokolów's net sales were EUR 70.5 million.
- EBIT was EUR 3.0 million.
- Sales to all market channels have grown. Growth has been strongest in modern retail supermarkets and hypermarkets and in exports.
- Growth has made it possible to offset the strong rise in raw material 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.

If it continues, the difficult situation in the international pork market will erode the profitability of the business in the early part of the year, especially in Finland and Sweden. Pork profitability will be improved by raising prices and adjusting volume.

The company reaffirms its previously given guidance. The Group's full-year EBIT is expected to improve compared with 2010.

HKScan income statement

EUR million	Q1/2011	Q1/2010	2010
NET SALES	592.7	483.6	2 113.9
Operating income and expenses	-573.5	-464.1	-2 006.2
Share of associates' results	0.2	0.5	1.8
Depreciation and impairment	-18.0	-14.6	-61.5
EBIT	1.4	5.5	48.0
- % of net sales	0.2	1.1	2.3
Financial income	2.6	2.2	8.1
Financial expenses	-7.8	-4.8	-21.9
Share of associates' results	0.6	1.0	2.2
PROFIT/LOSS BEFORE TAXES	-3.3	3.9	36.5
- % of net sales	-0.6	0.8	1.7
Income tax	0.7	0.1	-5.7
PROFIT/LOSS FOR THE PERIOD	-2.7	4.0	30.8
Equity holders of the parent	-3.1	3.4	27.9
Non-controlling interests	0.4	0.6	2.9
Total	-2.7	4.0	30.8
EPS, EUR undiluted/diluted	-0.06	0.06	0.52

HKScan statement of comprehensive income

EUR million	Q1/2011	Q1/2010	2010
Profit/loss for the period	-2.7	4.0	30.8
OTHER COMPREHENSIVE INCOME (after taxes)			
Exchange differences on translating foreign operations	1.1	7.2	13.5
Available-for-sale investments	0.0	0.4	0.0
Cash flow hedging	2.7	-2.8	1.8
TOTAL OTHER COMPREHENSIVE INCOME	3.8	4.8	15.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.1	8.8	46.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	0.6	8.0	42.6
Non-controlling interests	0.5	0.8	3.5
Total	1.1	8.8	46.1

Consolidated balance sheet

EUR million	31.3.2011	31.3.2010	31.12.2010
ASSETS			
Non-current assets			
Intangible assets	76.8	68.3	77.1
Goodwill	100.2	90.3	100.4
Tangible assets	534.7	479.4	537.8
Holdings in associates	28.0	22.7	27.0
Trade and other receivables	27.0	21.0	25.3
Available-for-sale investments	12.5	11.1	13.1
Deferred tax asset	14.4	14.2	14.4
Non-current assets	793.7	707.0	795.0
Current assets			
Inventories	187.1	133.5	159.9
Trade and other receivables	231.6	199.6	240.6
Income tax receivable	2.3	0.3	0.3
Other financial assets	0.4	2.1	3.9
Cash and cash equivalents	48.3	49.5	69.5
Current assets	469.7	385.1	474.1
ASSETS	1 263.4	1 092.1	1 269.2

Consolidated balance sheet

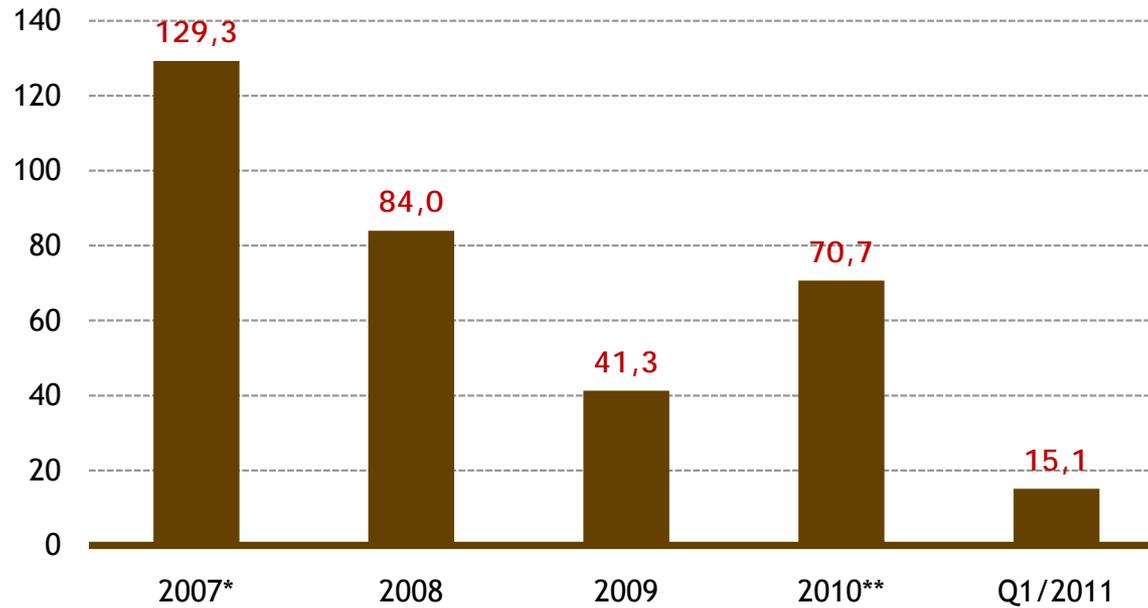
EUR million	31.3.2011	31.3.2010	31.12.2010
EQUITY AND LIABILITIES			
Attributable to the equity holders of the Company	421.8	396.2	419.6
Non-controlling interests	11.2	9.5	11.1
Total equity	433.0	405.7	430.6
Deferred tax liability	37.6	31.7	38.9
Non-current interest-bearing liabilities	380.7	335.6	361.2
Non-current non-interest bearing liabilities	13.2	5.0	12.4
Non-current provisions	1.7	6.0	2.4
Pension obligations	3.1	3.5	3.1
Non-current liabilities	436.2	381.9	418.0
Current interest-bearing liabilities	128.8	99.4	153.0
Trade and other payables	262.0	199.0	262.5
Income tax liability	2.5	3.0	2.7
Current provisions	0.8	3.1	2.3
Current liabilities	394.2	304.5	420.6
EQUITY AND LIABILITIES	1 263.4	1 092.1	1 269.2

Cash flow statement

EUR million	31.3.2011	31.3.2010	2010
Operating activities			
EBIT and depreciation (incl. adjustments)	17.0	16.6	97.0
Change in net working capital	-13.1	-27.2	-3.7
Financial income and expenses	-6.0	-2.6	-13.8
Taxes	-1.5	0.1	-5.7
Net cash flow from operating activities	-3.6	-13.1	73.8
Investing activities			
Gross investments in property, plant and equipment	-15.5	-16.1	-73.6
Disposals of property, plant and equipment	1.4	1.5	7.0
Investments in subsidiary	-	-	-25.2
Shares in associates acquired and disposed	-0.2	-0.3	-0.3
Loans granted and repaid	-1.4	-0.6	0.2
Net cash flow from investing activities	-15.7	-15.5	-91.9
Cash flow before financing activities	-19.3	-28.6	-18.1
Financing activities			
Loans raised and repaid	-5.1	3.2	23.0
Dividends paid	-	-	-11.9
Net cash flow from financing activities	-5.1	3.2	11.1
Change in cash and cash equivalents	-24.5	-25.5	-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

	31.3.2011	31.3.2010	2010
EPS, diluted, EUR	-0.06	0.06	0.52
Equity / share, 31.3., EUR	7.67	7.34	7.63
Dividend per share			0.22
Equity ratio, %	34.4	37.2	34.0
Average number of shares, mill.			
- average in period	55.0	54.0	55.0
Production-related investment, EUR mill.	15.1	18.9	70.7
Average no. of employees	8 227	6 825	7 491

