



# HKScan Group Interim Report Q1-Q3/2012

Hannu Kottonen, CEO  
Information meeting 6 November 2012

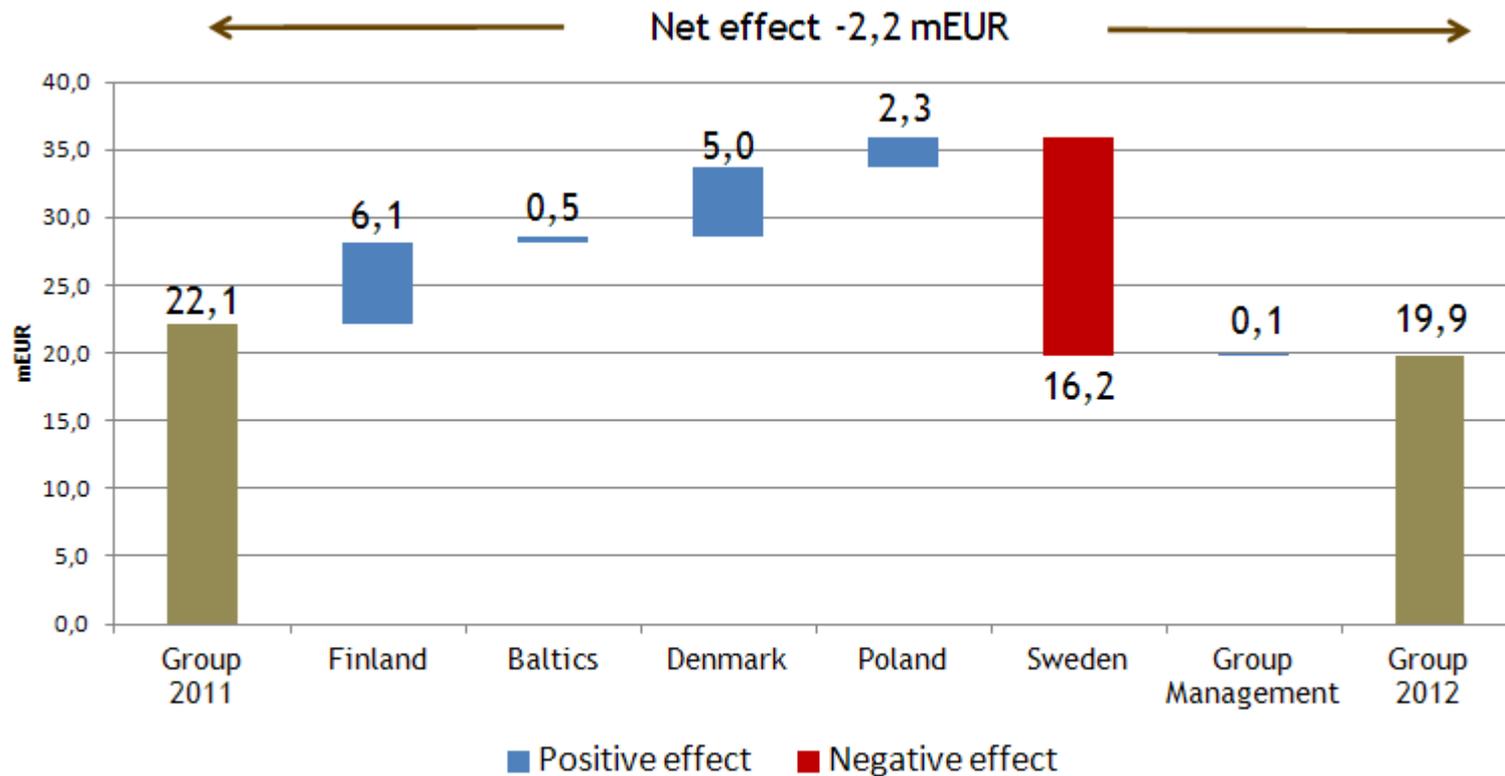
# HKScan Group

	Q3/2012	Q3/2011	Q1- Q3/2012	Q1- Q3/2011	2011
Net sales, EUR million	623,0	618,1	1 873,3	1 841,4	2 491,3
EBIT, EUR million	15,0	14,0	19,9	22,1	39,6
- EBIT %	2,4	2,3	1,1	1,2	1,6
Profit/loss before taxes, EUR m	6,9	5,6	-2,5	2,2	11,3
Result/share, EUR	0,11	0,09	0,01	0,05	0,18

- Net sales grew by 2%.
- EBIT shortfall relates to losses during H1 in the Swedish business.
- In Denmark the fire at the Vinderup plant (6/2012) slowed development.
- In Finland, Baltics and Poland EBIT improved.
- Cash flow before debt service was EUR 26.1 million
- Net financial expenses stood at EUR -24.4 million.
- At the beginning of August, the Group reported its revised strategy and changes in management.

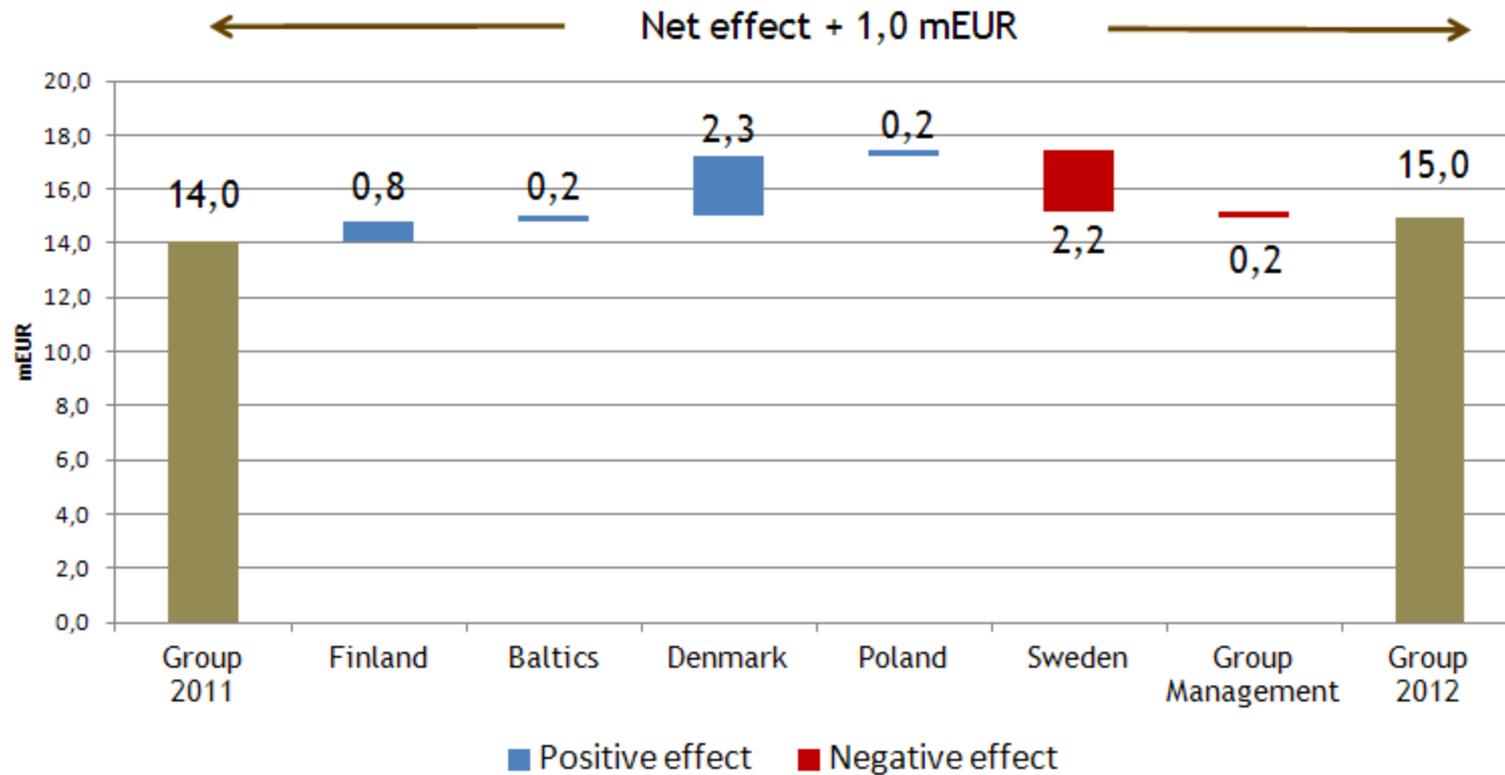
# Group EBIT

Q1-Q3 /2011 vs. Q1-Q3/2012



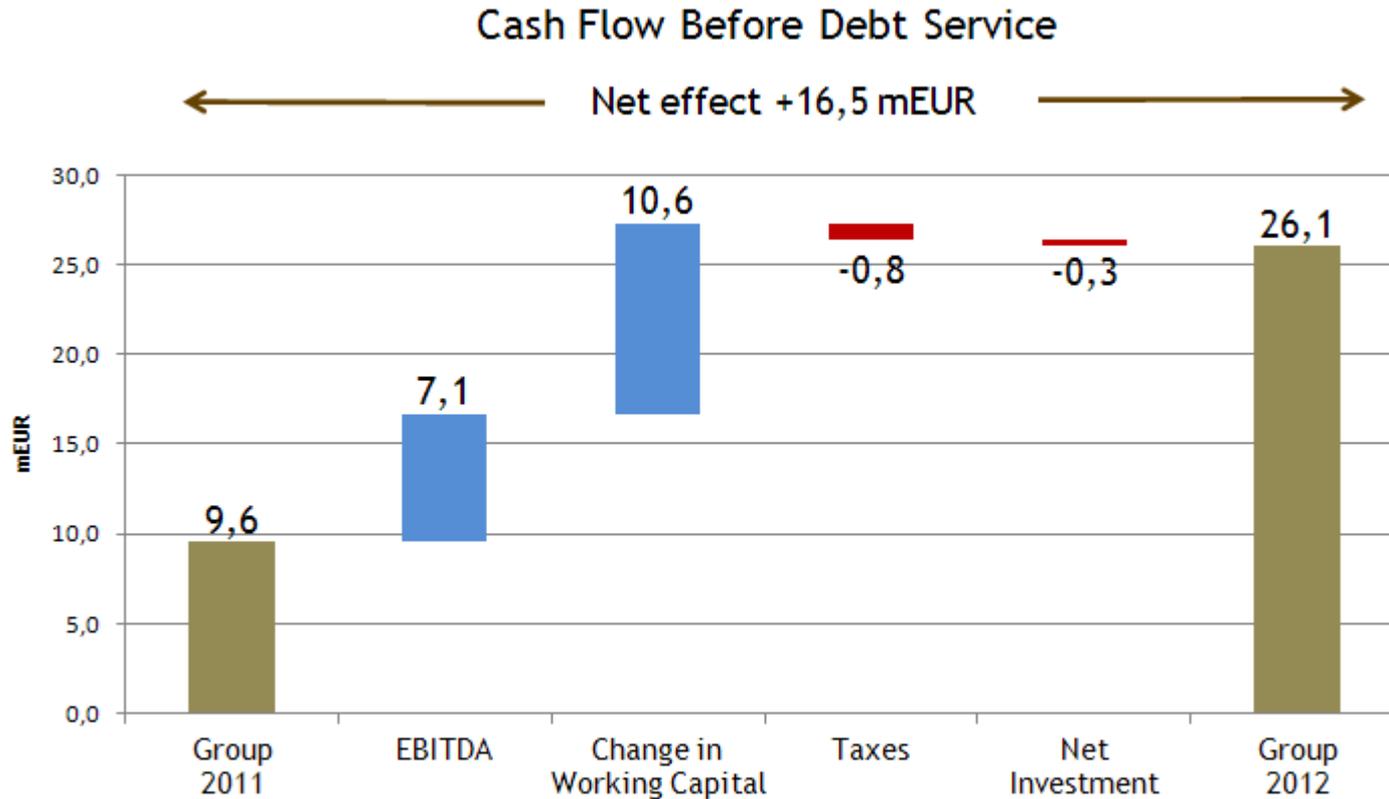
# Group EBIT

Q3 /2011 vs. Q3 /2012



# Group Cash Flow

Q1-Q3 /2011 vs. Q1-Q3/2012



# Group development programme

- Group wide programme launched in April 2012, to be implemented by the end of 2013.
- Target to annually achieve:
  - profit improvements exceeding EUR 20 million
  - a considerable reduction in invested capital
- Improvement opportunities:
  - group synergies in operations, product mix and offerings
  - economies of scale in sourcing
  - restructuring and simplifying processes and organisations
  - fixed cost savings
  - improving demand and supply planning
  - management of trade receivables and payables
  - divestments of non-core business related assets
- Plan concerning restructuring of the business in Sweden was published in August and further specified in early October.
- Development programme is moving ahead as planned.

# Market area Finland



	Q3/2012	Q3/2011	Q1-Q3/ 2012	Q1-Q3/ 2011	2011
Net sales, EUR million	205,5	199,0	615,9	594,9	812,4
EBIT, EUR million	5,6	4,8	11,0	4,9	12,1
- EBIT %	2,7	2,4	1,8	0,8	1,5

- Profitability continued to improve and net sales grew by 4%.
- The seasonal sales in rainy and cool summer succeeded well.
- Scarcity of Finnish beef affected especially the production volumes of minced meat.
- HK Rypsiporsas<sup>®</sup>, the Rapeseed Pork, has continued to sell well.
- The contract reform concerning pork procurement was finalised.



# Market area Baltics



	Q3/2012	Q3/2011	Q1-Q3/ 2012	Q1-Q3/ 2011	2011
Net sales, EUR million	44,3	44,9	131,6	128,3	173,3
EBIT, EUR million	3,6	3,4	7,4	7,0	9,8
- EBIT %	8,1	7,6	5,7	5,4	5,6

- Net sales grew by 3% and EBIT by 7%.
- Seasonal sales in the Baltics were on previous year's level.
- Efficiency improvement projects:
  - renovation project of meat processing in Tallegg
  - centralization of warehousing operations
  - energy saving projects in pig primary production and Rakvere's meat production.



# Market area Sweden



	Q3/2012	Q3/2011	Q1- Q3/2012	Q1- Q3/2011	2011
Net sales, EUR million	248,7	254,7	762,6	770,1	1 045,7
EBIT, EUR million	3,2	5,4	-6,5	9,7	17,2
- EBIT %	1,3	2,1	-0,9	1,3	1,6

- EBIT for Q3 was positive after deep losses during H1.
- Prices of imported meat rose rapidly after Summer:  
→ supported the local meat raw material demand and increasing sales price.
- Svensk Rapsgris was successfully launched to retail in September.
- Sales of cold cuts are growing, especially Pärsons-products performed well.
- In August and in October HKScan announced plans concerning restructuring of the business in Sweden.
- The strategic review continues in Sweden.



# Market area Denmark



	Q3/2012	Q3/2011	Q1-Q3/ 2012	Q1-Q3/ 2011	2011
Net sales, EUR million	51,6	60,4	160,8	173,8	228,1
EBIT, EUR million	0,9	-1,3	2,6	-2,4	-3,7
- EBIT %	1,8	-2,2	1,6	-1,4	-1,6

- Sales lower due to Vinderup fire; EBIT positive.
- Sales of fresh poultry products to the Danish market are recovering, in Sweden a restart required.
- Rebuilding of the Vinderup production plant is proceeding according to schedule.
- Slaughtering volumes of poultry are about 80% of the normal.
- Insurances are estimated to cover both the property damages and the losses and extra costs caused by the business interruption. Estimated total damages will be more than EUR 50 million.



# Market area Poland

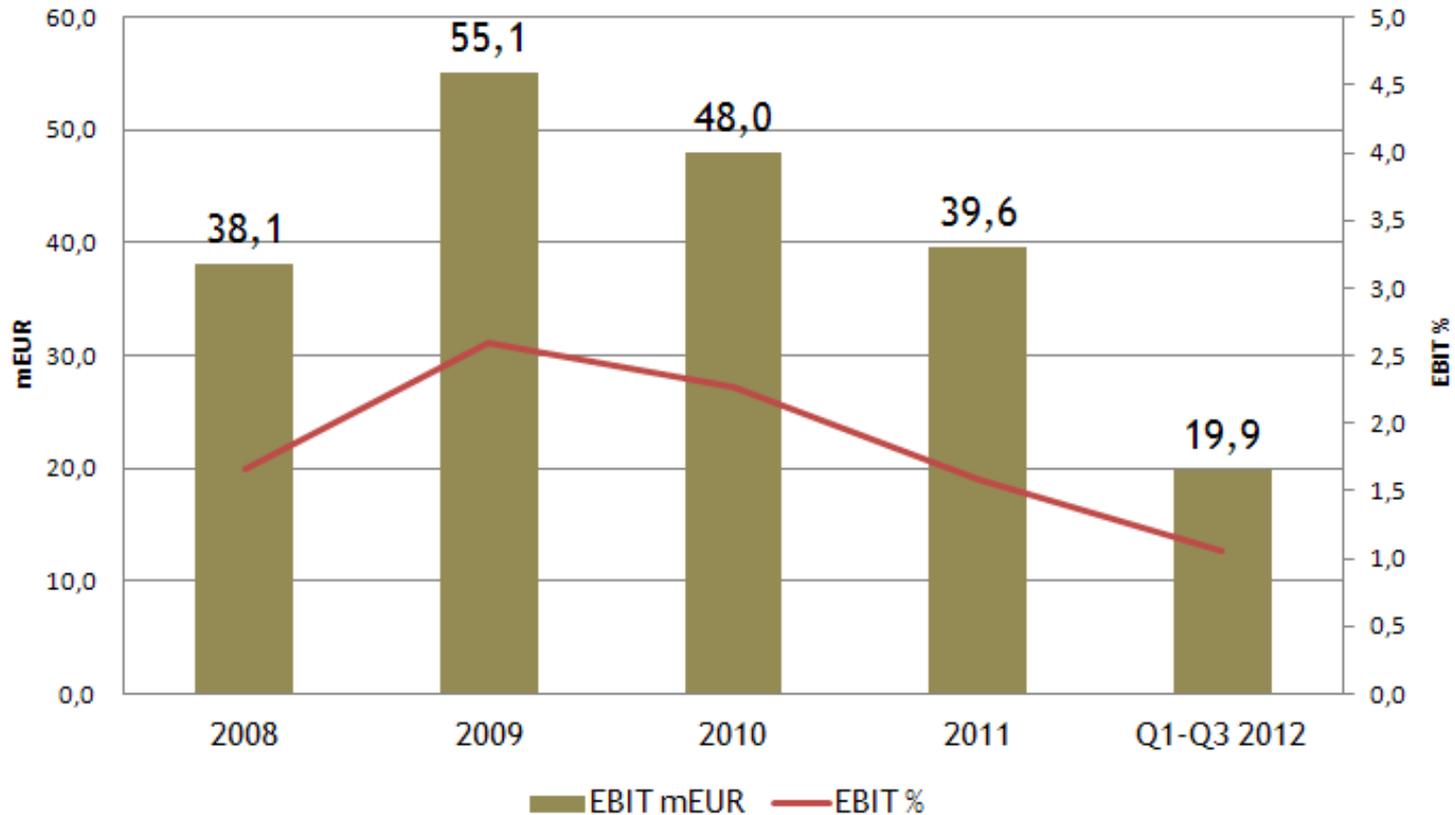


	Q3/2012	Q3/2011	Q1-Q3/ 2012	Q1-Q3/ 2011	2011
Net sales, EUR million	88,7	77,5	256,0	225,0	298,9
EBIT, EUR million	3,6	3,4	11,5	9,2	12,7
- EBIT %	4,0	4,4	4,5	4,1	4,2

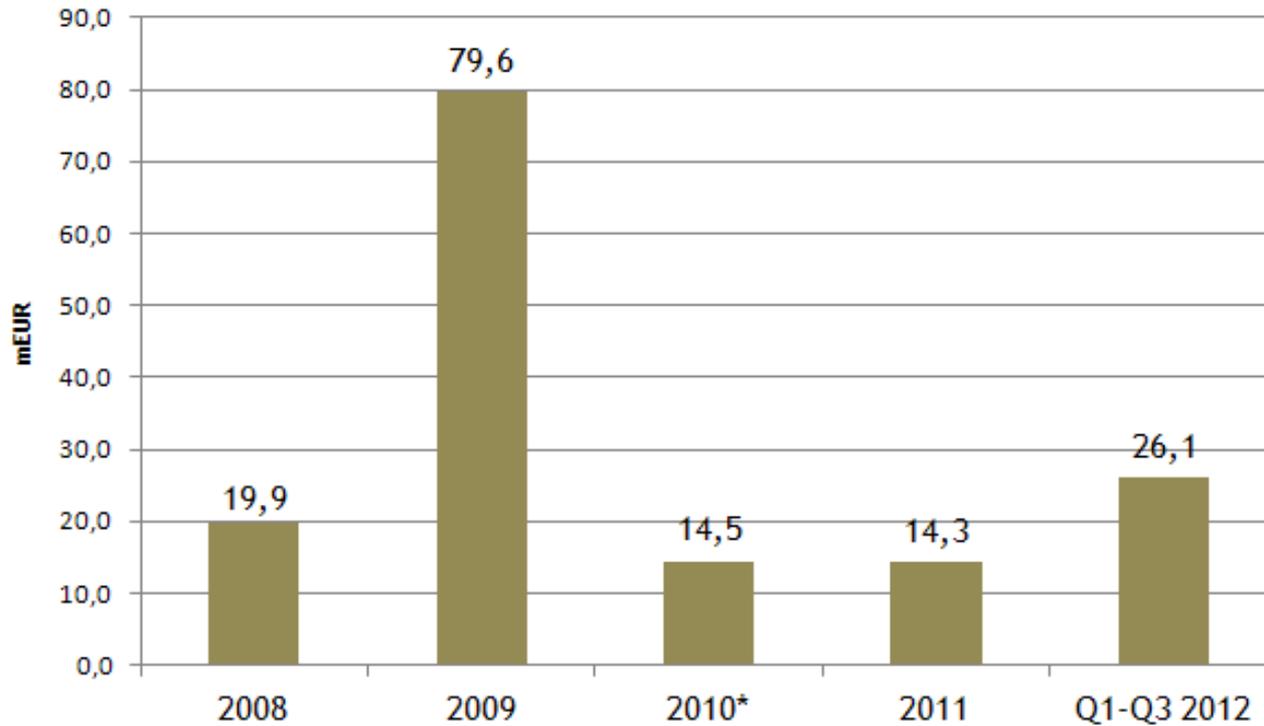
- Net sales grew by 14%.
- Sokolow net sales continued to develop well
  - increased sales of processed products
  - successful new product launches
  - the high recognition of the Sokolow brand.
- Export sales have been strong.
- The price competition in modern retail chains continues to be fierce.
- Polish primary production is weakening and consolidating, livestock imports are used to balance the shortfall.



# Group EBIT Development 2008-2012

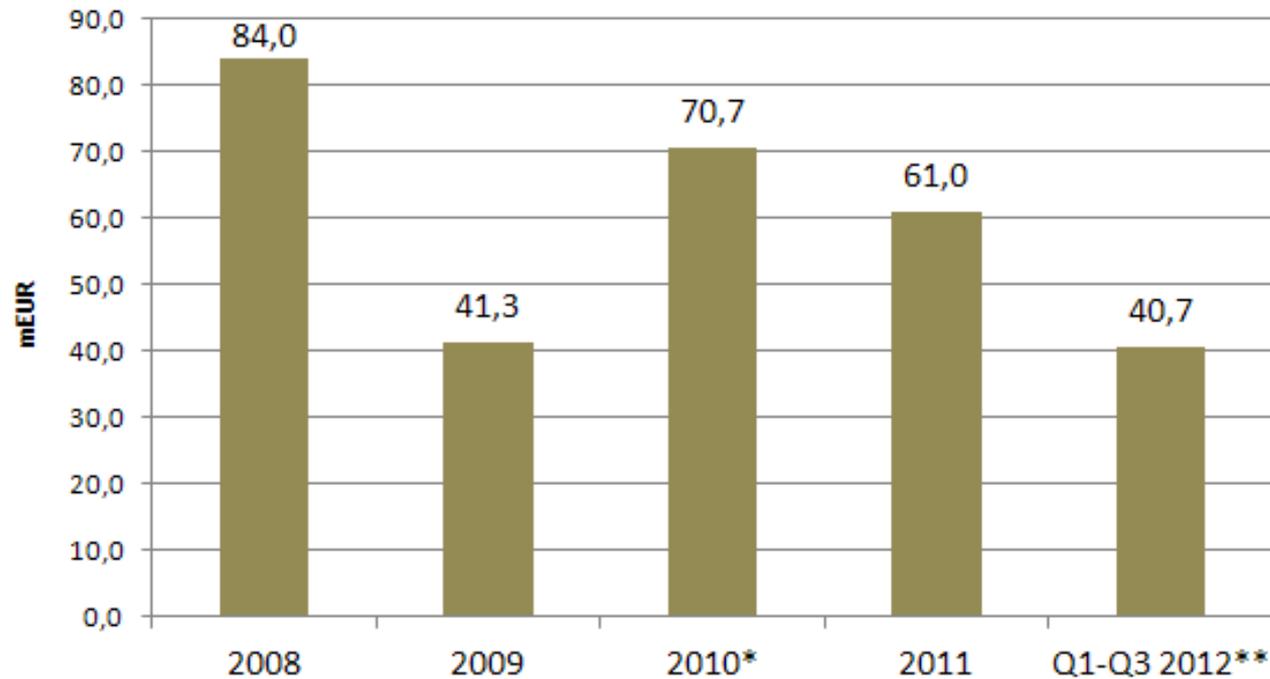


# Group Cash Flow Before Debt Service



\* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

# Group Investments



\* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

\*\* Excluding rebuild of the Vinderup plant

# Future outlook

Prices of meat raw material are difficult to predict under cost pressure in primary production. The Group will improve its profitability through its development programmes and passing raw material price increases to sales prices. Rectifying the performance level of the business in Sweden will have a significant impact on the Group during the end of the year.

HKScan maintains the outlook for 2012 which stated that due to the weak development of business in Sweden, there is a risk that the Group's EBIT will come out below the level of 2011. However, including the estimated non-recurring income of fire insurance compensation is very likely to improve the reported EBIT compared to 2011.



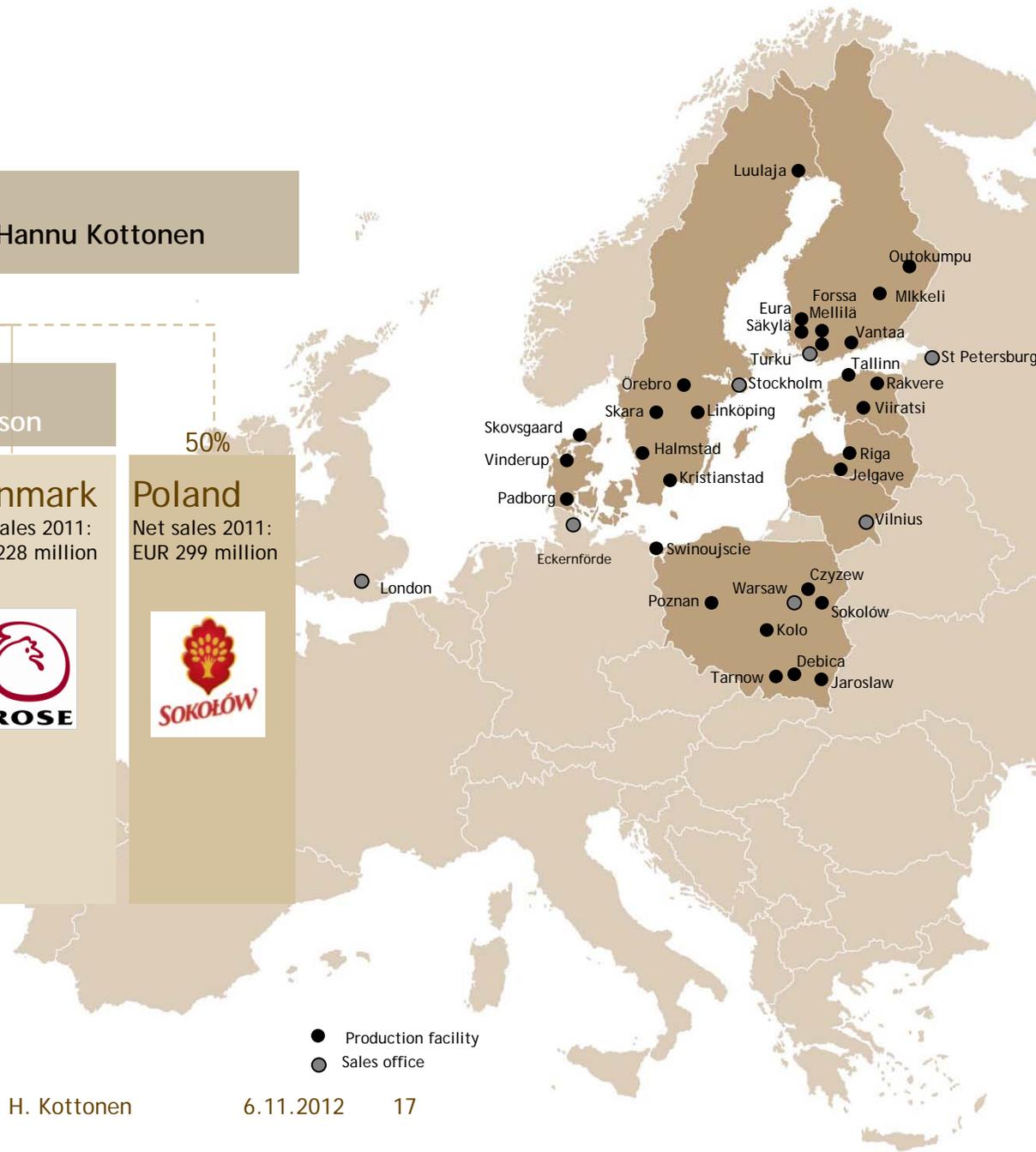
# Key Figures

EUR million	Q3/2012	Q3/2011	Change	Q1- Q3/2012	Q1- Q3/2011	Change
Net sales	623,0	618,1	0,8 %	1 873,3	1 841,4	1,7 %
EBIT	15,0	14,0	6,5 %	19,9	22,1	-10,1 %
% of revenue	2,4	2,3	5,7 %	1,1	1,2	-11,6 %
Profit before taxes	6,9	5,6	22,2 %	-2,5	2,2	-212,8 %
Profit for the review period	6,5	5,6	16,1 %	1,4	3,9	-63,9 %
EPS, EUR	0,11	0,09	13,6 %	0,01	0,05	-72,5 %
Cash flow before debt service				26,1	9,6	172,2 %
Cash flow before financing activities				-5,80	-11,70	50,4 %
Net debt				474,4	458,5	3,5 %
Personnel at the end of the period				7 504	8 055	-6,8 %

# Group structure

## HKScan Group

Net sales 2011: EUR 2.5 billion, CEO Hannu Kottonen



# HKScan strategy 2012 - 2015

## Vision

**Meat Industry Shaper**



## Strategy

### Delivering Profitable Performance

We improve our performance by more efficient and transparent Group-wide business processes, competences, leadership and communication. We increase our profitability by developing brands, offerings and cutting nonperforming activities. Every action we do is sustainable and brings value to our business, stakeholders and consumers. We focus especially on our home markets and create competitive edge by firm strategy implementation.

## Must-Win Battles

1. Building Brand Value and Demand	3. Managing Actively Future Business Dynamics
2. Upgrading Group Operational Efficiency	4. Improving Capital Structure and Group Reporting

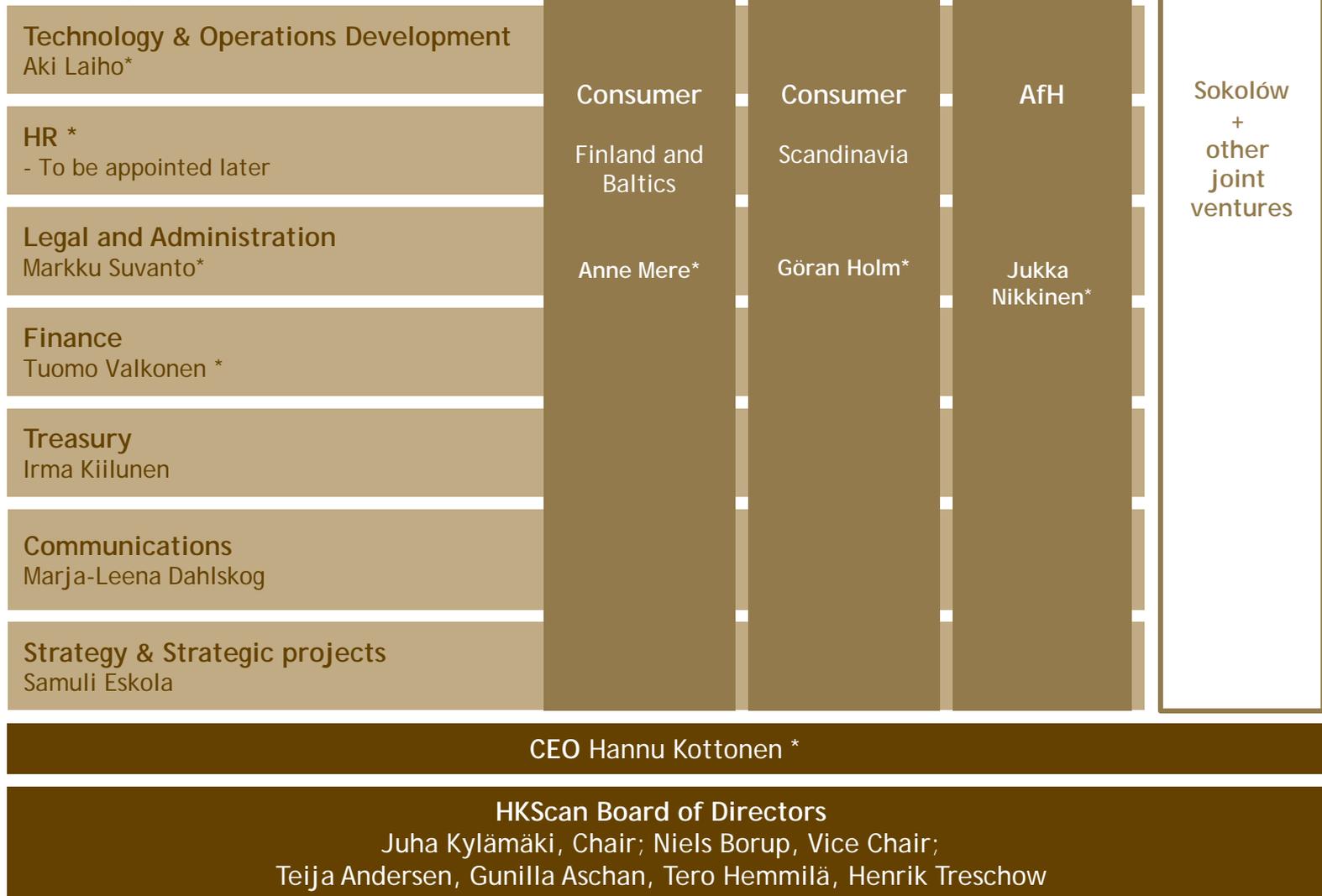
## Mission & Values

**Meat and More**

Success, Teamwork, Trust, Responsibility, Respect

# HKScan operating model

and organisation as of 3 December 2012



\* Member of the Management Team

# HKScan Management Team

as of 3 December 2012

The Management Team members are accountable for their own responsibility areas. Additionally, they support the CEO and the Group's Board in decision making. The Management Team convenes once a month.



**Hannu Kottonen**  
CEO



**Anne Mere**  
EVP, consumer  
business in Finland  
and the Baltics



**Göran Holm**  
EVP, consumer business  
in Scandinavia



**Jukka Nikkinen**  
EVP, Away from Home  
Business



**Aki Laiho**  
COO, development of  
technology and  
production



**Tuomo Valkonen**  
CFO



**EVP, HR**  
- to be appointed  
later



**Markku Suvanto**  
Administrative and  
Legal Director

# Extended Management Team

as of 3 December 2012

In order to enhance and ensure the flow of information and common view of the Group, the CEO convenes the Extended Management Team 2-4 times a year.



**Irma Kiilunen**  
Group Treasury



**Marja-Leena Dahlskog**  
SVP Communications



**Samuli Eskola**  
SVP, strategy and  
strategic projects



**Teet Soorm**  
General Manager,  
Baltics



**Thomas Olander**  
General Manager,  
Denmark;



**Magnus Lindholm**  
SVP, Swedish  
Operations



**Pekka Kuokka**  
SVP, ICT



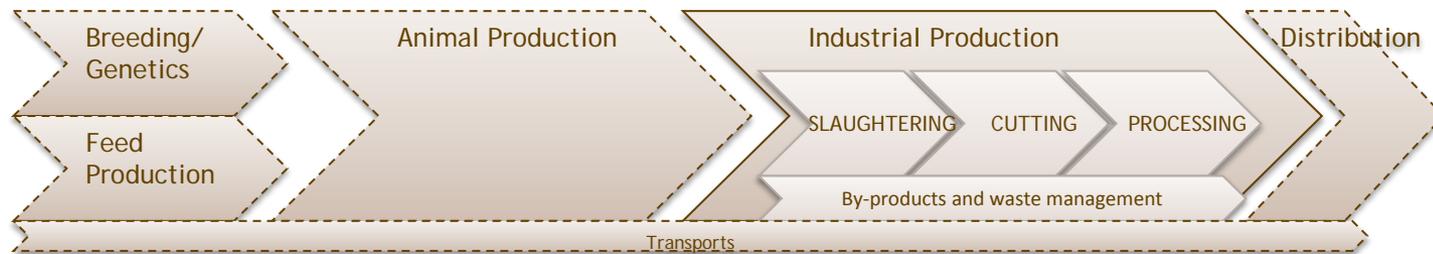
**Markku Krutsin**  
SVP, Innovation and  
Technology

# HKScan Meat Value Chain

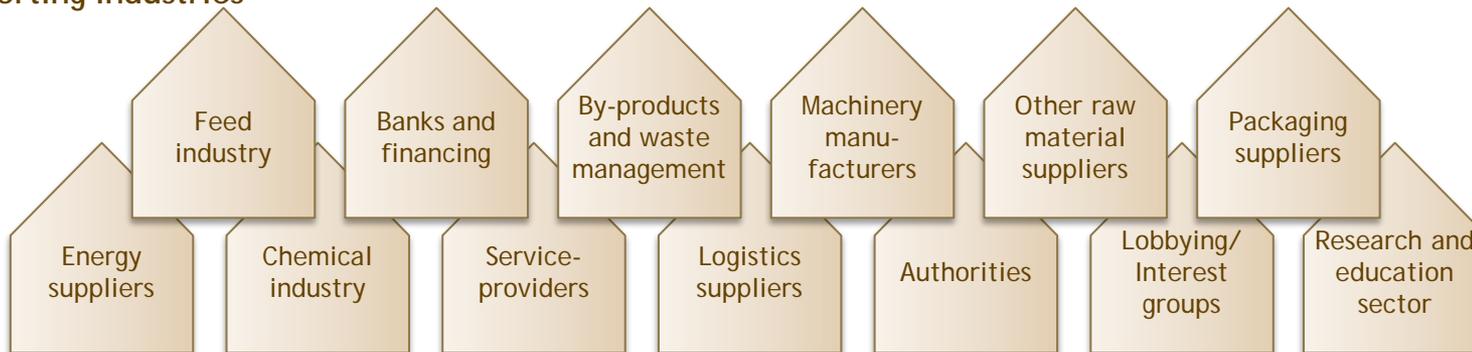
## Value-added activities



## Meat supply chain (pork, poultry, beef, lamb)



## Supporting industries



# Tasty food!

