

HKScan

HKScan Corporation Financial Statements 2011

Matti Perkonen, CEO

Media and investor briefing, 17 February 2012

HKScan - significant Northern European food company

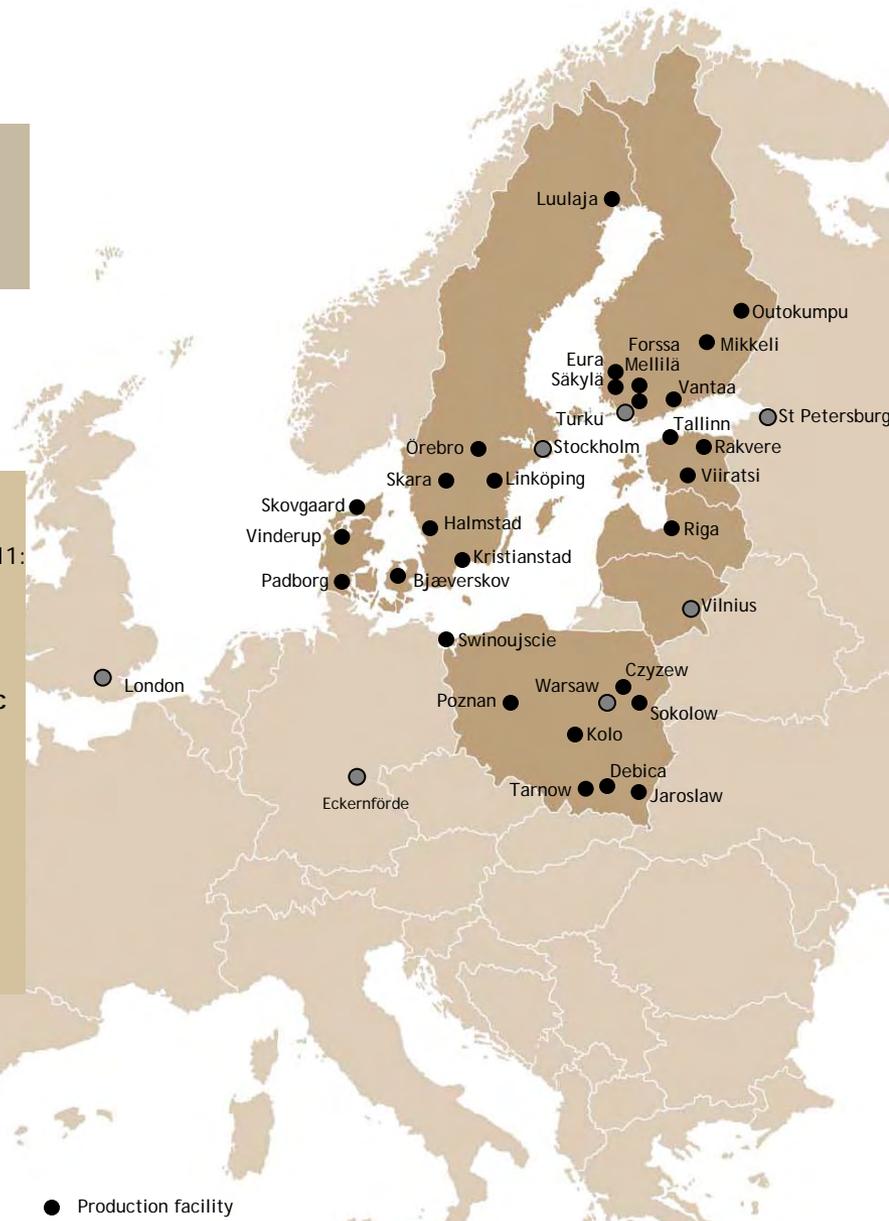
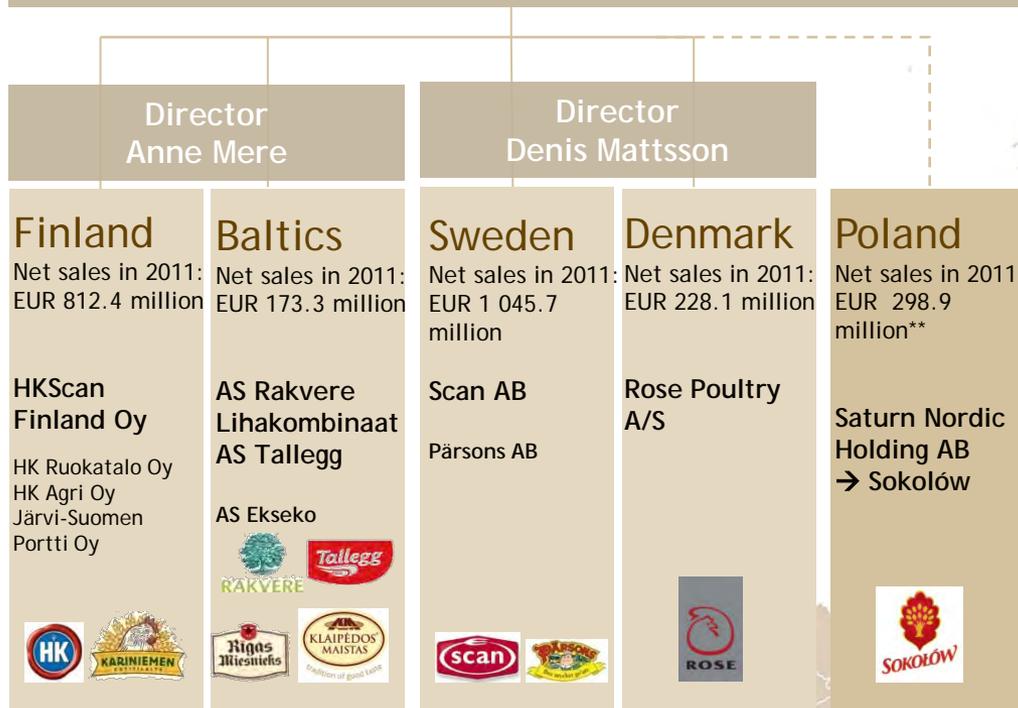


- Net sales (2011) EUR 2 491.3 million
- About 11 400 employees (average)
 - Finland 2 750
 - Sweden 2 789
 - Denmark 867
 - the Baltics 1 881
 - Poland 6 191 (50% = 3 096)
- Locations in ten countries
- HKScan's core business principle is consumer and customer satisfaction, which calls for high quality of products and services at every stage of the value chain.

Group structure

HKScan Corporation

Net sales in 2011: EUR 2 491.3 million*, CEO Matti Perkonoja
(Hannu Kottonen as of 1.3.2012)



* Net sales between segments EUR -67.1 million

** Joint venture Saturn Nordic Holding AB, owned 50/50 by HKScan and Danish Crown, holds 100 % of the shares in Sokolów. In 2011 half of the net sales was consolidated to HKScan Group.

- Production facility
- Sales office

HKScan

MEAT INDUSTRY SHAPER

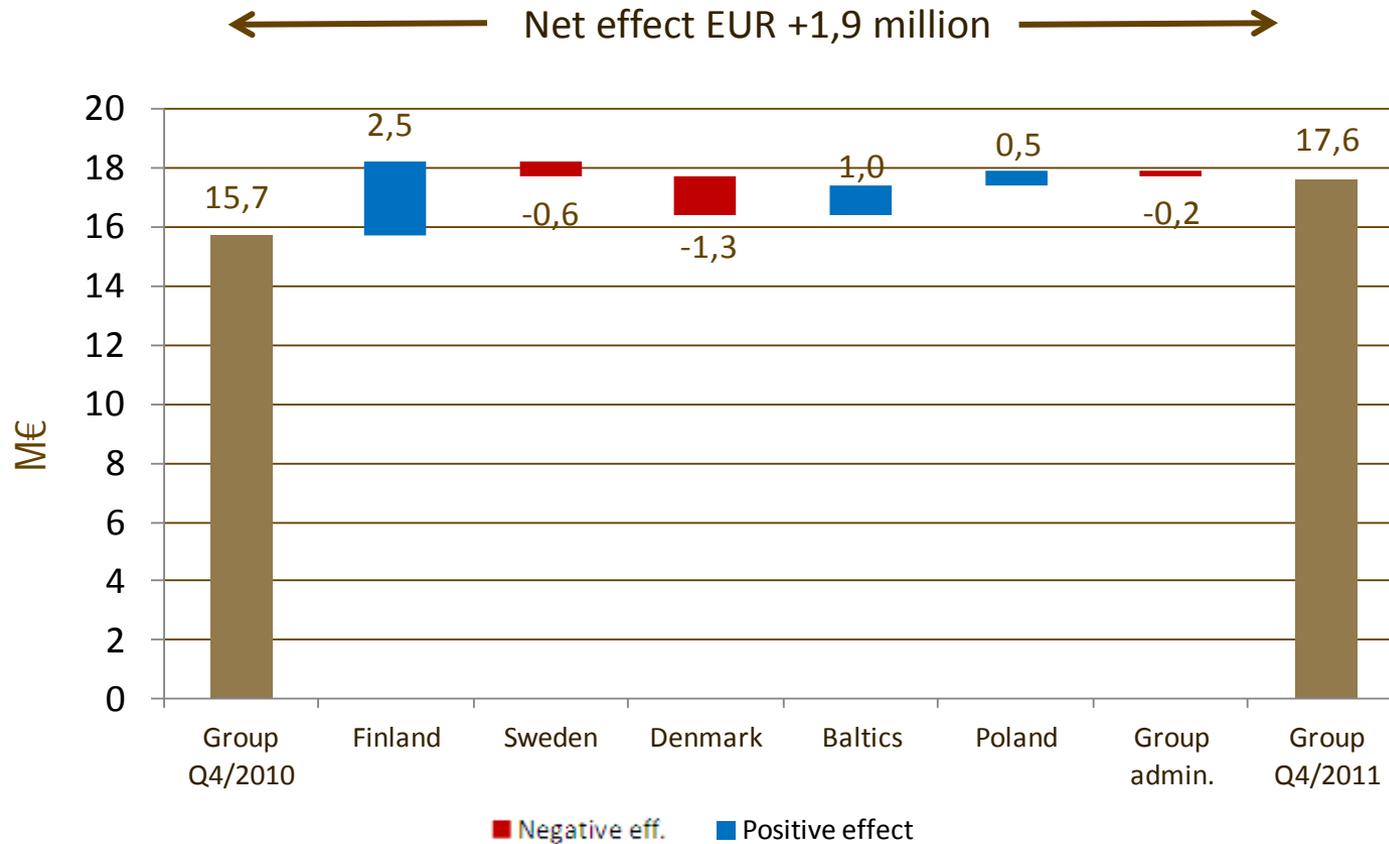
HKScan Corporation

	Q4/ 2011	Q4/ 2010	2011	2010
Net sales, EUR million	649.8	595.7	2 491.3	2 113.9
EBIT, EUR million	17.6	15.7	39.6	48.0
- EBIT margin, %	2.7	2.6	1.6	2.3
Profit before tax, EUR million	9.1	11.1	11.3	36.5
Earnings per share, EUR	0.14	0.15	0.18	0.52

- EBIT strengthened during the last quarter of 2011.
- Protracted challenges in the pork business began to ease towards the end of 2011, and the situation is stabilizing especially in the market area of Finland.
- No significant changes in market position in any of the Group's market areas during the year. Market position continued to strengthen in Finland, however.
- Meat consumption increased in all the Group's market areas.
- The Group's financial costs have increased substantially. A key near-term goal is to strengthen cash flow thus reducing interest-bearing liabilities.
- Problems in the global economy have only a minimal impact on consumer demand for HKScan's products, as the Group's comprehensive product portfolio offers options for the diverse needs of different consumers groups.

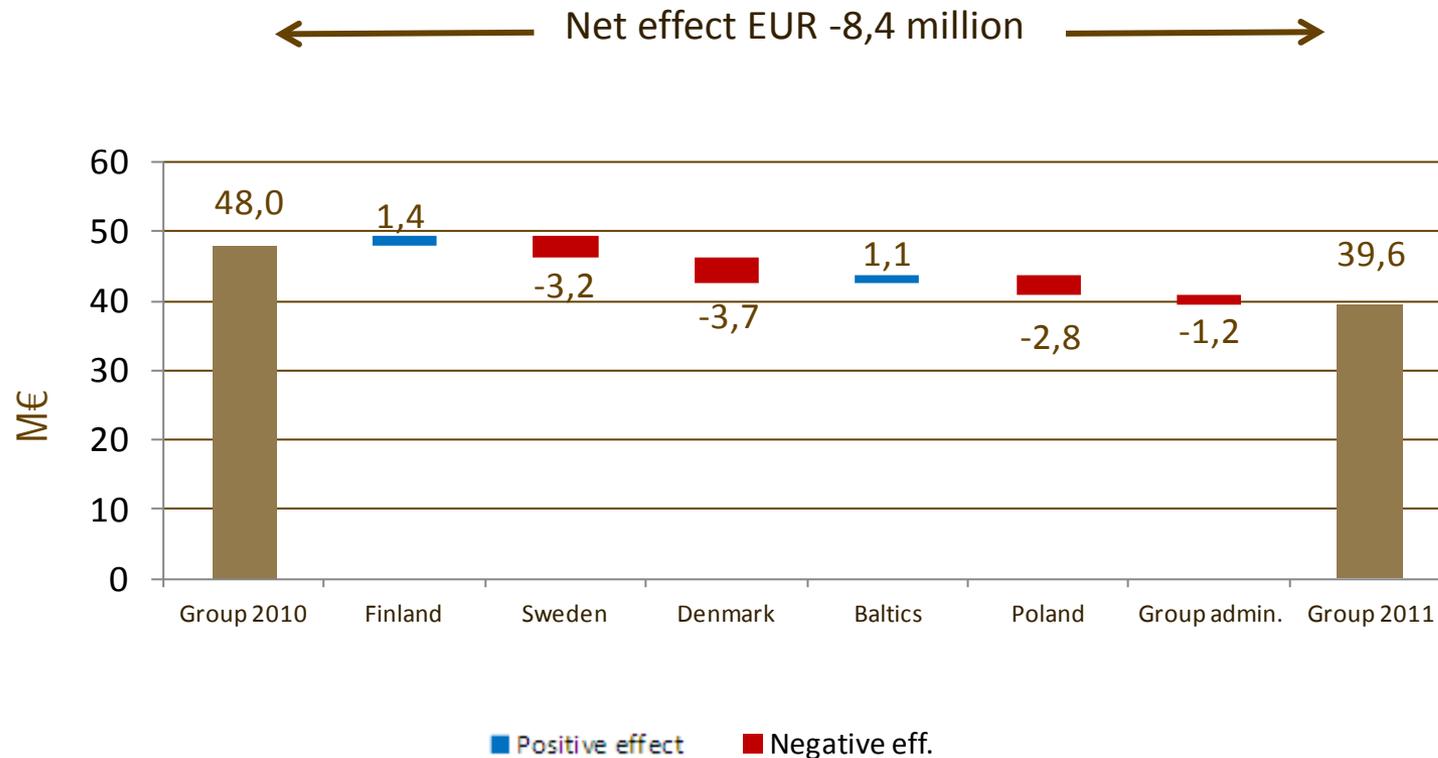
Group EBIT Bridge

Q4 /2010 vs. Q4 /2011



Group EBIT Bridge

2010 vs. 2011



Market area Finland



	Q4/ 2011	Q4/ 2010	2011	2010
Net sales, EUR million	217.6	198.2	812.4	718.5
EBIT, EUR million	7.2	4.7	12.1	10.7
- EBIT margin, %	3.3	2.4	1.5	1.5

- In Finland net sales rose 13.1 percent. Approximately half of the growth came from Järvi-Suomen Portti Oy's merger with the Group at the beginning of 2011.
- EBIT growth: 13.1 percent. Measured by profitability, Q4/2011 was one of the best in recent years.
- **Finland**
 - Protracted difficulties in the pork business stabilized.
 - Surplus pork stocks were offloaded onto the market profitably.
 - Implemented price increases together with more efficient production management rectified the situation towards the end of the year.
 - Market position strengthened in poultry, fresh meat and cold cuts.
 - Rapeseed pork (HK Rypsiporsas®) has proved to be a success in the market.
 - The year was good commercially. The Group succeeded in the summer barbeque season. Performance at the end of the year was also successful, especially in Christmas sales, thanks to Rapeseed Christmas pork.
 - Efficiency programme is under way in Järvi-Suomen Portti Oy.



MEAT BAROMETER

January-December

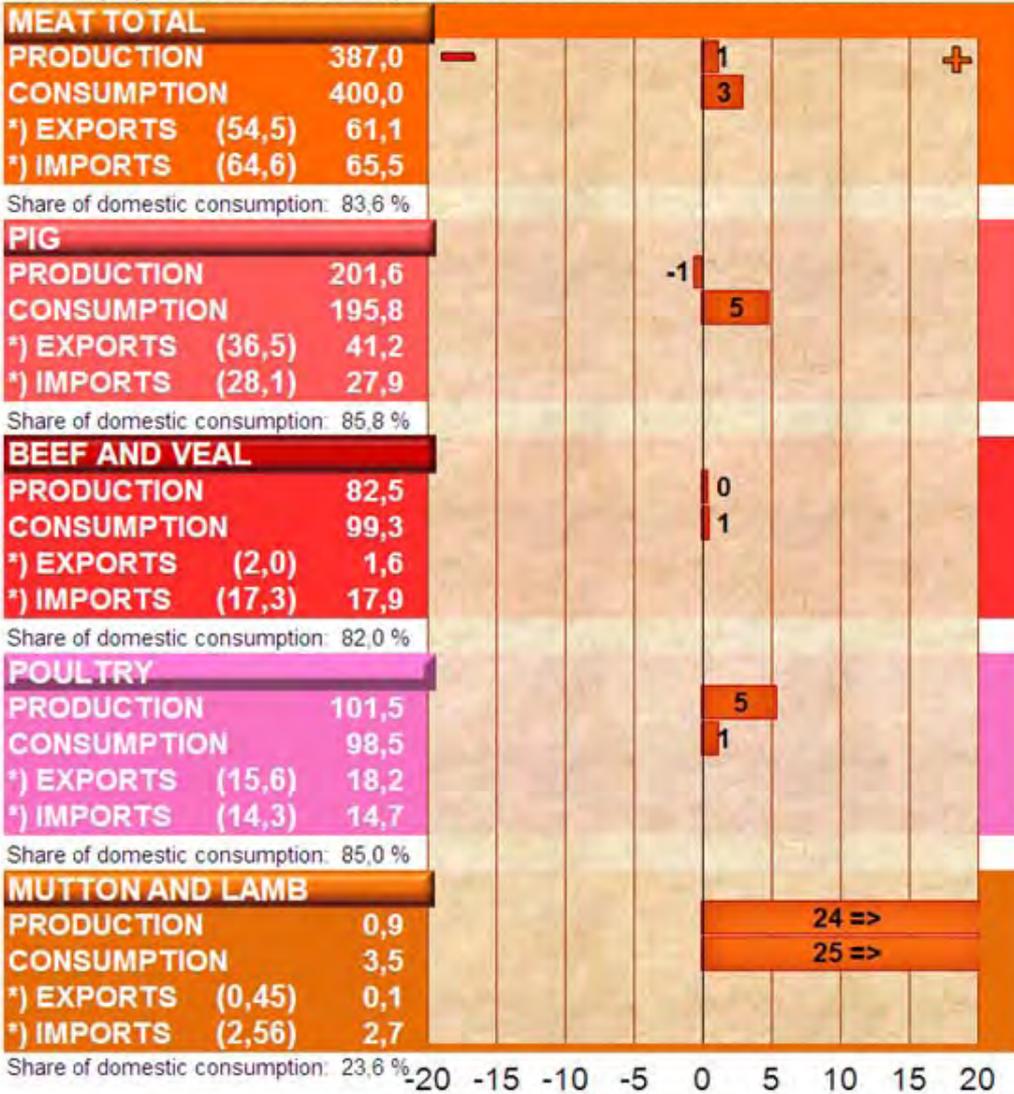
2011

As carcase

1.2.2012

1000 tn (in parenthesis I-XII / 2010)

*) Exports and imports from December are estimated



change in % from previous year

Market area Sweden



	Q4/ 2011	Q4/ 2010	2011	2010
Net sales, EUR million	275.6	275.0	1 045.7	997.1
EBIT, EUR million	7.4	8.0	17.2	20.4
- EBIT margin, %	2.7	2.9	1.6	2.0

- In Sweden, net sales in krona remained on the same level as the previous year. Development in net sales was affected by the halt in the growth of consumer staples in Sweden and the strong growth in the share of private label brands during the year. In addition, the Christmas season in 2011 was quieter than expected.
- EBIT decreased to EUR 17.2 million. In 2010 EUR 7.9 million non-recurring gains taken into account.
- In Sweden:
 - Production volumes of pork decreased further. Imports cover over 35% of consumption.
 - Imports of beef already account for over 50 percent of consumption. Scarcity in the supply of Swedish beef and pork places pressure on local raw material purchase prices, which rose considerably at the end of the year.
 - Hansa brand range of products to be launched on the market as an alternative to private brands
 - At the end of 2011 the origin-labelled Chosen by Farmers concept launched for the consumer-packed meat category.
 - Early in 2012, Swedish rapeseed pork (Svensk Rapsgris) to restaurant customers. Concept expanded to retail trade during summer 2012.



MEAT INDUSTRY SHAPER



Market area Denmark

	Q4/ 2011	Q4/ 2010*	2011	2010*
Net sales, EUR million	54.3	-21.8	228.1	21.8
EBIT, EUR million	-1.3	-0.0	-3.7	-0.0
- EBIT margin, %	-2.4	0.0	-1.6	0.0

* Rose Poultry was consolidated to HKScan Group as of 29 November 2010

- In Denmark, reasons for the weak business development:
 - low level of sales prices, especially for chicken leg quarters, in the EU markets and the Middle East
 - increased costs at the beginning of the year, mainly due to high raw material prices
 - clearing of export stocks of chicken leg quarters during Q4.
- The Malaysian export market, which re-opened at the end of the year, will improve export volumes and profitability.
- The ongoing business development programme advancing according to plan.
- In line with its strategy, Rose Poultry will focus increasingly in the future on fresh poultry products, particularly in the Danish and Swedish markets.

Market area Baltics



	Q4/ 2011	Q4/ 2010	2011	2010
Net sales, EUR million	44.9	42.0	173.3	160.4
EBIT, EUR million	2.8	1.8	9.8	8.7
- EBIT margin, %	6.2	4.3	5.6	5.4

- Net sales in the entire Baltic region grew, the highest growth in Lithuania.
- EBIT increased 13 percent
- Baltic units well adapted to the prevailing market situation and maintained strong profitability in line with targets.
- Challenges in 2011:
 - High raw material prices and increased energy costs.
 - Inflation increased food prices in the entire Baltic region, which in turn affected consumption.
 - Consumer behaviour clearly more uncertain during the second half of year in particular.
- Success in sales of Rakvere's and especially of Tallegg's seasonal products.
- Tallegg has developed its products and modernized its production processes and lines to meet growing demand.
- In Latvia, the reorganization of production was completed as planned.
- In Lithuania, the new, successful products and development of customer relationships contributed to growth.

Market area Poland



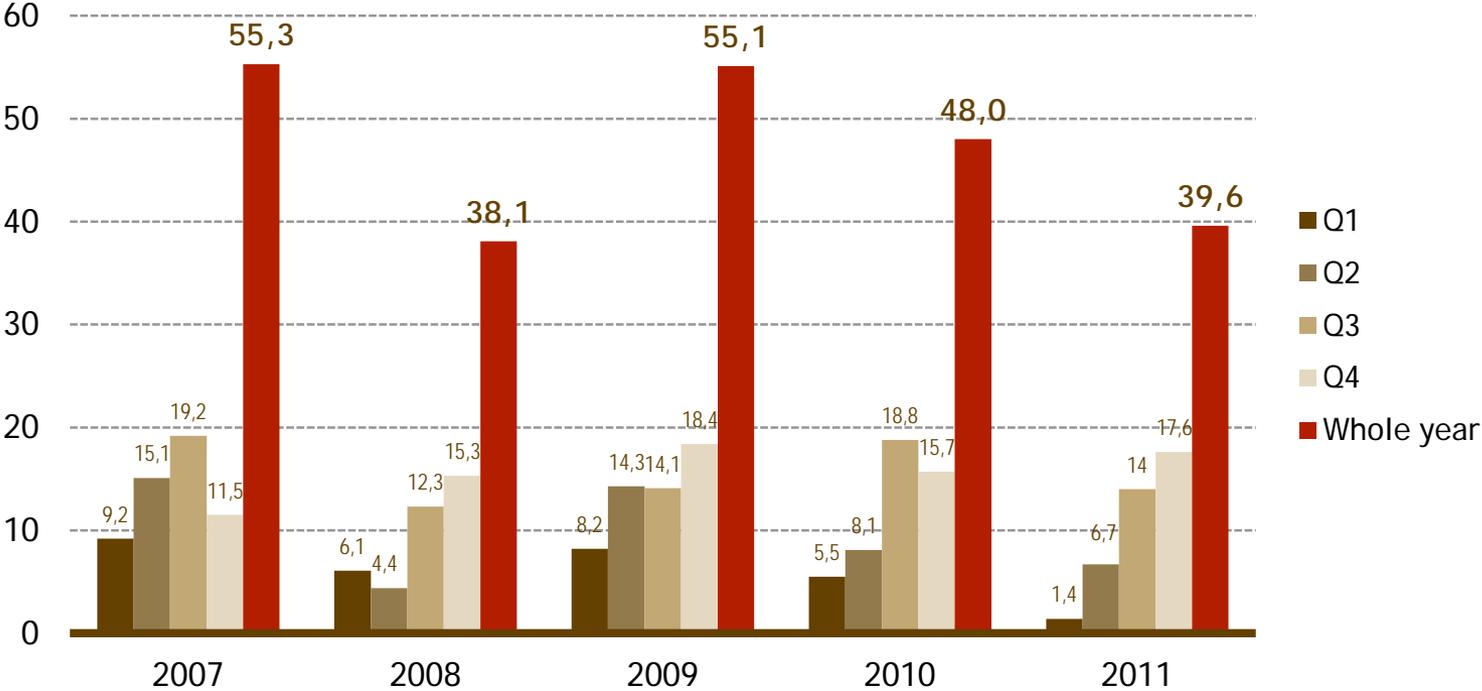
*)	Q4/	Q4/	2011	2010
	2011	2010		
Net sales, EUR million	73.9	72.6	298.9	279.3
EBIT, EUR million	3.5	3.0	12.7	15.5
- EBIT margin, %	4.7	4.1	4.2	5.6

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

- In Poland, Sokolów's net sales were up 7% (in local currency 10%). December sales reached all-time record.
- Sokolów's sales improved as planned, both in modern and in traditional retail chains.
- Costs continued to rise in pork production. Transferring price increases to consumers has posed a challenge, which has weakened the profitability of pork.
- The year 2011 was overall challenging in the Polish meat sector.
 - Large and diverse companies such as Sokolów have coped with the situation better
- The most significant investment in Poland involved improvement of processed meat production.

EBIT* development by quarter

EUR million



* reported

Future outlook



Consumer demand for meat is expected to remain steady in the Group's domestic markets. Cost changes in production inputs can still be forecast only for the near future.

HKScan's different product groups and different geographical areas, and the ongoing efficiency and development programmes further strengthen the Group's competitiveness and profitability. Sales prices of the company's products this year will be increased selectively in different product groups and in different market areas.

The group's EBIT for 2012 is estimated to be better than in 2011.

Income statement

(EUR million)	2011	2010
NET SALES	2 491.3	2 113.9
Change in inventories of finished goods and work in progress	16.1	3.5
Work performed for own use and capital.	1.3	1.3
Other operating income	9.2	13.6
Share of associates' results	1.1	1.8
Materials and services	-1 740.8	-1 445.9
Employee benefits expenses	-379.3	-316.6
Depreciation and amortization	-72.3	-61.5
Other operating expenses	-286.9	-262.0
EBIT	39.6	48.0
% of net sales	1.6	2.3
Financial income	7.4	8.1
Financial expenses	-38.3	-21.9
Share of associates' results	2.5	2.2
PROFIT/LOSS BEFORE TAXES	11.3	36.5
% of net sales	0.5	1.7
Income tax	1.0	-5.7
PROFIT/LOSS FOR THE PERIOD	12.2	30.8
Equity holders of the parent	10.1	27.9
Non-controlling intgerests	2.1	2.9
EPS, undiluted/diluted, euro	0.18	0.52

Statement of comprehensive income

(EUR million)	2011	2010
Profit/loss for the period	12.2	30.8
OTHER COMPREHENSIVE INCOME (after taxes):		
Exchange diff. on translating foreign operations	-2.5	13.5
Available-for-sale investments	0.0	0.0
Cash flow hedging	-7.4	1.8
Revaluation	0.0	0.0
TOTAL OTHER COMPREHENSIVE INCOME	-9.8	15.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.4	46.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the period	0.3	42.6
Non-controlling interests	2.1	3.5
Total	2.4	46.1

Consolidated balance sheet

(EUR million)	2011	2010
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	76.6	77.1
Goodwill	101.0	100.4
Tangible assets	516.5	537.8
Shares in associates	29.9	27.0
Trade and other receivables	31.1	25.3
Available-for-sale investments	13.0	13.1
Deferred tax asset	21.1	14.4
NON-CURRENT ASSETS	789.2	795.0
CURRENT ASSETS		
Inventories	190.2	159.9
Trade and other receivables	223.8	240.6
Income tax receivable	1.5	0.3
Other financial assets	0.4	3.9
Cash and cash equivalents	48.0	69.5
CURRENT ASSETS	463.8	474.1
ASSETS	1 253.0	1 269.2

Consolidated balance sheet

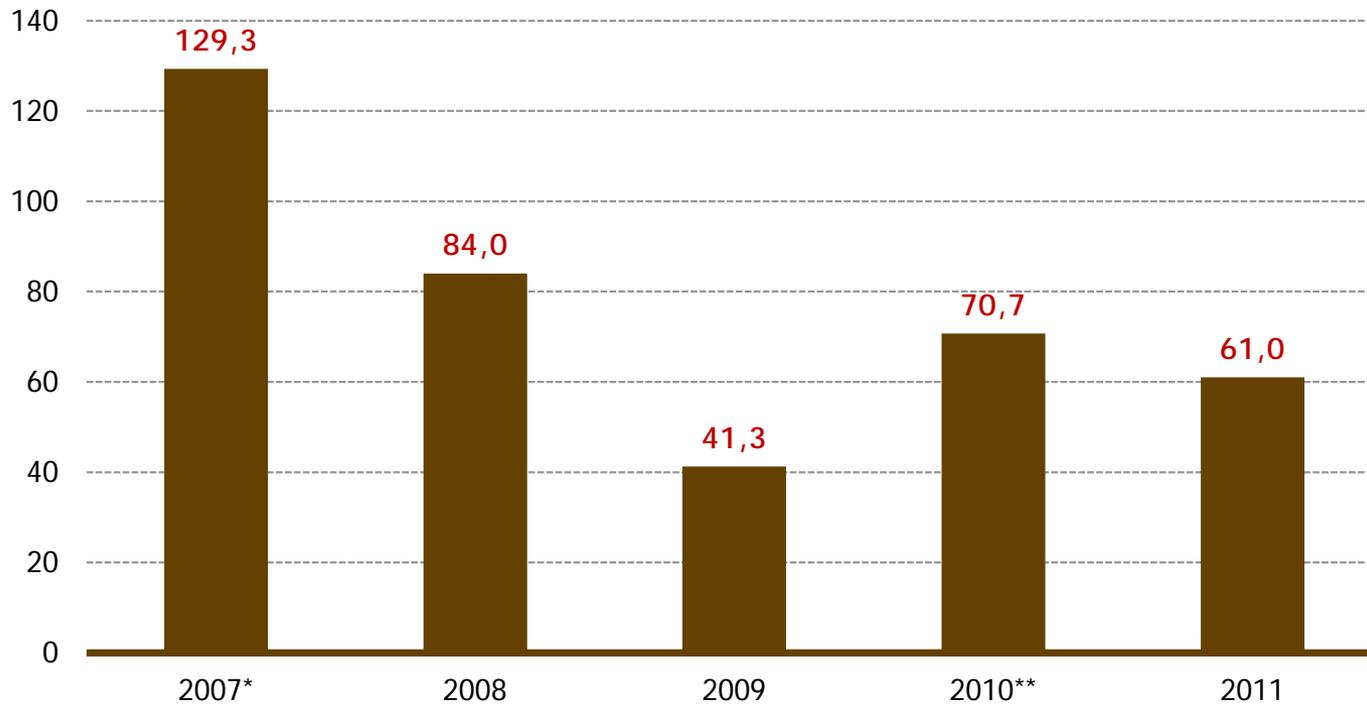
(EUR million)	2011	2010
EQUITY AND LIABILITIES		
Equity attribut. to equity holders of parent	409.3	419,6
Non-controlling interests	12.2	11,1
EQUITY	421.5	430,6
Deferred tax liability	36.9	38,9
Non-current interest-bearing liabilities	333.5	361,2
Non-current non-interest-bearing liabilities	3.0	12,4
Non-current provisions	0.6	2,4
Pension obligations	3.1	3,1
NON-CURRENT LIABILITIES	377.1	418,0
Current interest-bearing liabilities	170.6	153,0
Trade and other payables	282.9	262,5
Income tax liability	0.1	2,7
Current provisions	0.7	2,3
CURRENT LIABILITIES	454.4	420,6
EQUITY AND LIABILITIES	1 253.0	1 269,2

Cash flow statement

(EUR million)	2011	2010
Operating activities		
EBIT and depreciations (incl. adjustments)	108.2	97.0
Change in net working capital	-28.3	-.7
Financial income and expenses	-19.6	-13.8
Taxes	-6.4	-5.7
Net cash flow from operating activities	53.9	73.8
Investing activities		
Gross investments in property, plant and equip.	-60.4	-73.6
Disposals of property, plant and equip.	1.9	7.0
Investments in subsidiary		-25.2
Shares in associates purchased and sold	-1.0	-0.3
Loans granted and repaid	0.3	0.2
Net cash flow from investing activities	-59.2	-91.9
Cash flow before financing activities	-5.4	-18.1
Financing activities		
Borrowings raised and repaid	-4.4	23.0
Dividends paid	-12.7	-11.9
Net cash flow from financing activities	-17.1	11.1
Change in cash and cash equivalents	-22.5	-7.0
Cash and cash equivalents, 1 January	73.4	75.9
Effect of changes in exchange rates	-2.5	4.5
Cash and cash equivalents, 31 December	48.4	73.4

Investments

Meur



* Excluding acquisition price of Scan AB, approx. EUR 158 million

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

Financial indicators

	2011	2010
EPS, diluted, euro	0.18	0.52
Equity per share / euro	7.67	7.63
Dividend per share, euro *)	0.17	0.22
Equity ratio, %	33.6	34.0
Adjusted number of outstanding shares in millions		
- average during and at the end of period	55.0	54.0
Gross investments, EUR million	61.0	70.7
Average number of employees	8 287	7 491
*) Board's dividend proposal for the AGM		

Financial targets and achievement

2007 - 2011

	Target	Achievement				
		2011	2010	2009	2008	2007
EBIT margin,%	over 5%	1.6	2.3	2.6	1.7	2.6
Return on equity	over15%	2.9	7.4	9.0	2.3	9.2
Equity ratio, %	over 40%	33.6	34.0	37.1	29.5	29.3
Dividend payout ratio, %	at least 30% of net earnings	92.1	42.6	34.5	199.3	37.7

Main brands

Sweden



Denmark



Poland



Lithuania



Latvia



Finland



Estonia



RAKVERE



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