



HKSCAN

Interim Report Q1/2014 Group Overview

**Hannu Kottonen, President and CEO
7 May 2014**

Restructuring advances – quarterly result disappointing

HKScan Group, Q1/2014

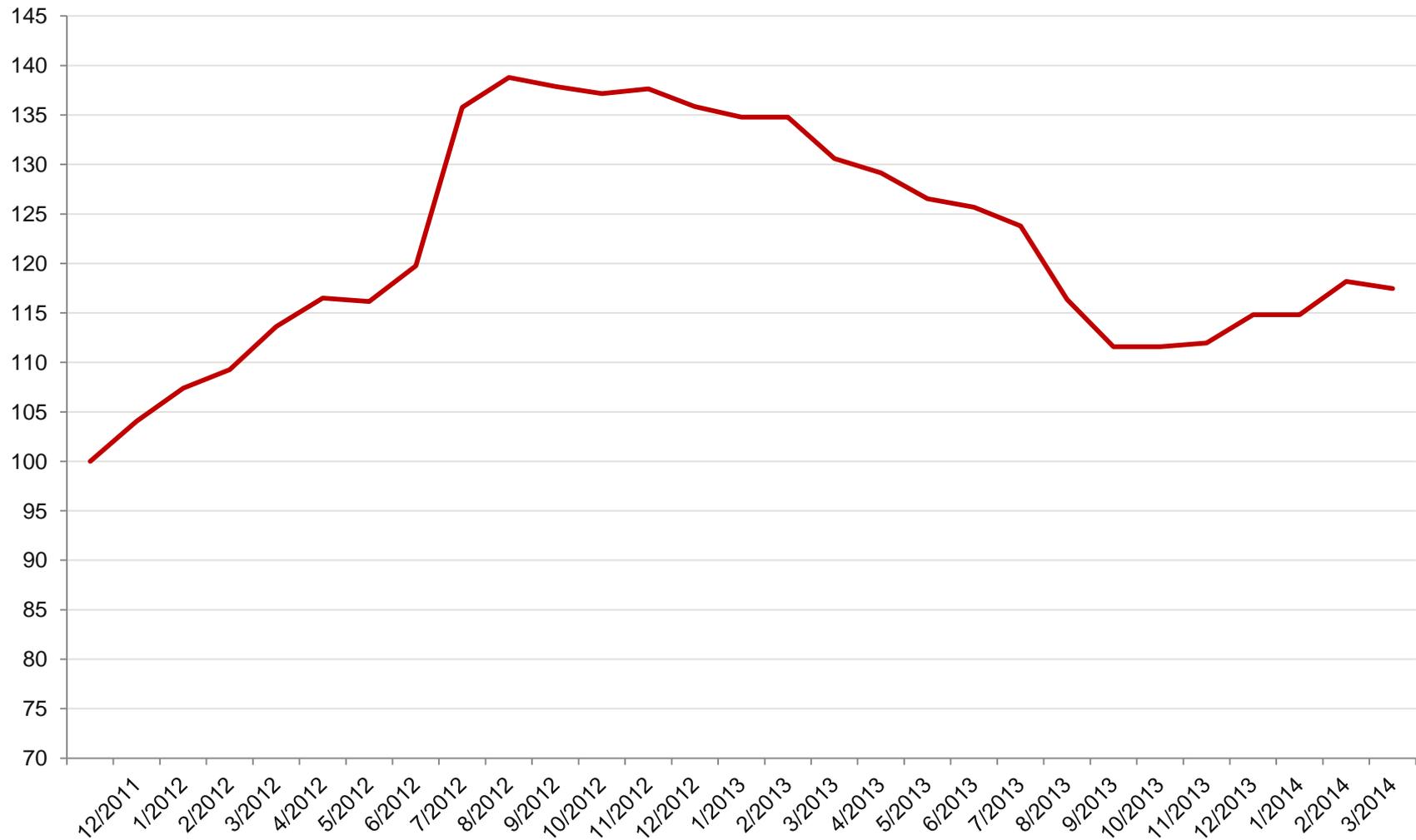
- Net sales and EBIT performance disappointments
 - Low market demand in general, Russian ban on pork imports from the EU, pork oversupply
 - Tough sales price competition in all markets
- Profitability below target
 - The Baltics recorded positive EBIT
 - Sweden maintained its profit improvement trend
 - Finland well behind the previous year as a carry-over
 - In Denmark turnaround efforts in progress, but no visible results yet
- Highlights of the quarter
 - An agreement to sell all shares (50%) in Saturn Nordic Holding AB to Danish Crown A/S signed
 - Restructuring advances, new actions announced with focus on the Swedish market
 - Good progress made with the Group profitability development programme
 - Net working capital well managed, frozen stock kept well under control
 - Brand strategy crystallised, Group identity project launched, including legal name harmonization
 - RTRS-soy and GMO-free Rapeseed pork

HKScan Group

EUR million	Q1/2014	Q1/2013*	2013*
Net sales	465,4	507,1	2 113,2
EBIT	-17,5	-6,5	11,7
- EBIT %	-3,8	-1,3	0,6
Profit before taxes	-16,3	-6,7	6,7
Profit for the period	-12,9	-4,1	9,8
EPS, EUR	-0,23	-0,08	0,16
EBIT excl. non-recurring items	-7,1	-3,4	6,7
- EBIT %	-1,5	-0,7	0,2

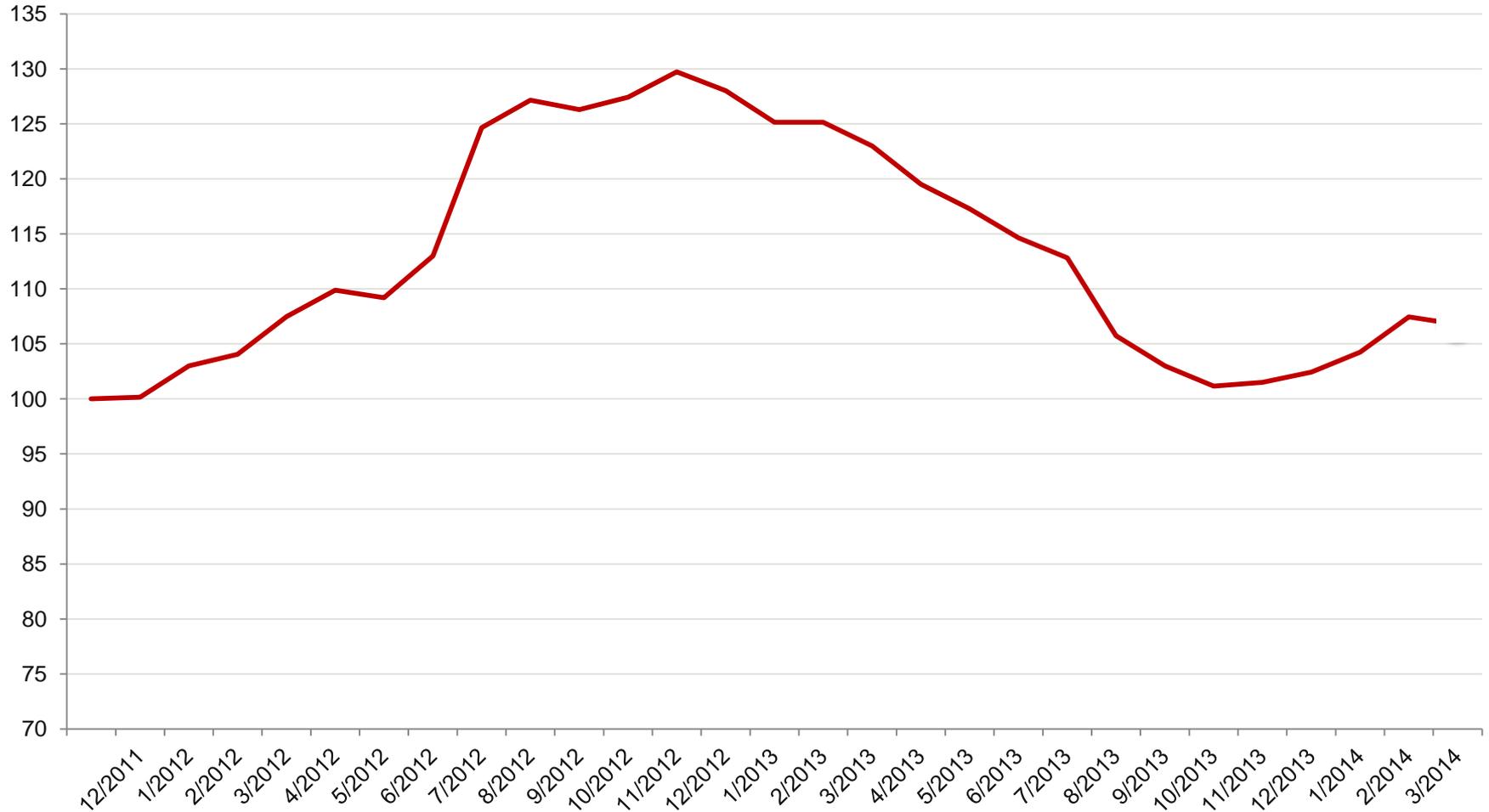
*Restated

Feed Basket – Poultry



Source: HKScan BI

Feed Basket – Pork



Source: HKScan BI

Market Area Finland

EUR million	Q1/2014	Q1/2013*	2013*
Net sales	179,2	194,1	804,1
EBIT	-1,4	-1,2	3,2
- EBIT %	-0,8	-0,6	0,4
EBIT excl. non-recurr. items	-1,4	2,0	6,9
- EBIT %	-0,8	1,0	0,9

*Restated

- In retail, low demand resulted in poor sales and mix
- Russia's ban on EU pork imports increased oversupply, pushing down prices locally and globally
- Frozen stock level lower than last year
- Animal purchasing prices and purchasing volumes decreased
- Fixed costs lower than the previous year
- Launch of a new range of Kariniemen[®] breaded products and "Poppis[®]"
- HK Rypsiporsas[®] rapeseed pork to be completely GMO-free as of September
- New company name, HKScan Finland Oy, introduced (former HK Ruokatalo Oy)

Market Area Baltics

EUR million	Q1/2014	Q1/2013*	2013*	*Restated
Net sales	40,8	41,8	175,1	
EBIT	0,2	0,6	7,7	
- EBIT %	0,4	1,5	4,4	

- Hard hit by Russia's ban on EU pork imports
- Sales declined due to decreased sales prices and volume and less favourable mix
- Positive performance in poultry and branded processed products, partly offsetting the decline in pork margins
- Domestic market position maintained successfully, strengthened in some categories
- AS Rakvere Lihakombinaat and AS Tallegg to form AS HKScan Estonia on 30 May 2014. Company names scheduled to be harmonised in Latvia and Lithuania by 30 May 2014.

Market Area Sweden

EUR million	Q1/2014	Q1/2013*	2013*	*Restated
Net sales	210,4	229,2	966,5	
EBIT	-12,1	-2,9	8,0	
- EBIT %	-5,7	-1,2	0,8	
EBIT excl. non-recurring items	-1,7	-2,9	10,2	
- EBIT %	-0,8	-1,2	1,1	

- Losses decreased but total net sales declined
- Restructuring plan announced. Strategic review in final stages.
 - Pig slaughtering and cutting operations to be closed in Skara, beef cutting to be moved to Linköping, production of skinless sausages to be moved from Örebro to Linköping, Örebro to be closed.
 - Production to be centralised at four key locations by early 2015 (Kristianstad, Linköping, Halmstad, Skara)
 - Personnel reduction of approximately 140 employees
- Renewed producer contracts for simplified, harmonised and market-driven pig purchase pricing practices. Slaughtering volumes to match demand.
- Producer co-operation model and services to enhance productivity development
- Concrete steps with RTRS soy: in 2014 at least 60 per cent, and in 2015, 100 per cent of the soy used or sold will meet the RTRS-criteria.
- New legal name, HKScan Sweden AB, adopted (former Scan AB)

Market Area Denmark

EUR million	Q1/2014	Q1/2013*	2013*
Net sales	54,0	56,2	225,3
EBIT	-0,7	-0,3	3,6
- EBIT %	-1,3	-0,6	1,6
EBIT excl. non-recurring items	-0,7	-0,3	-2,8
- EBIT %	-1,3	-0,6	-1,2

*Restated

- Total net sales declined due to unfavourable mix and lower volumes
- Sales price pressure remained tough, especially in frozen offering
- Actions to decrease frozen stock impacted cash flow but decreased margins
- Fresh chicken products continued to improve their performance in Denmark and Sweden
- Animal purchasing volumes were lowered to better match profitable business volumes
- Turnaround efforts in progress, but no major results achieved yet
- The renewed Rose® brand design and packages launched
- The new legal name, HKScan Denmark A/S (former Rose Poultry A/S) adopted



**Progress made with
strategy implementation**

HKScan Strategy 2012–2015 - Status Today

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

The Nordic meat experts

Trust. Team. Improve.

Agreement to sell stake in Saturn Nordic Holding AB (Sokolów)

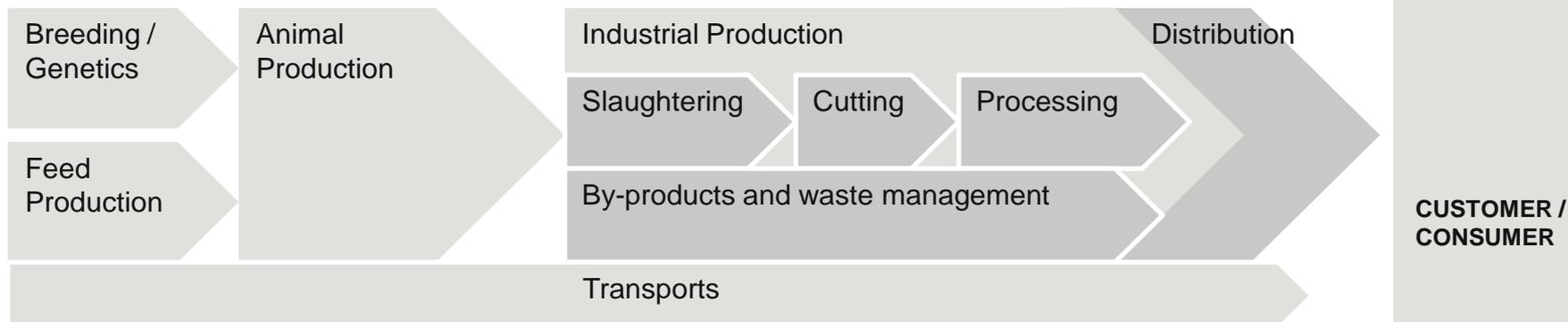
- HKScan signed an agreement to sell all its shares (50%) in Saturn Nordic Holding AB to Danish Crown A/S. HKScan will no longer hold an indirect stake in Sokolów.
- The sales price (Enterprise value) :
 1. EUR 180 million in share value to be received in cash
 2. Dividend of EUR 8.3 (PLN 35) million for 2013 (received 28.4.2014)
 3. Sokolów's net debt no longer to be consolidated to HKScan's balance sheet
- An estimated capital gain of EUR 75 million
- The planned divestment is to decrease the Group's net gearing by about 50%
- Transaction to be finalised as soon as the EU Commission has granted approval
- The divestment enables the Group place a stronger focus on other home markets
- HKScan will retain its wholly-owned subsidiary, HKScan Poland Sp.z o.o., in Świnoujście

HKScan Meat Value Chain

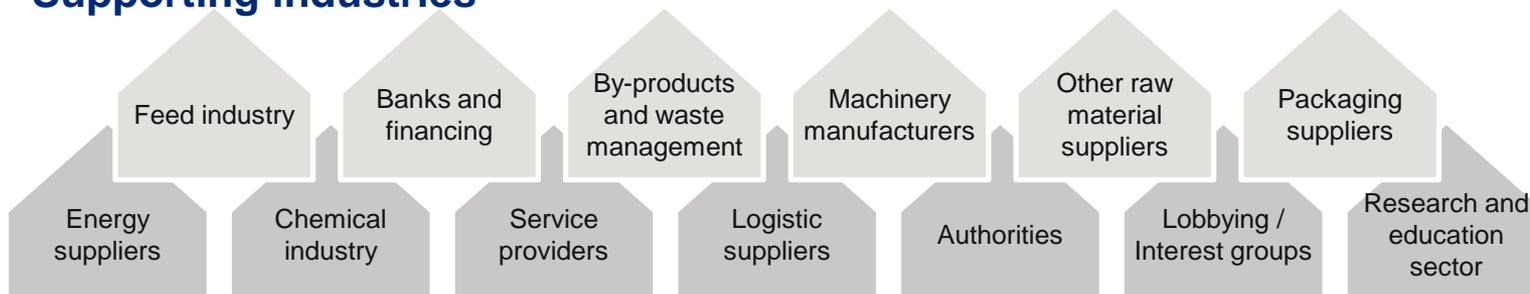
Value-added activities

Supply Chain Management, Technology, Research and Development, Sales, Marketing and Customer Service, Human Resource Management, Materials and Services Sourcing

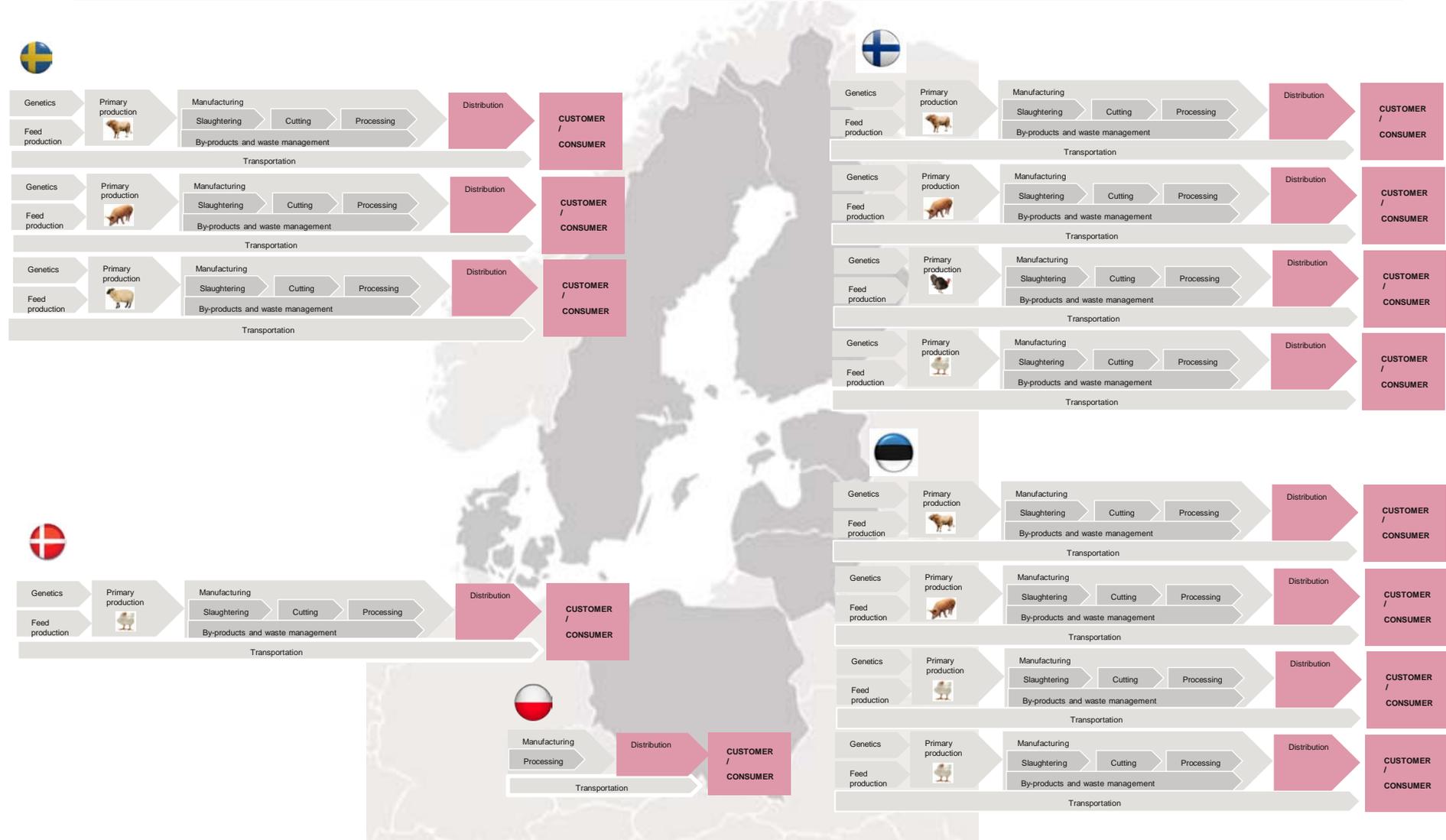
Meat supply chain (pork, poultry, beef, lamb)



Supporting industries



Value chain by countries and by animal types



Strategy implementation (1/2)

Finland

- **Production rationalized between Säkyä, Vantaa and Mikkeli**
- Best-In stake (50%) sold
- Säkyä property sold to Kivikylä
- LTK Co-operative (50%) in process of being closed

Baltics

- **Poultry processing at Loo closed and integrated at Tabasalu facility**
- Lithuanian warehouse closed and service moved to Latvia
- Two idle properties sold
- Egg business transfer to a separate company (Koks)

Denmark

- Bjäverskoov production closed and property sold
- Padborg production closed and property sold

Strategy implementation (2/2)

Sweden

- **Pärsson integrated to Scan operationally and legally**
- **Skara slaughtering to be closed**
- Örebro production to be closed
- Strövelstorp facility closed and sold
- Rationalisation of cold cut production
- Exclusivity rights purchased for NG Hampshire genetics
- Annerstedt & Flodins integration ongoing
- Nyhlens & Hugoson stake (49%) sold
- Högländs Kött majority stake bought and integrated (before, 30% stake)

Group

- **Development programmes; 2012-2013 (completed) , 2014 (ongoing)**
- **Group identity renewed**
- **Sale of the Sokolów stake (50%) in process**
- Harmonisation of company structure

HKScan legal company structure (May 2014)

HKSCAN

HKScan Oyj

Saturn Nordic Holding

Sokolów

Finland

Baltics

Sweden

Denmark

HKScan Finland

Rakvere Lihakombinaat

Tallegg

HKScan Sweden

HKScan Denmark

~~Jarvi-Suomen Portit~~

Kivikylän kotipalvaamo

Klaipėdos Maisto Mesos Produktai

Rigas Miesnieks

~~SLP Parsons~~

Bertil Eriksson Slakteri

Köttproduktion i Malmö

~~Rose Poultry (D)~~

Rose Poultry (S)

Länsi-Kalkkuna

Lihatukku Harri Tamminen

~~HK Agri~~

Rakvere Farmid

~~Jelgavas Galas Kombinats~~

Pärsons Sverige

Annerstedt Flodin

AB O. Annerstedt

Tican-Rose

HRP Kyllingefarme

~~Best-In~~

LHP Bio-Carbon

Finnpig

KOKS Munatootmine

HKScan International

~~N&H Chark~~

~~N&H Kött~~

~~Norrlands-slakt~~

Farmfood

Kreatina

JVP-Eura

~~Helanderin Teurastamo~~

Honkajoki

Transbox

HKScan real estate

~~B.E. Chark~~

~~Scan Produkt ion~~

~~SM Support Stenstorp~~

Flodins Kött

LTK osuuskunta

Envor Biotech

Suomen Uusiomuovi

Pakastamo

HKScan UK

Quality Genetics

Nordic Genetics

~~SLS~~

Annerstedt Holding

MP-Maustepalvelu

Findest Protein

Svensk Köttres-prövning

Samfod

Svenskt Lantbruks-tjänst

Svenskt Djurhälsö-värden

Svenskt Butikskött

Tillväxt för sv. Animalie-produktion

Svenskt kött i Sverige

Industralakt Syd

Svenska Pig

Svensk Köttres-prövning

Gottlands Slakteri

Daka Denmark

Höglands-produkter

Siljans Chark

Svensk Köttres-prövning

TAURUS Köttträdgivning

~~⊗~~ Fuusioitu/myyty

⊖ Muutosprosessi kesken

● Uusi yhtiö / uusi nimi

Group identity harmonised, Brand strategy sharpened

- Group identity renewed, including revision of HKScan Group mission, values and visual identity
- Legal entity naming structure is being harmonised in all home markets
- In the Baltics, the process is scheduled for completion on 30 May 2014.
- Brand strategy sharpened to strengthen and rationalise the Group product and concept brand portfolios
- New common Group-level product brand Flodins TM to be launched on all HKScan home markets, intercompany business and exports.

HKSCAN



Sustainability at HKScan

- HKScan is committed to economically, socially and environmentally sustainable development as well as to enhancing animal welfare in its strategy and operations. This covers the entire value chain, from feed and genetics all the way to the consumer's plate.
- The Group has evaluated the most relevant sustainability issues and decided to focus on the following long-term and topical issues related to our impact on sustainable development:





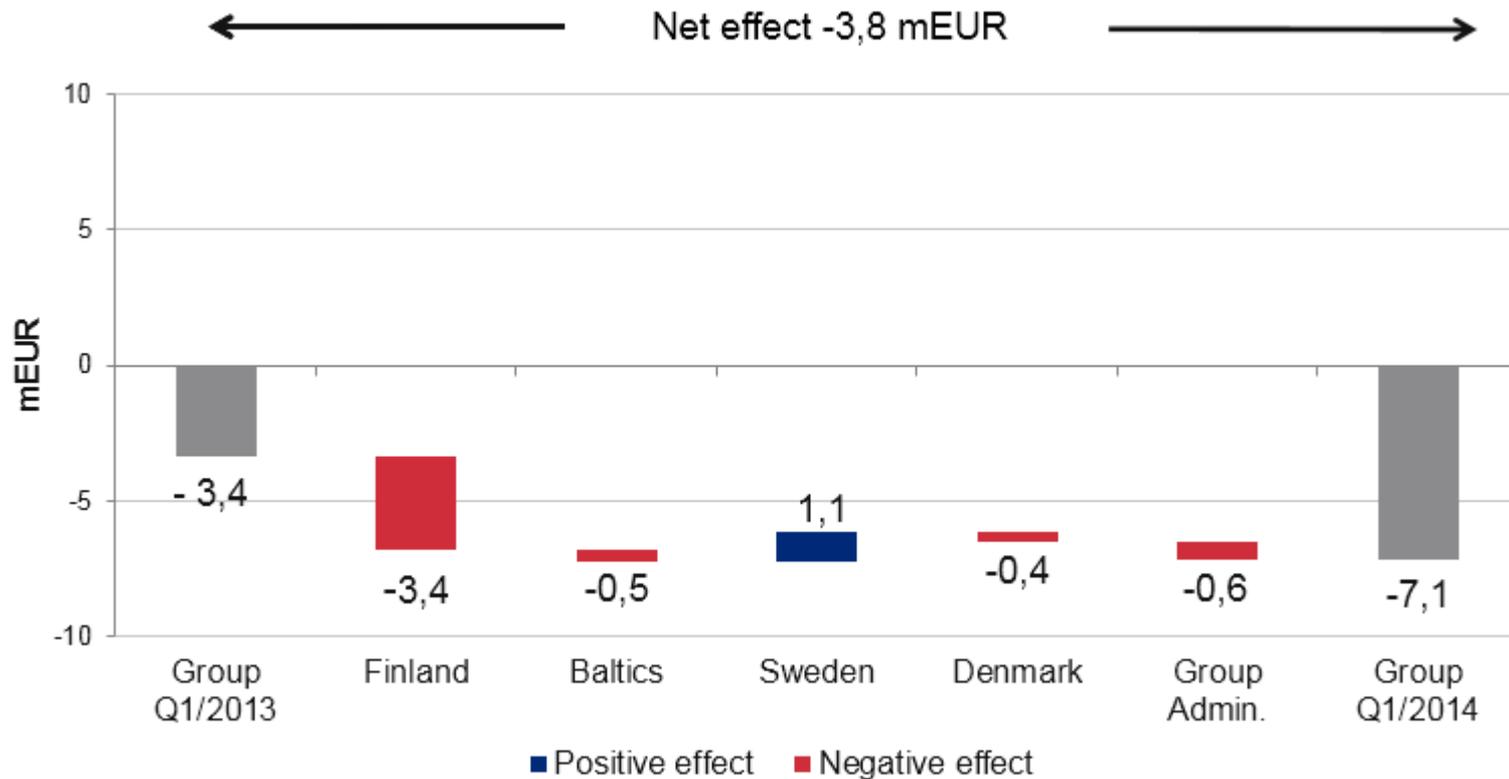
HKSCAN

Interim Report Q1/2014 Group Financials

Tuomo Valkonen, CFO
7 May 2014

Group EBIT*)

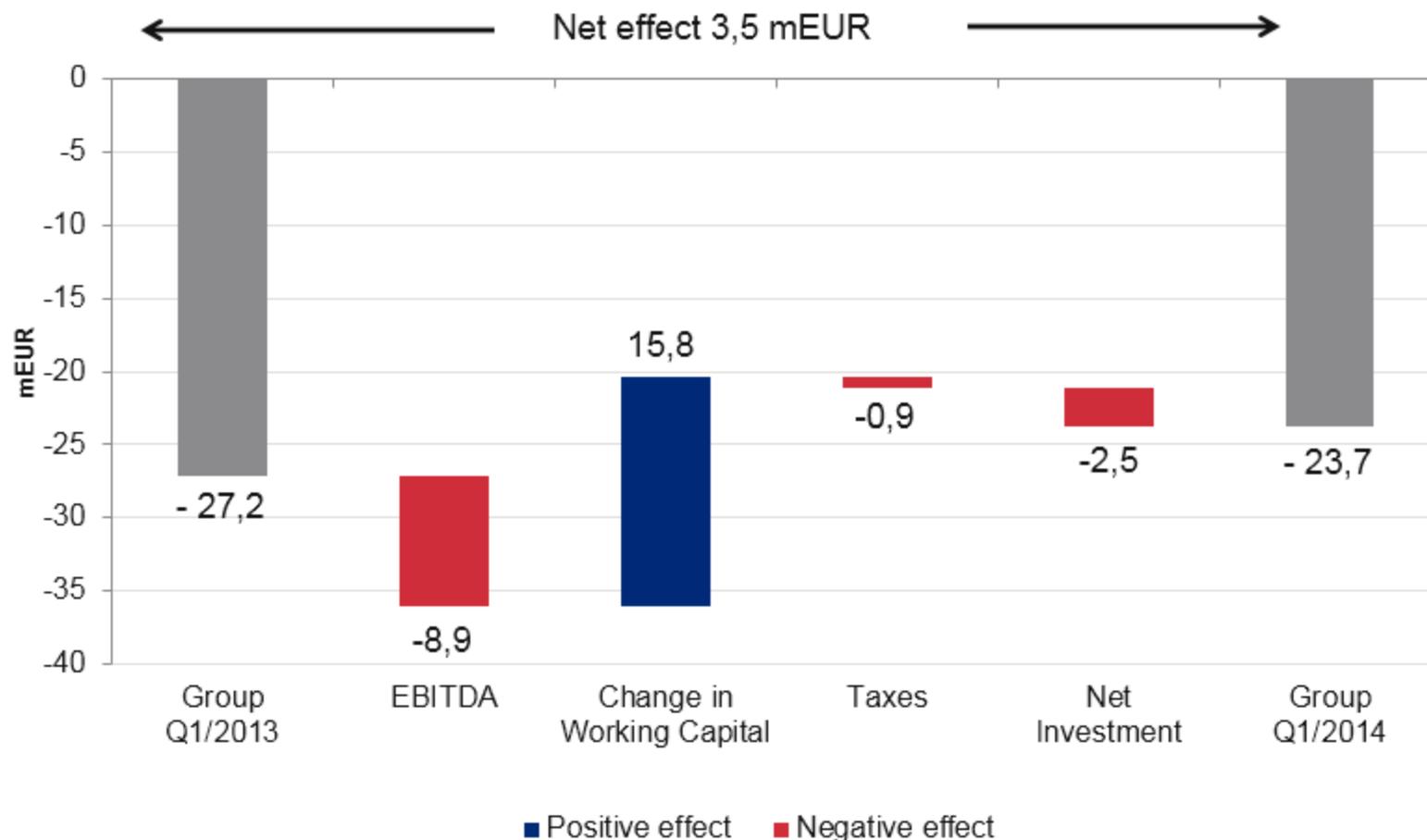
Q1/2013 vs. Q1/2014



*) Excluding non-recurring items

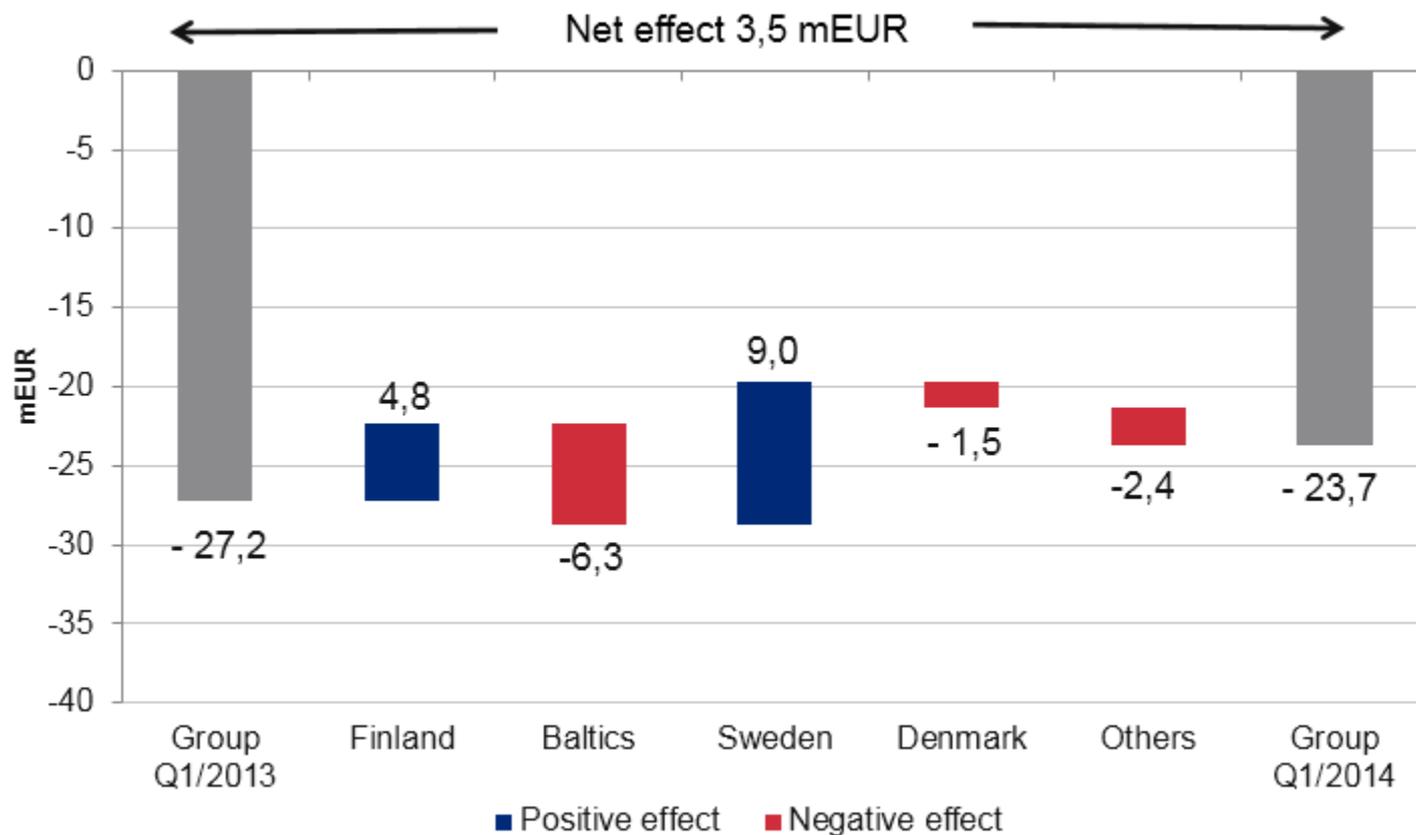
Group Cash Flow before Debt Service

Q1/2013 vs. Q1/2014

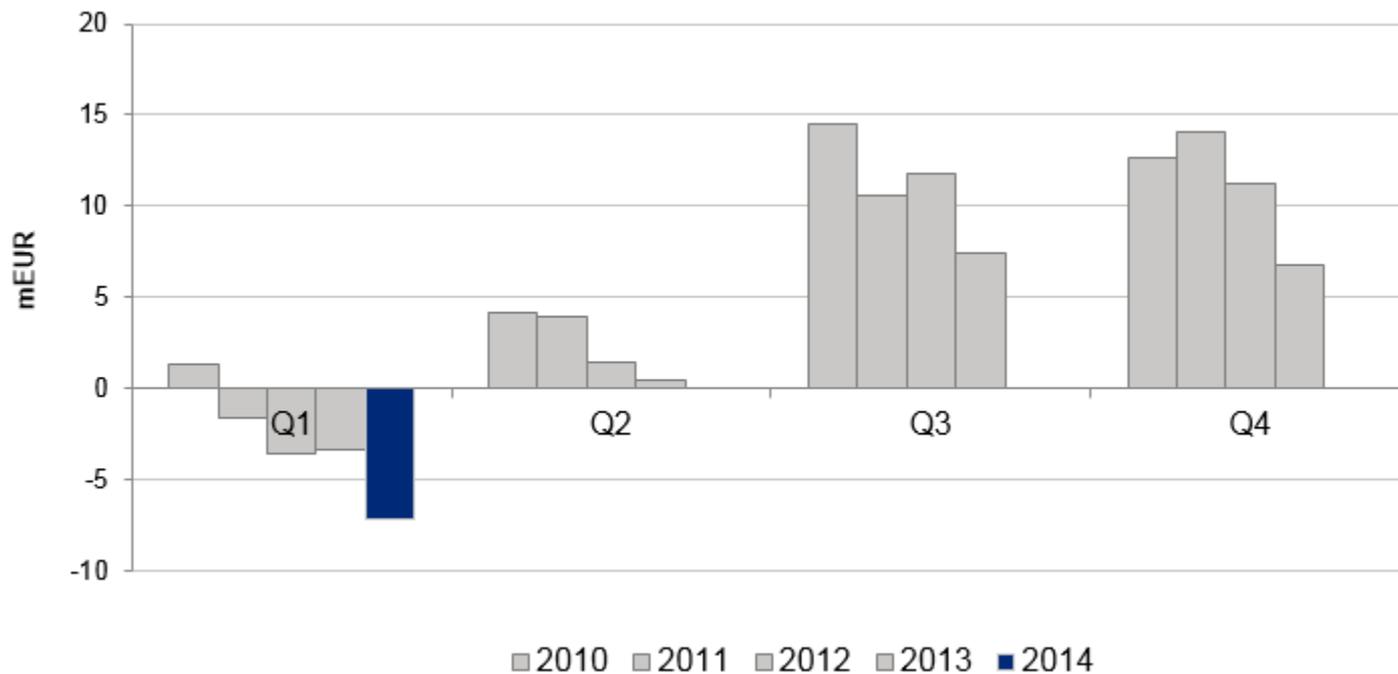


Group Cash Flow before Debt Service

Q1/2013 vs. Q1/2014

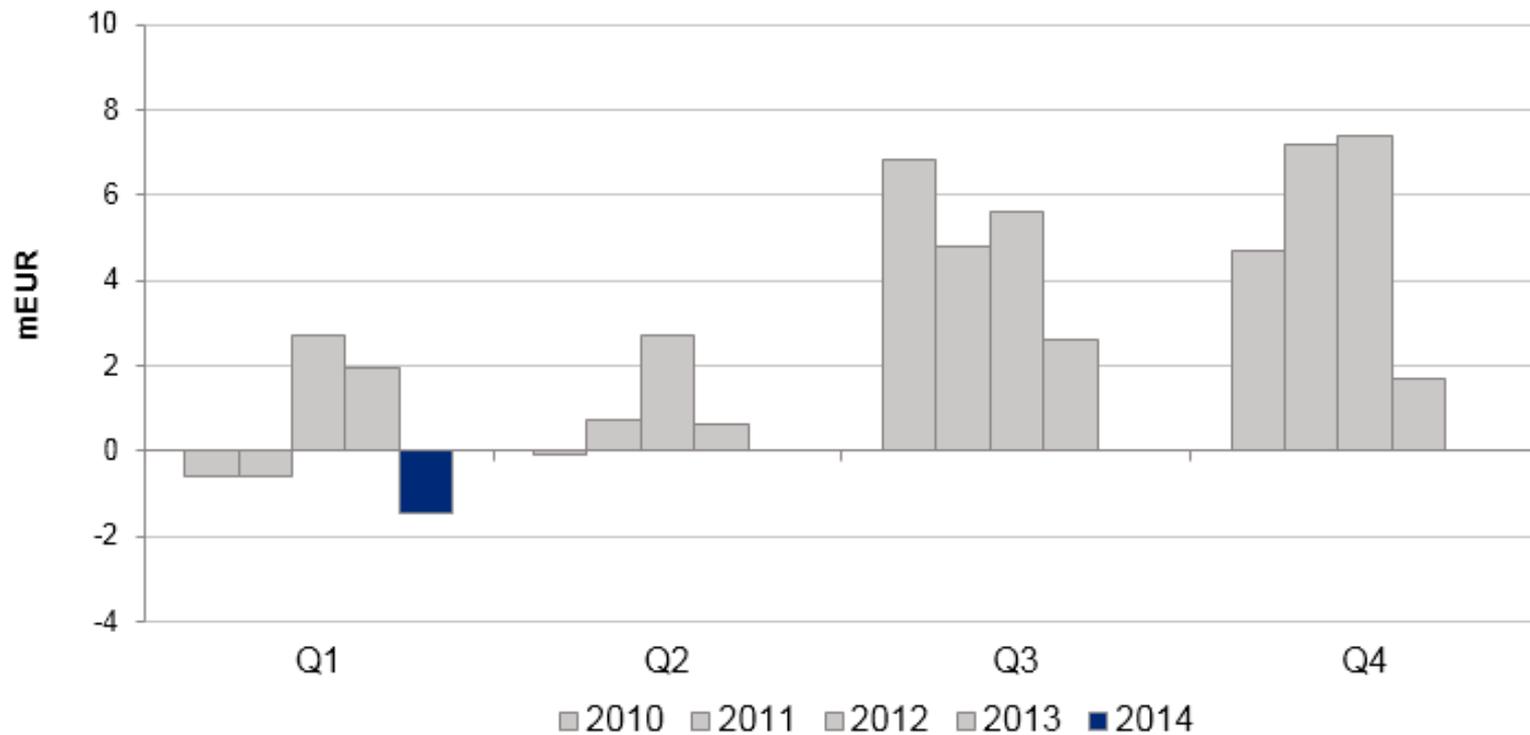


Group EBIT*)



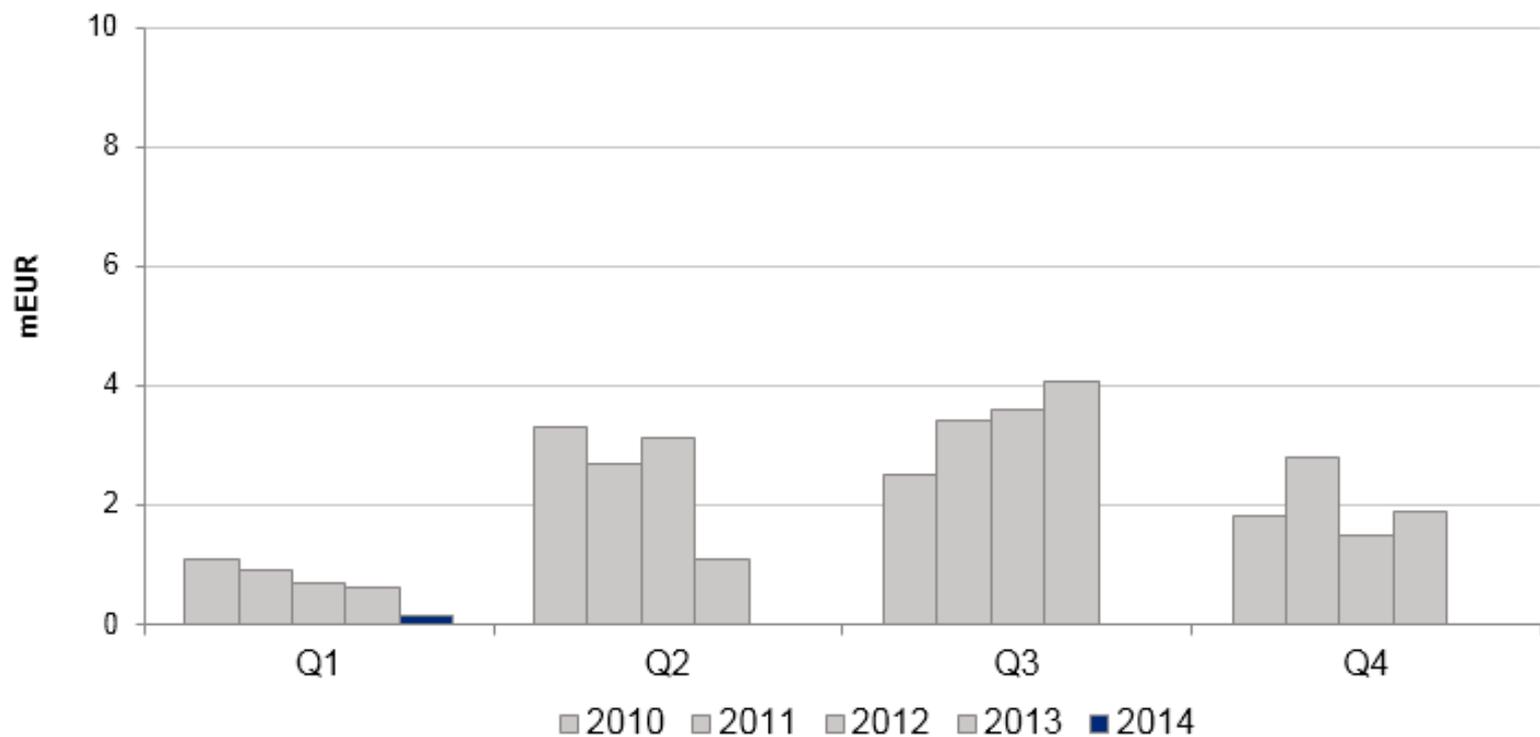
*) Excluding non-recurring items

Finland EBIT*)

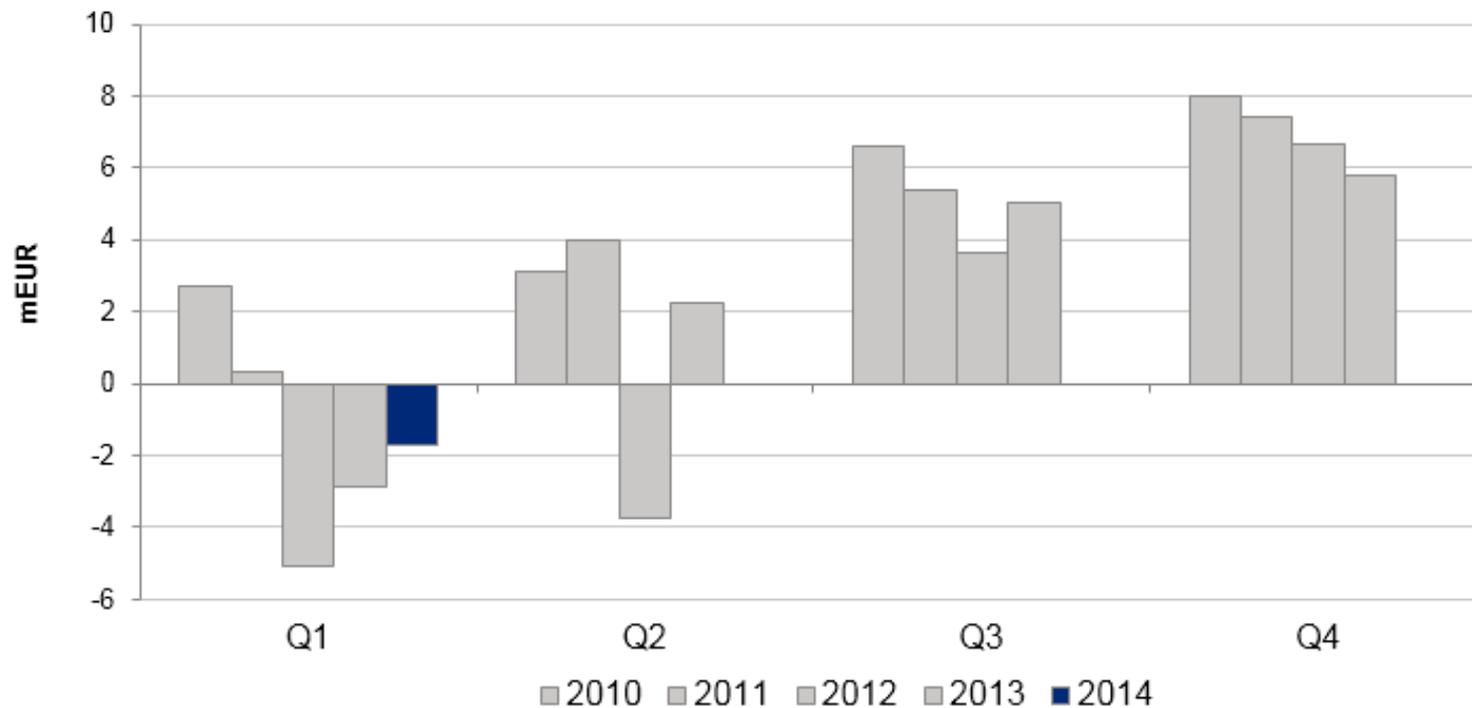


*) Excluding non-recurring items

Baltics EBIT

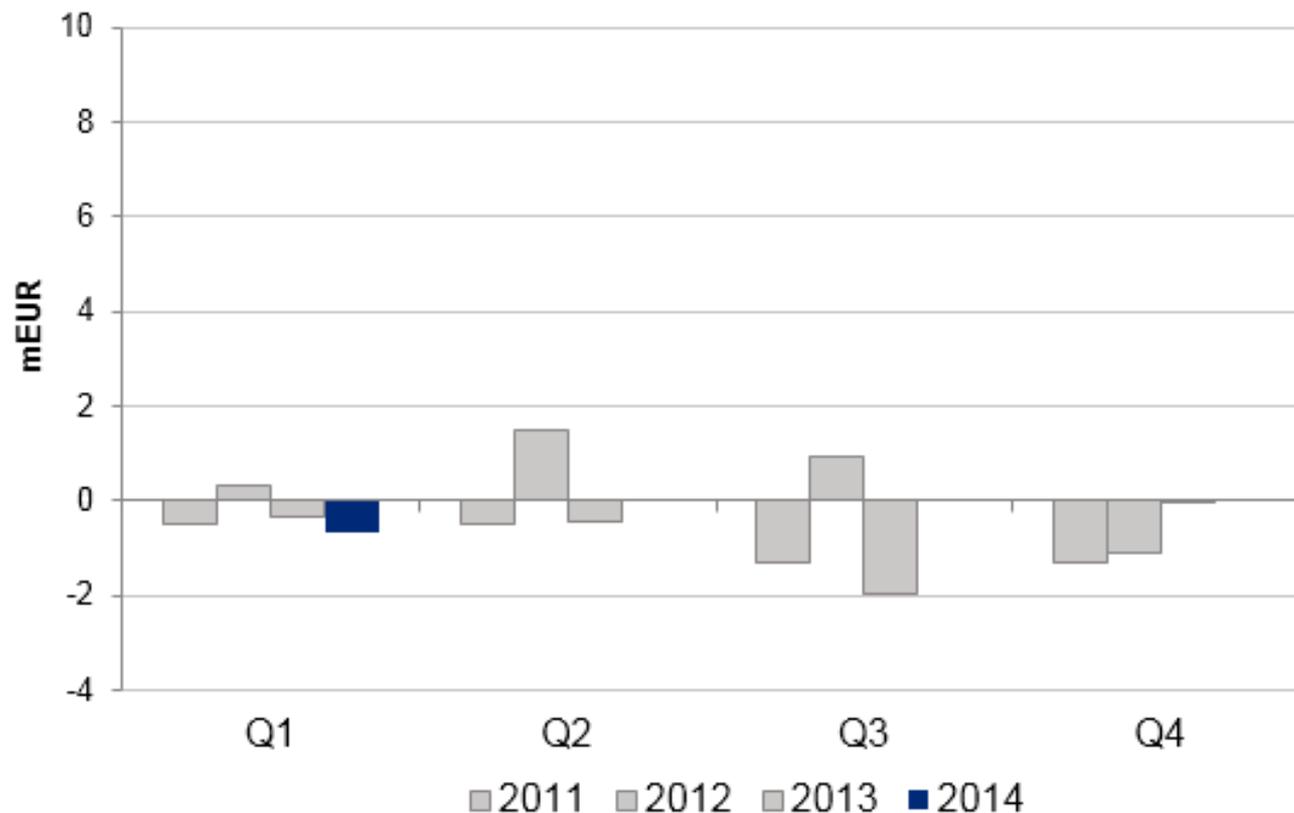


Sweden EBIT*)



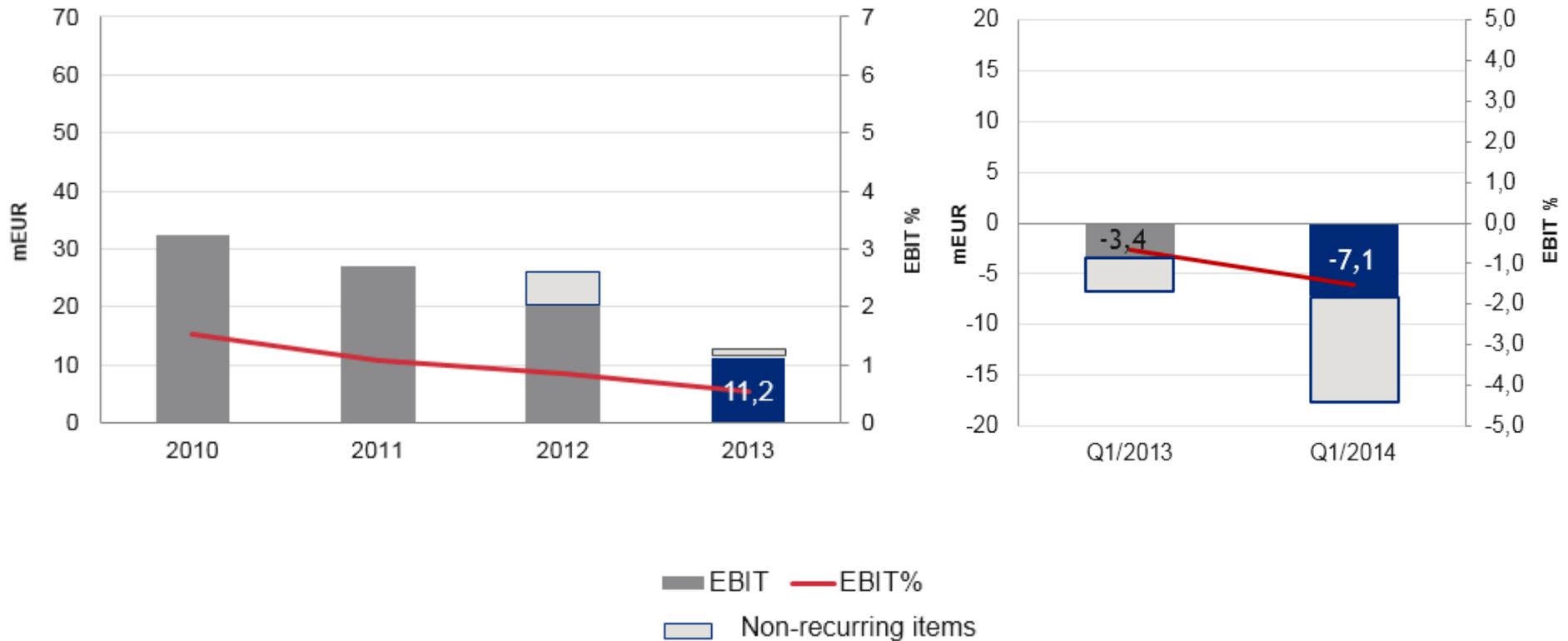
*) Excluding non-recurring items

Denmark EBIT*)

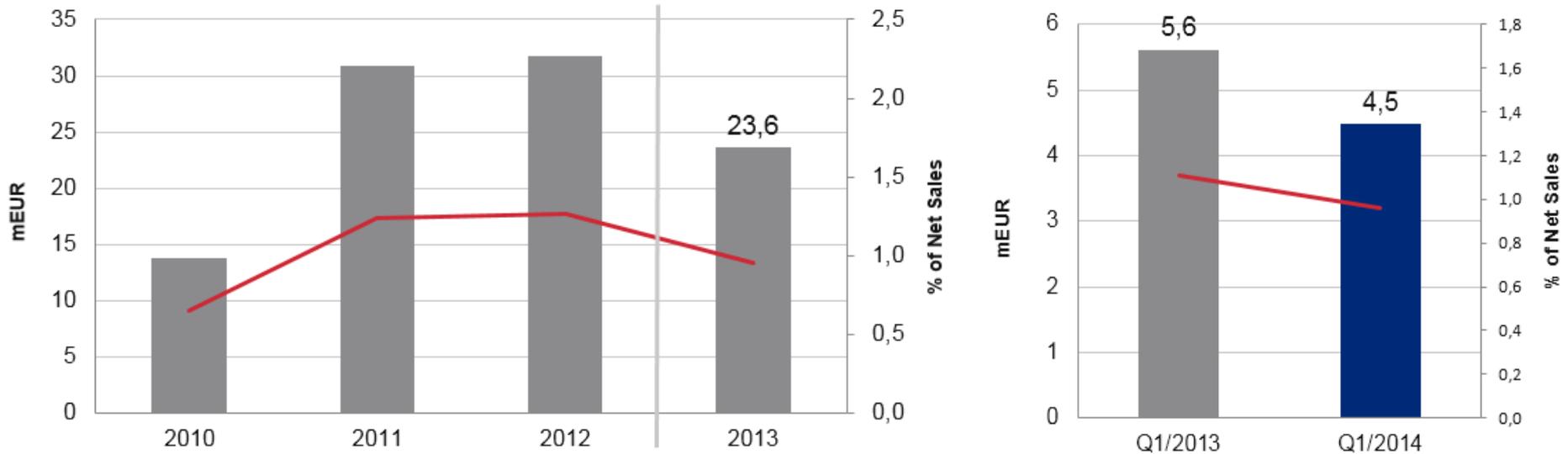


*) Excluding non-recurring items

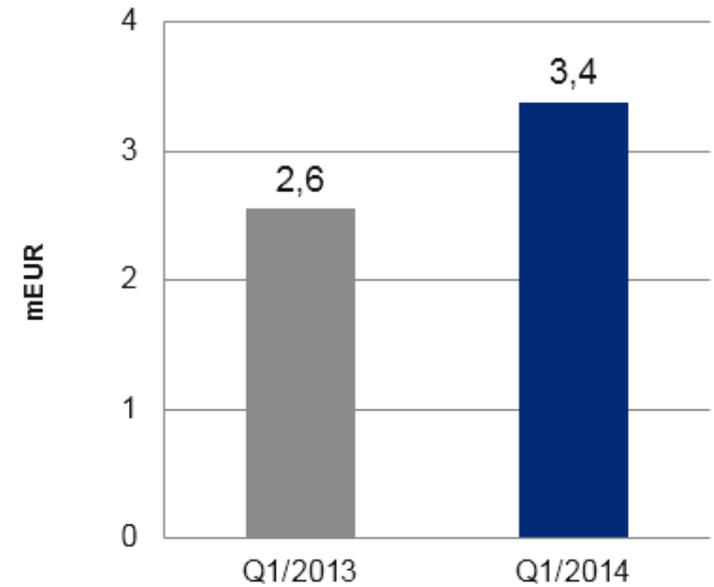
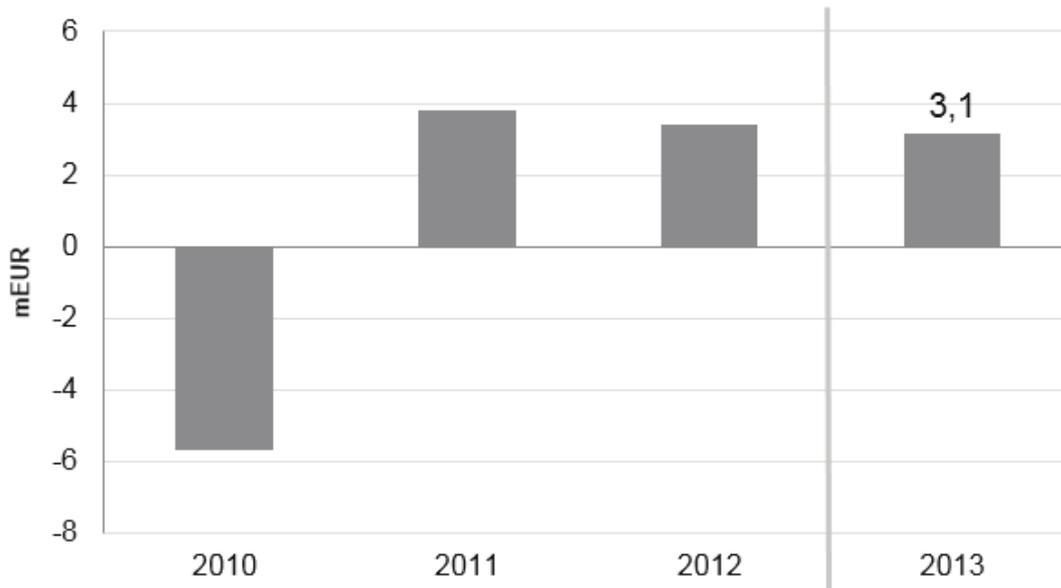
Group EBIT Development



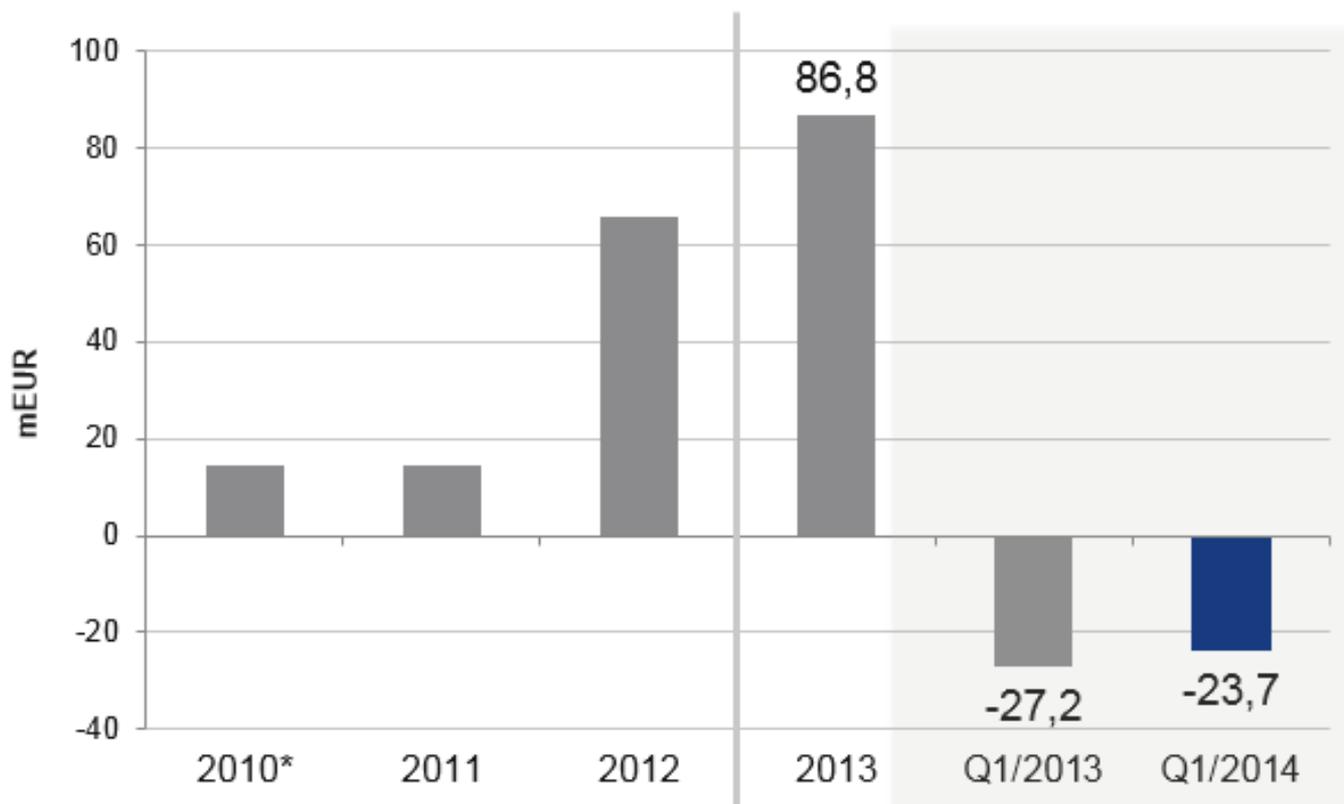
Group Net Financial Expenses



Group Income Tax

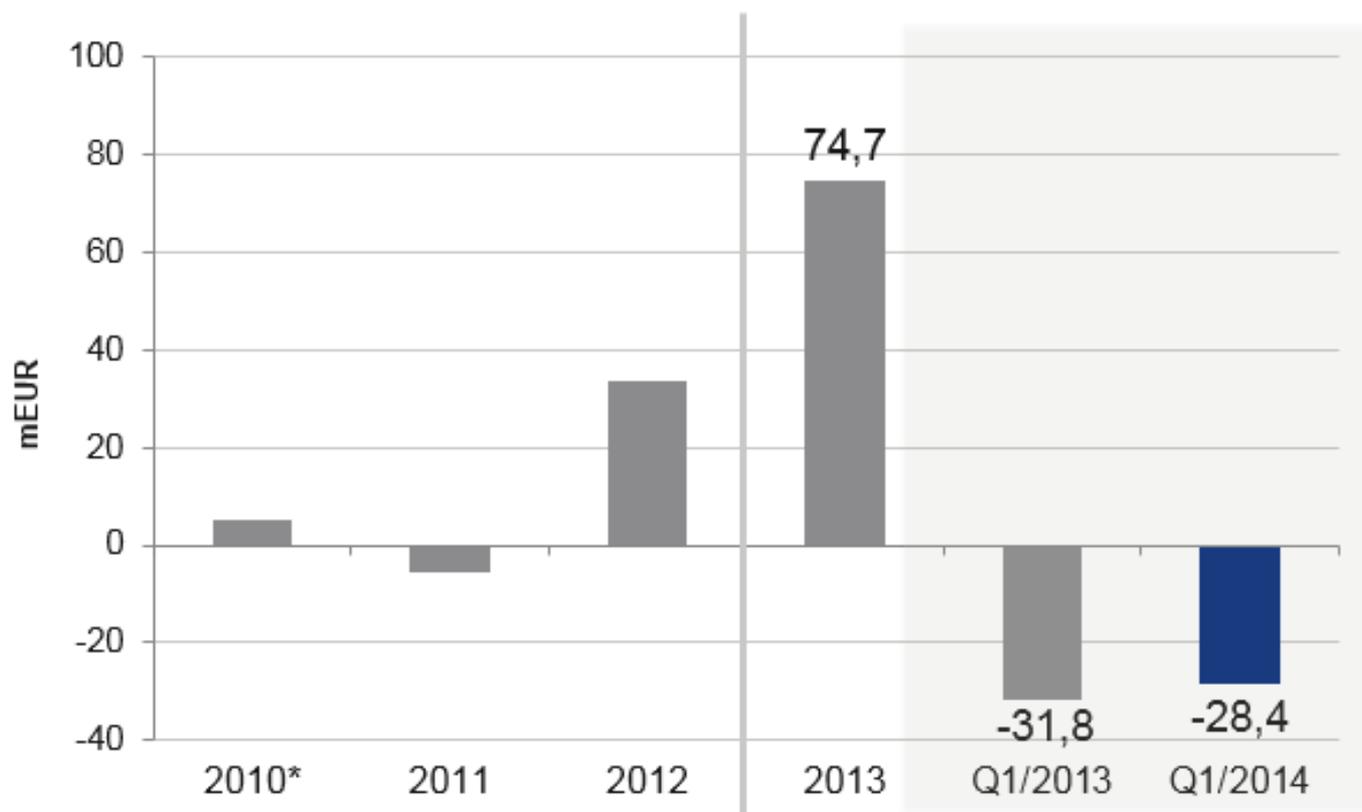


Group Cash Flow before Debt Service



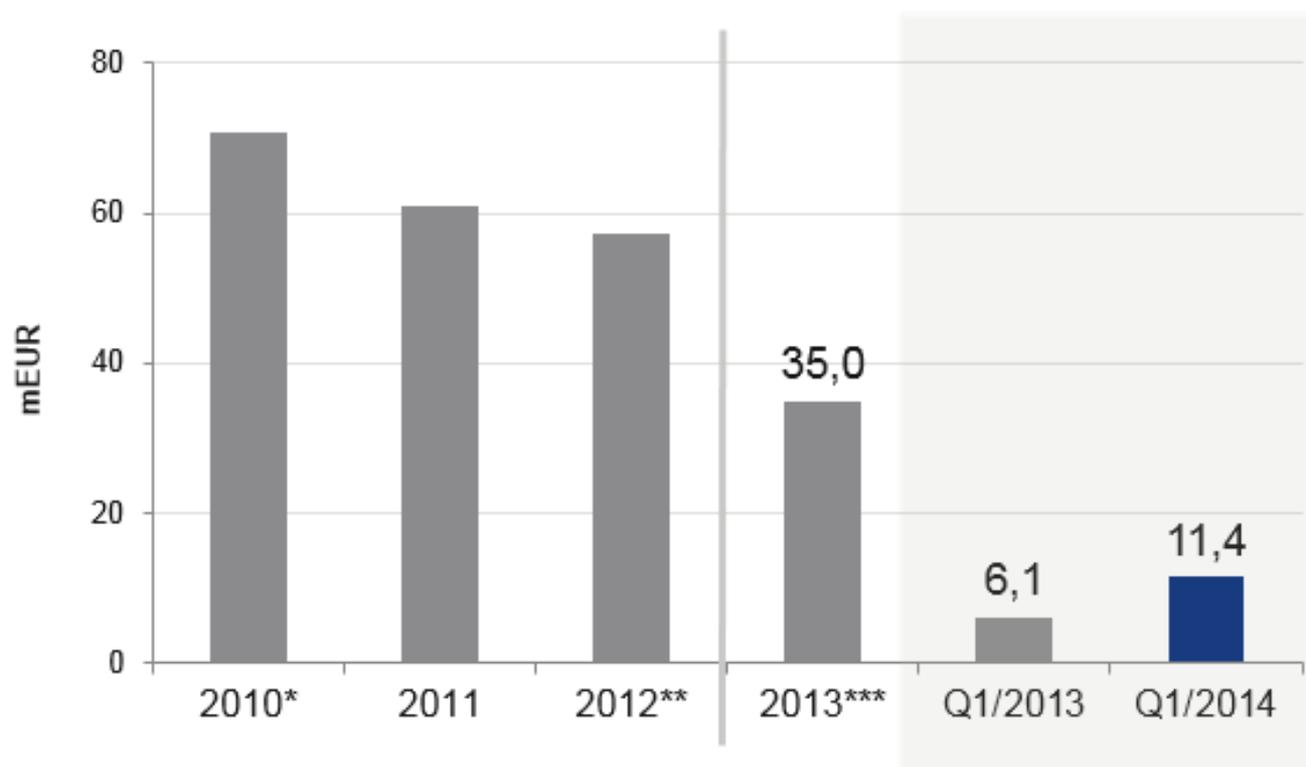
* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

Group Cash Flow before Financing Activities



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

Group Investments

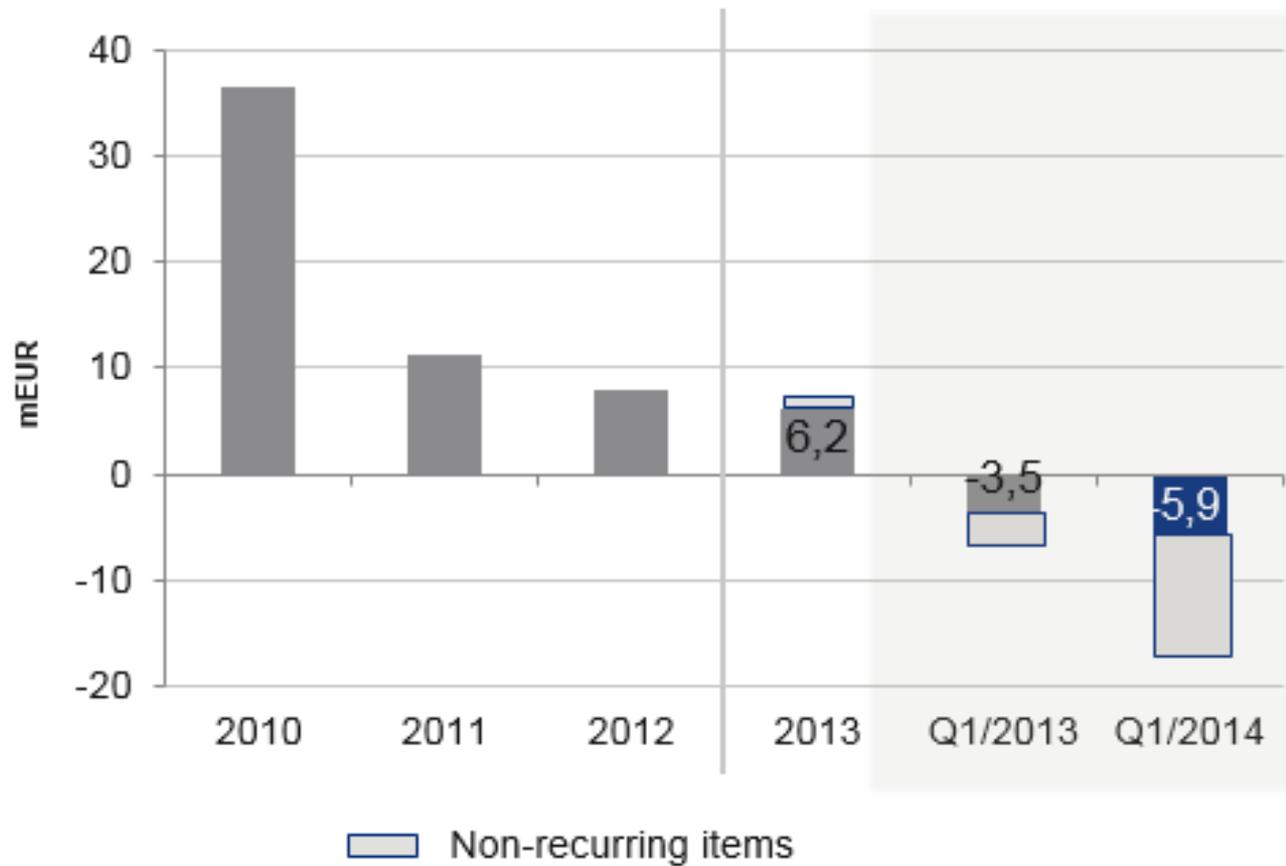


* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

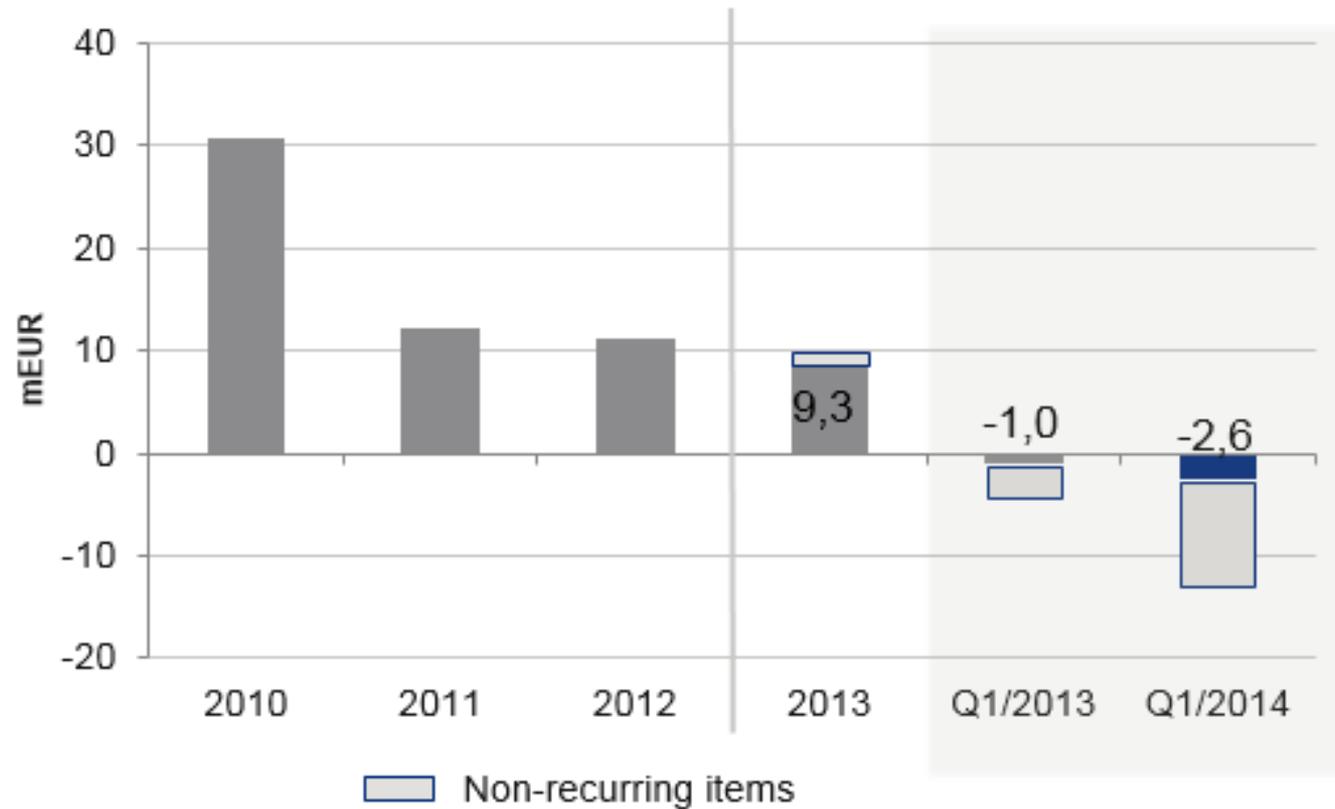
** EUR 57.3 million excluding rebuild of the Vinderup plant EUR 19.3 million

*** EUR 35.0 million excluding rebuild of the Vinderup plant EUR 7.2 million

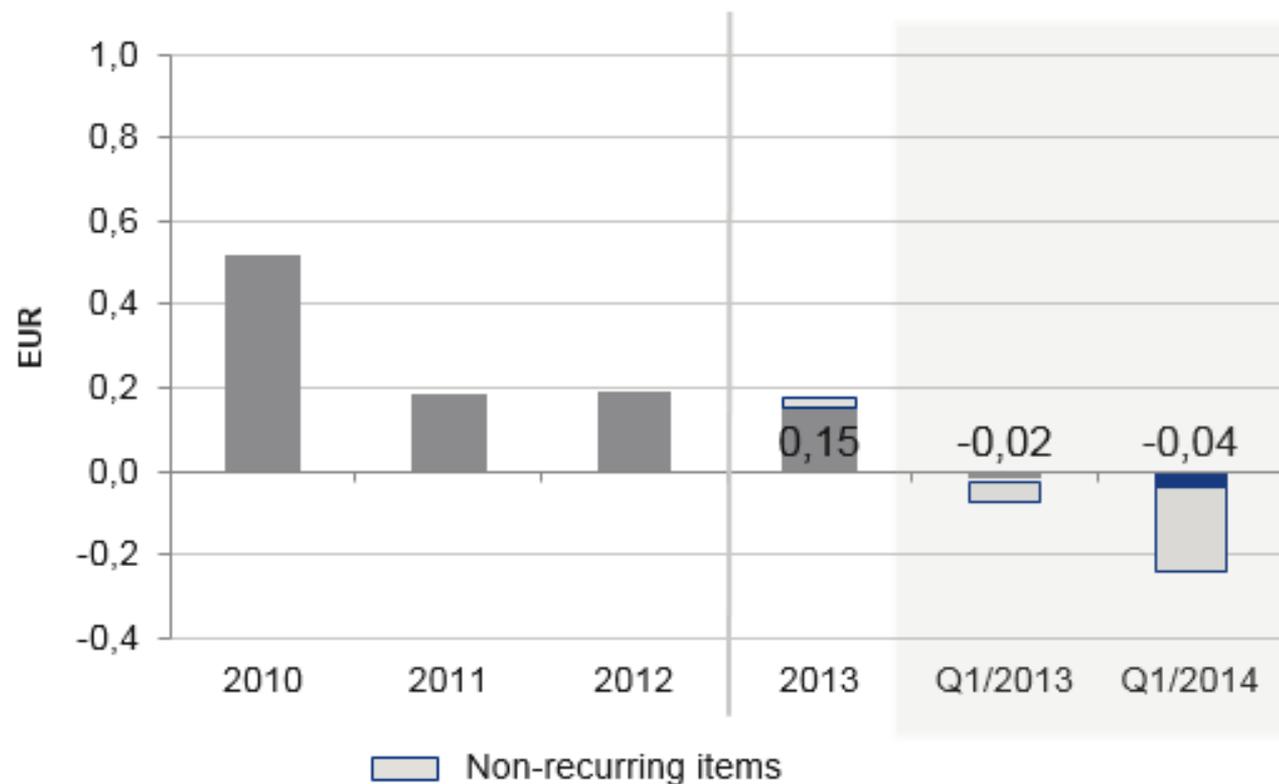
Profit before Taxes



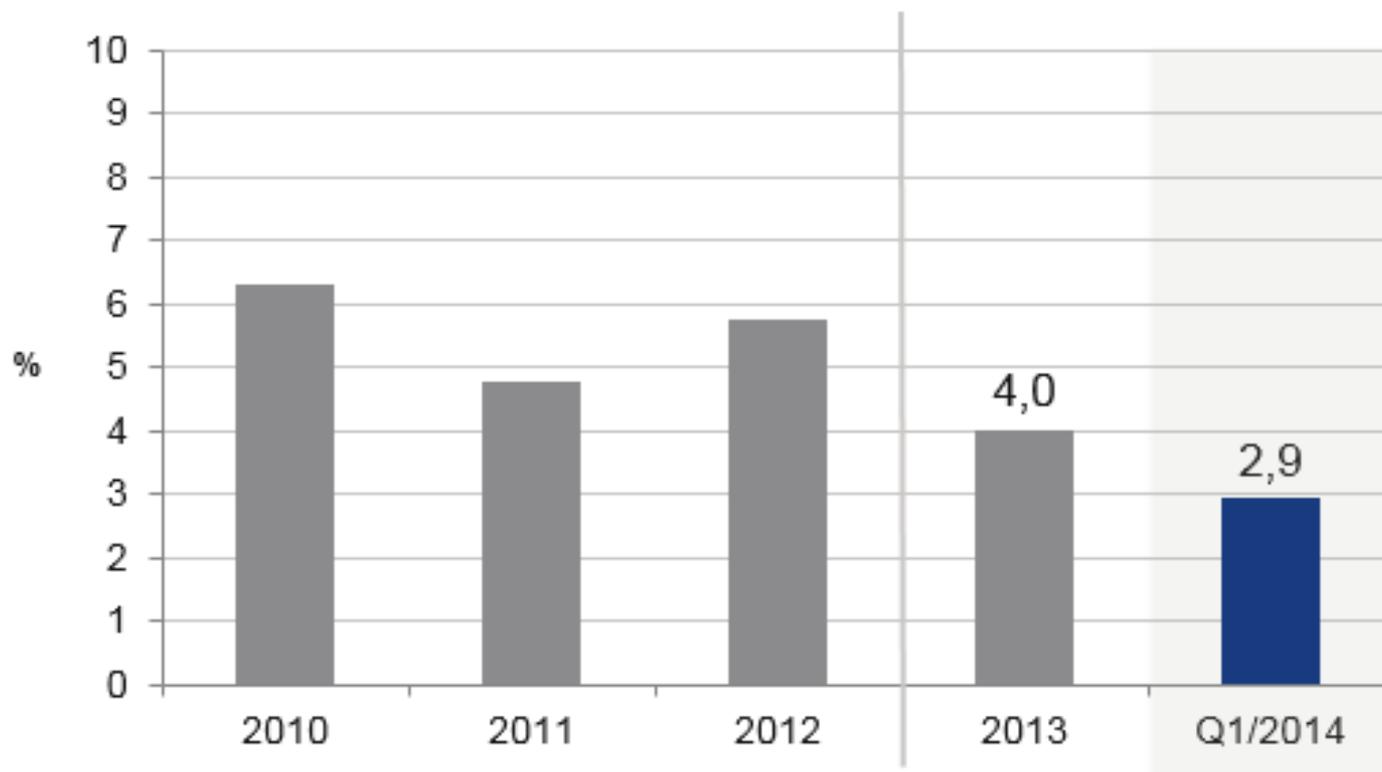
Profit for the Period



Earnings per Share (EPS)

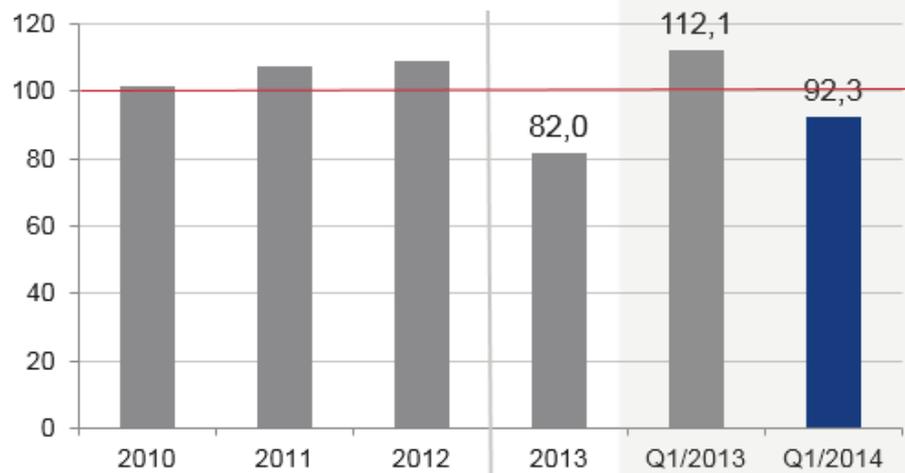


Return on Capital Employed (ROCE)

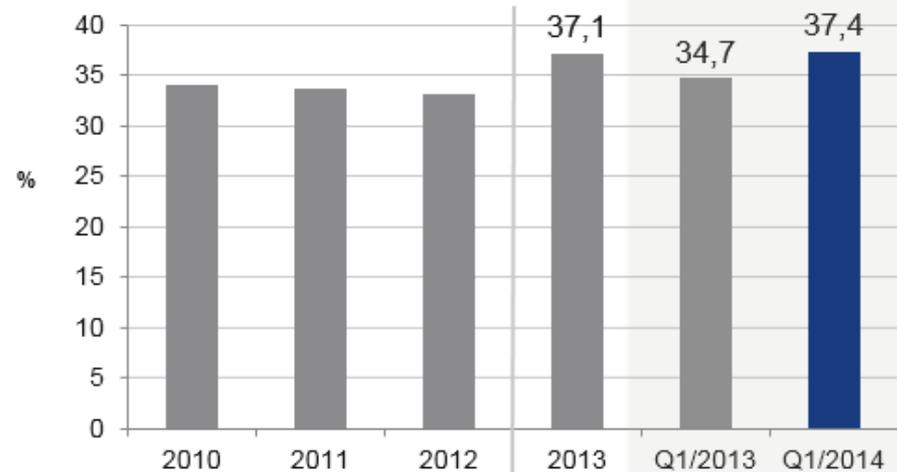


Net Gearing and Equity ratio

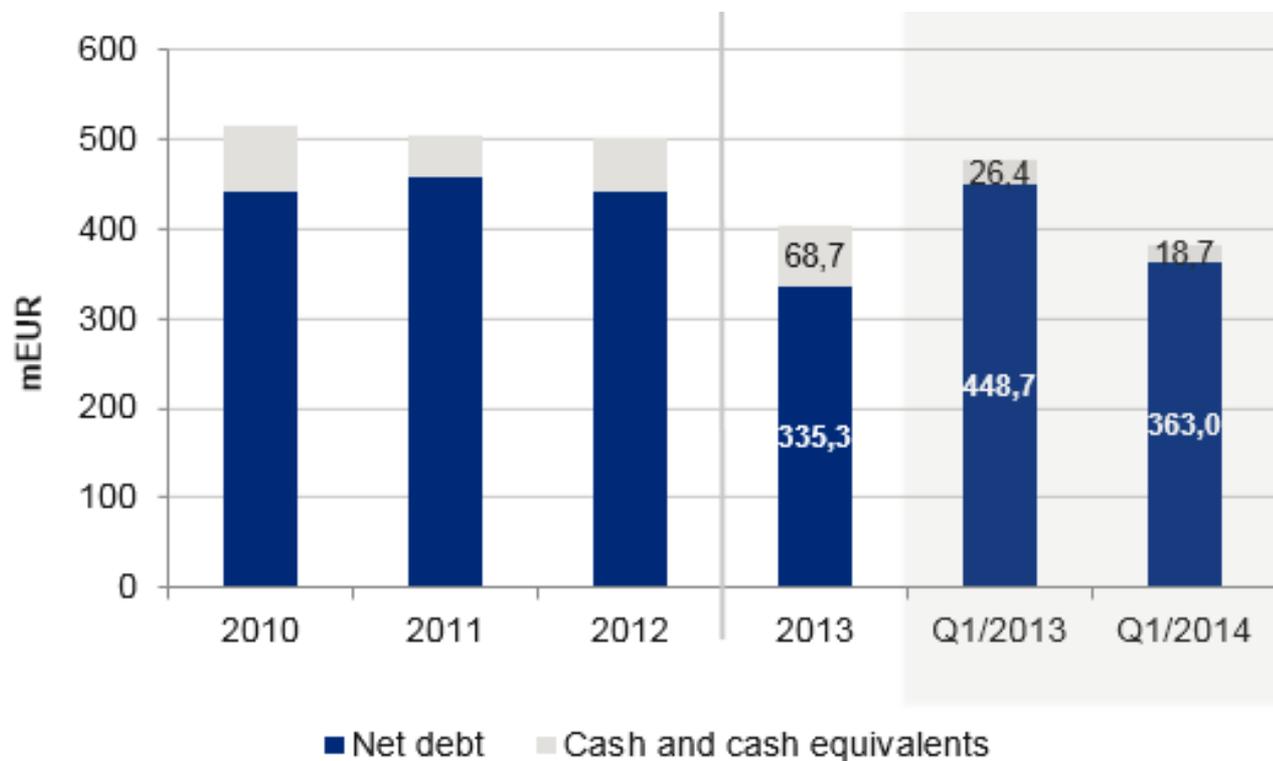
Net gearing



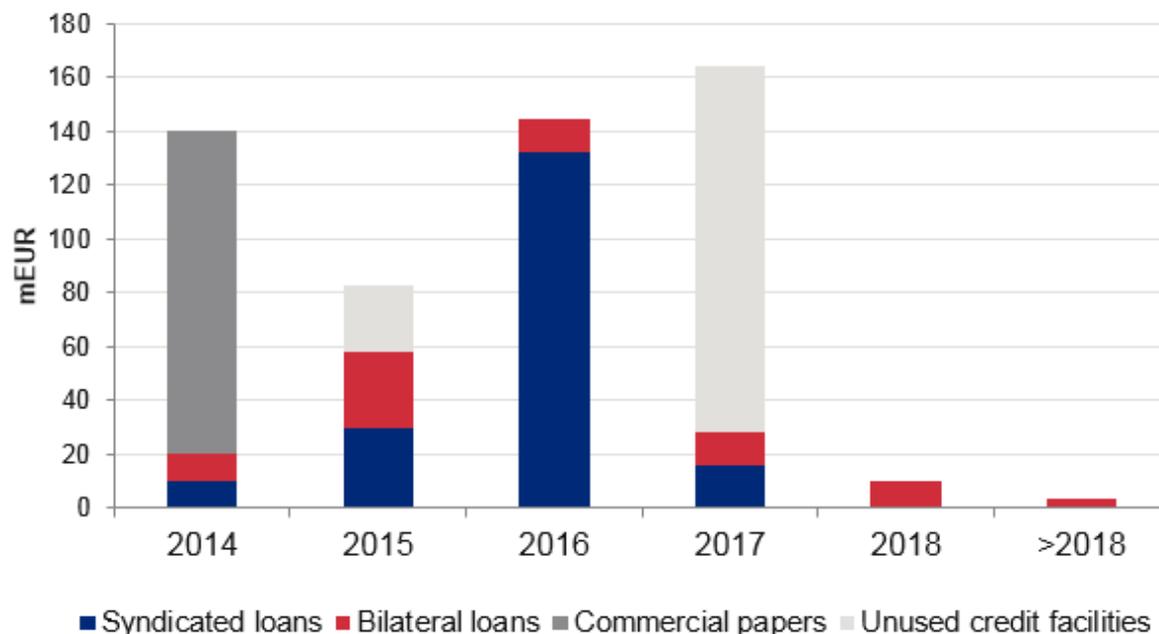
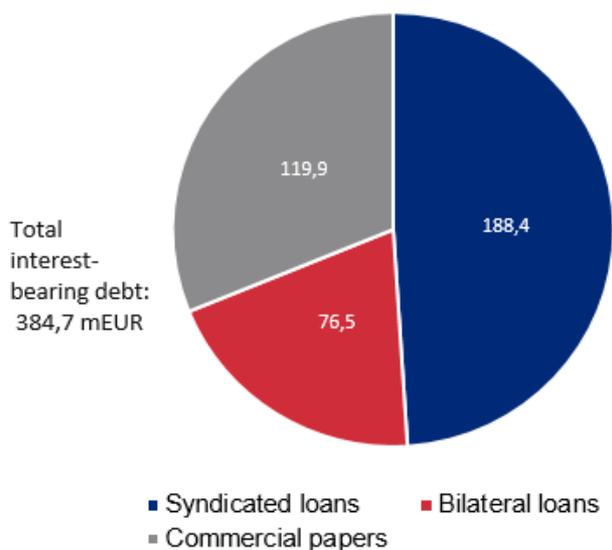
Equity ratio



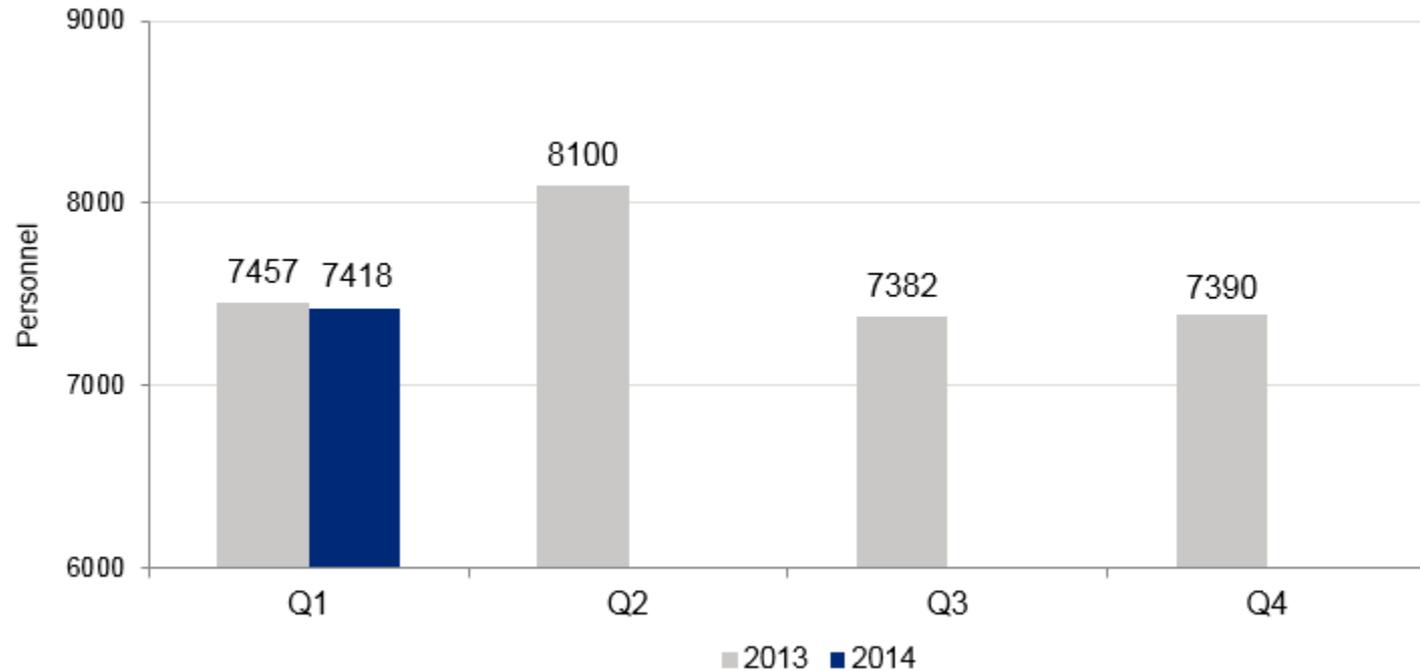
Net Debt



Interest-bearing debt and maturity structure



Group Personnel at the End of Period



Key Figures

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Profit for the review period	-12,9	-4,1	9,8
EPS, EUR	-0,23	-0,08	0,16
Cash flow before debt service	-23,7	-27,2	86,8
Cash flow before financing activities	-28,4	-31,8	74,7
ROCE before taxes, %	2,9		4,0
Net debt	363,0	448,7	335,3
Net gearing, %	92,3	112,1	82,0
Personnel at the end of the period	7418	7457	7390

Development Programme 2014 (1/2)

2014

- Cost saving and cash release programme
- Production restructuring
- Organisation restructuring
- Consolidation of Group sourcing
- Cash free up from
 - Trade receivables
 - Trade payables
 - Inventories
- Divestment of idle assets
- Investments required

Restructuring

- Production
- Organisation

Consolidation

- Group sourcing and logistics

Operational efficiency

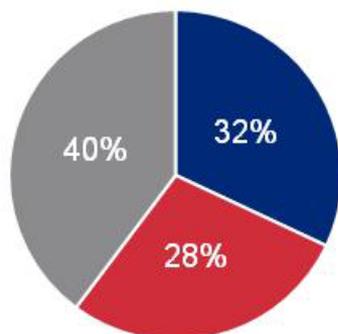
- Production yields
- Production costs
- Overhead costs

Working capital

- Purchase payment terms
- Decrease in frozen stock

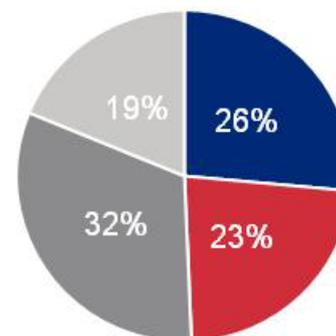
Development Programme 2014 (2/2)

Profit improvement



- Restructuring
- Consolidation
- Operational efficiency

Cash flow improvement



- Restructuring
- Consolidation
- Operational efficiency
- Working capital

Sales of Shares in Saturn Nordic Holding AB (Sokolów)

Enterprise value EUR 206 million

Sales price of shares EUR 180 million

Dividend for 2013 EUR 8 million

Net debt EUR 18 million

Financial effect in 2014

Capital gain ~EUR 75 million

Decrease in net debt ~EUR 187 million

Decrease in net gearing ~50 %-units

Funding restructuring

- Repayment of the syndicated term loans
- Restructuring of the funding base – ie. bond issuance, credit facilities

Outlook 2014

- HKScan expects the operating profit (EBIT) margin excluding non-recurring items to be 1–2 per cent, and anticipates that the last quarter will be the strongest. In 2013, the corresponding operating profit (EBIT) margin was 0.5 per cent.
- The overall economic situation remains tough. However, it is expected that the imbalance between the demand and supply, as well as extraordinary political factors impacting the market balance will ease up during the year. The Group's development programmes and actions will also contribute to better financial performance.



HKSCAN

Thank you!