



# **HKSCAN**

## **Financial Statements 2013 Group Overview**

**Hannu Kottonen, President and CEO  
12 February 2014**

# HKScan Group

EUR million	Q4/2013	Q4/2012	2013	2012
Net sales	640,6	662,4	2 478,6	2 503,1
EBIT	15,2	21,9	30,5	43,1
- EBIT %	2,4	3,3	1,2	1,7
Profit before taxes	8,7	15,5	9,7	14,3
Profit for the period	6,6	15,4	9,8	17,7
EPS, EUR	0,10	0,27	0,16	0,30
EBIT excl. non-recurring items	11,1	15,5	30,0	36,7
- EBIT %	1,7	2,3	1,2	1,5
Cash flow before debt service	89,6	39,7	103,4	65,8
Cash flow before financing activities	83,8	39,6	84,6	33,8
Dividend			0,10*)	0,10

\*) Board's proposal to the AGM

# HKScan Group 2013

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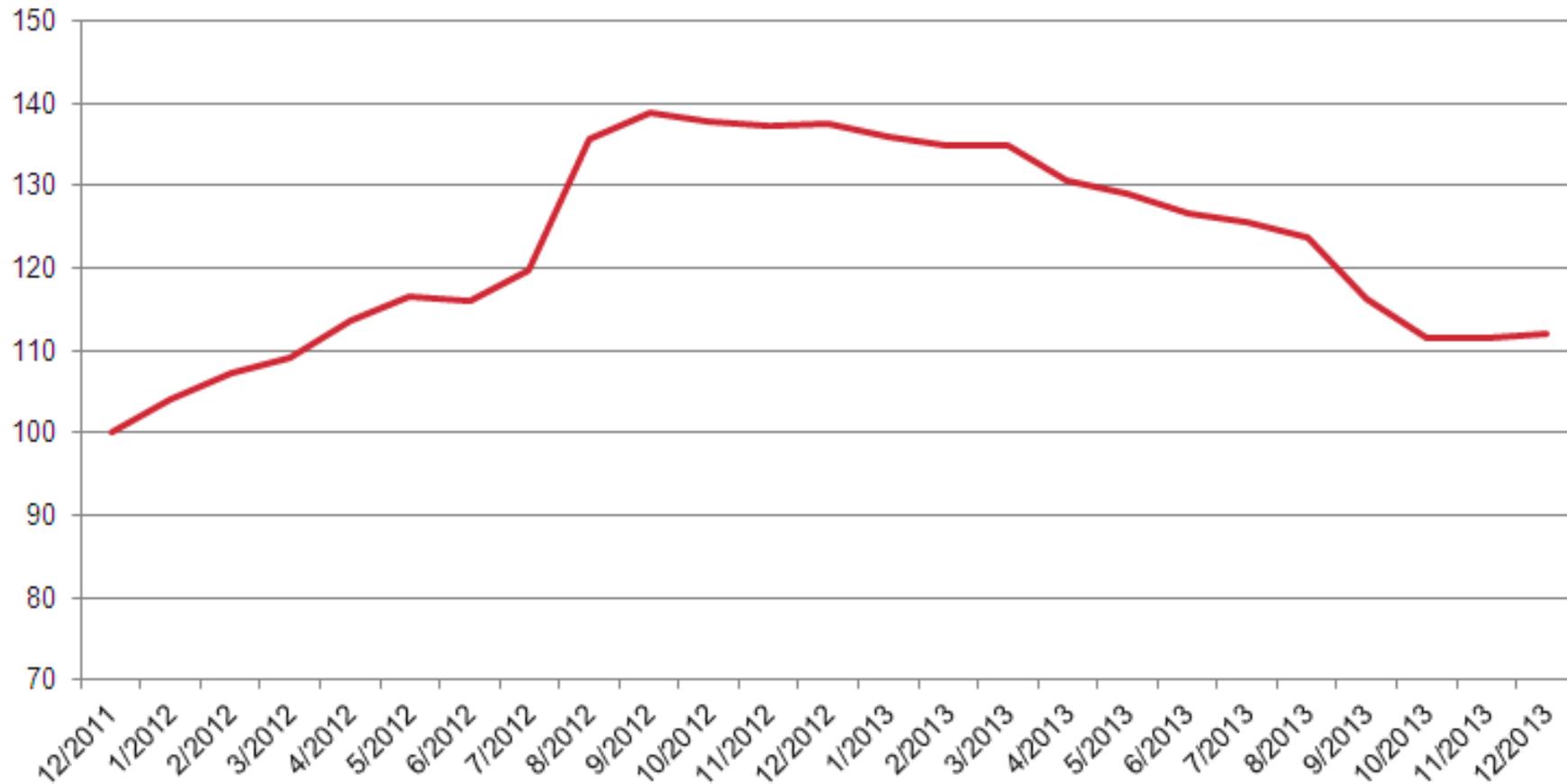
- Mixed financial performance: cash flow strengthened significantly
  - Improved working capital (extraordinary sales of excess frozen stock) and capital expenditure management
  - Fire insurance case settled
- Profitability below target
  - Poland and the Baltics at a good level
  - Sweden showed some improvement from the previous year
  - Finland well behind the previous year
  - In Denmark profitability remained poor
- Completion of the refinancing arrangement in November
- Development programme started in 2012 completed and in full effect as of 2014. New programme started for 2014.
- Brand strategy and Group identity project started

# HKScan Group 2013

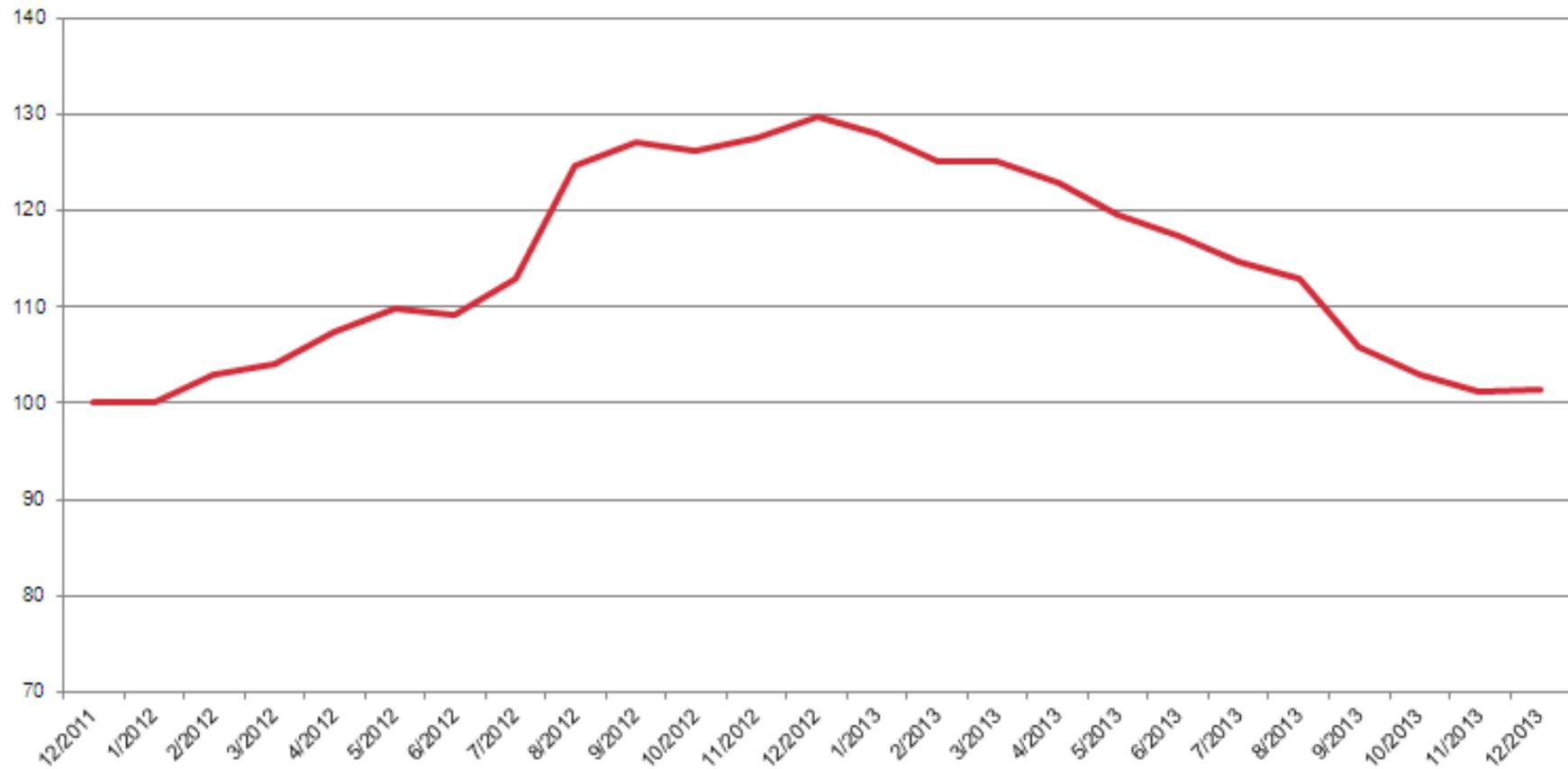
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- Demand in both consumer and away-from-home businesses at a lower level compared to the previous year
- Sales price competition tough in all markets as imports and private labels increased their market share
- High animal purchasing prices and primary production costs at the beginning of 2013; in the latter part of the year the increase in animal purchasing prices stopped and started to decrease as global market prices in grain and feed declined
- Pork meat inventories high throughout Europe
- Global meat surplus → export sales prices poor, hitting the margins especially in the third and fourth quarter
- Structural shortage of beef continued
- Tough business environment, however some signals of an improving market situation

# Feed Basket – Poultry



# Feed Basket – Pork



# Market Area Finland

EUR million	Q4/2013	Q4/2012	2013	2012
Net sales	210,1	219,2	804,1	813,8
EBIT	1,6	7,4	2,8	18,4
- EBIT %	0,8	3,4	0,4	2,3
EBIT excl. non-recurr. items	1,6	7,4	6,4	18,4
- EBIT %	0,8	3,4	0,8	2,3

- Low demand and fierce competition decreased sales volumes and average sales prices
- Sales margins poor in both domestic and export markets
- First efficiency improvement actions completed
  - organisation streamlined
  - improvements in managing the delivery reliability and balancing demand & supply
  - production rationalisation programme between Vantaa, Mikkeli and Säkyä plants
- Producer cooperation model implemented

# Market Area Baltics

EUR million	Q4/2013	Q4/2012	2013	2012
Net sales	44,7	45,1	175,1	176,7
EBIT	2,1	1,5	8,4	8,9
- EBIT %	4,6	3,3	4,8	5,1

- Good performance continued, branded products selling well
- Focus on cost management in primary production and other areas
- Export market remained soft
- Demand and sales price levels normalized after a weaker first half of the year
- Several efficiency improvement actions completed
- Poultry production centralised to the new Tabasalu facility in Estonia

# Market Area Sweden

EUR million	Q4/2013	Q4/2012	2013	2012
Net sales	255,8	274,5	965,3	1 025,7
EBIT	3,5	-0,8	8,1	-5,9
- EBIT %	1,4	-0,3	0,8	-0,6
EBIT excl. non-recurring items	5,8	6,6	10,4	1,5
- EBIT %	2,3	2,4	1,1	0,1

- Decrease in net sales due to discontinuing non-profitable sales and lower volumes
- Pressure on sales prices continued, private label products and imports kept capturing market share
- Stagnated growth of pork and beef consumption, poultry consumption grew
- Cost savings and production efficiency improvement actions implemented
- New producer cooperation model started
- Strategic review continues

# Market Area Denmark

EUR million	Q4/2013	Q4/2012	2013	2012
Net sales	52,6	50,9	226,1	211,7
EBIT	6,4	12,7	4,9	15,4
- EBIT %	12,2	24,9	2,2	7,3
EBIT excl. non-recurring items	0,0	-1,1	-1,5	1,5
- EBIT %	0,1	-2,2	-0,7	0,7

- Tough price competition in both domestic and export markets continued
- Sales margins remained low, especially in frozen poultry products
- Market position regained to the level before the fire
- Operative cash flow exceptionally strong due to the fire insurance compensation payment received in full

# Market Area Poland

EUR million*)	Q4/2013	Q4/2012	2013	2012
Net sales	94,3	87,7	375,1	343,7
EBIT	4,3	4,3	18,8	15,8
- EBIT %	4,6	4,9	5,0	4,6

\*) Represents HKScan's 50% share of Sokolów

- Sales growth strong throughout the year
  - Sales of branded, processed and barbecue products increased thanks to expanded product range.
  - High recognition of the Sokolów brand
- Good profitability
- Improved beef supply level
  - Decrease in purchase prices
  - Slaughtering volumes grew and enabled larger export volumes

# 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

The Nordic meat experts    Trust. Team. Improve.

# HKScan Strategy 2012–2015 - Status Today

## Vision

## Meat Industry Shaper



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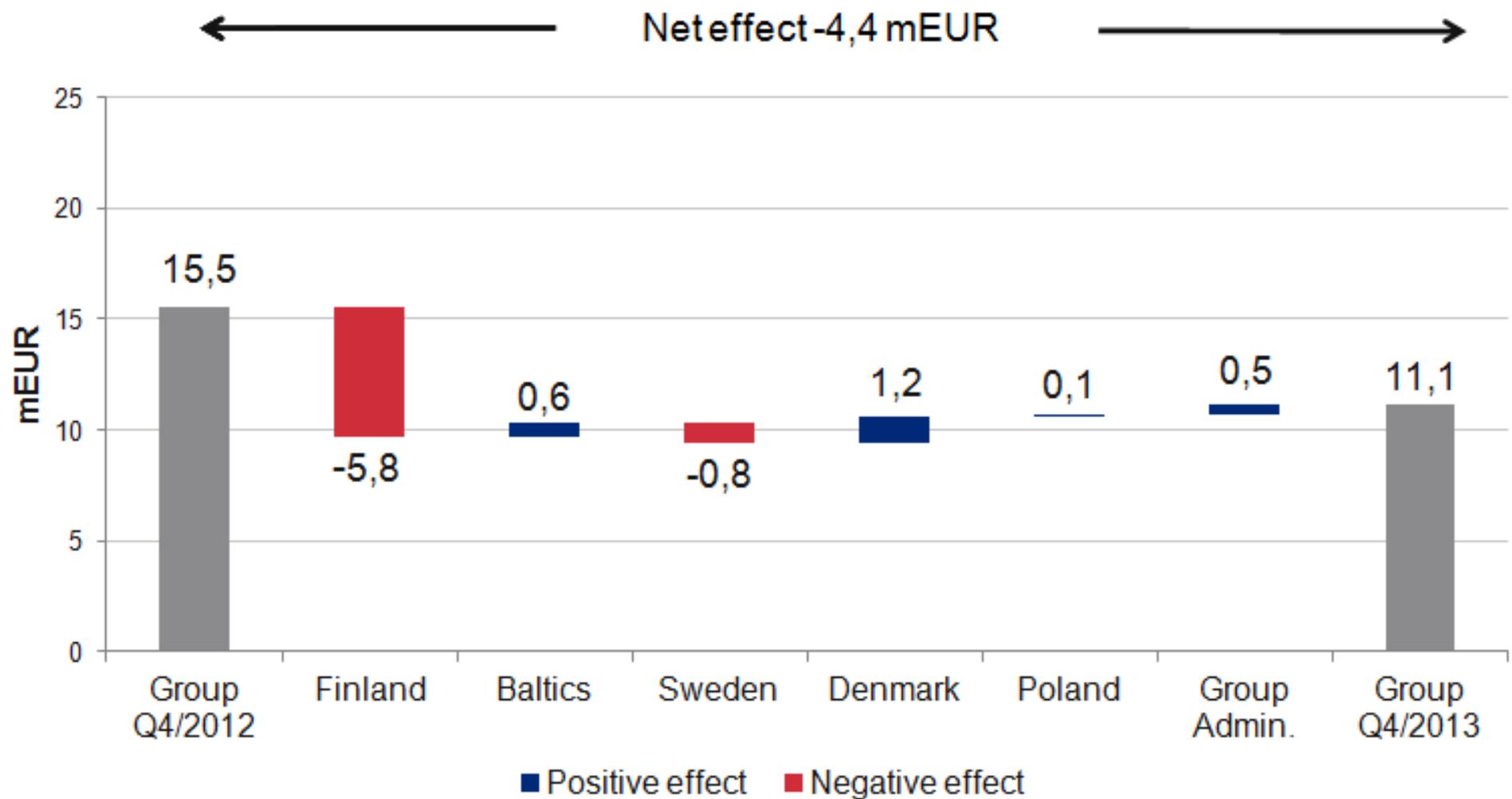
# **HKSCAN**

## **Financial Statements 2013 Group Financials**

Tuomo Valkonen, CFO  
12 February 2014

# Group EBIT\*)

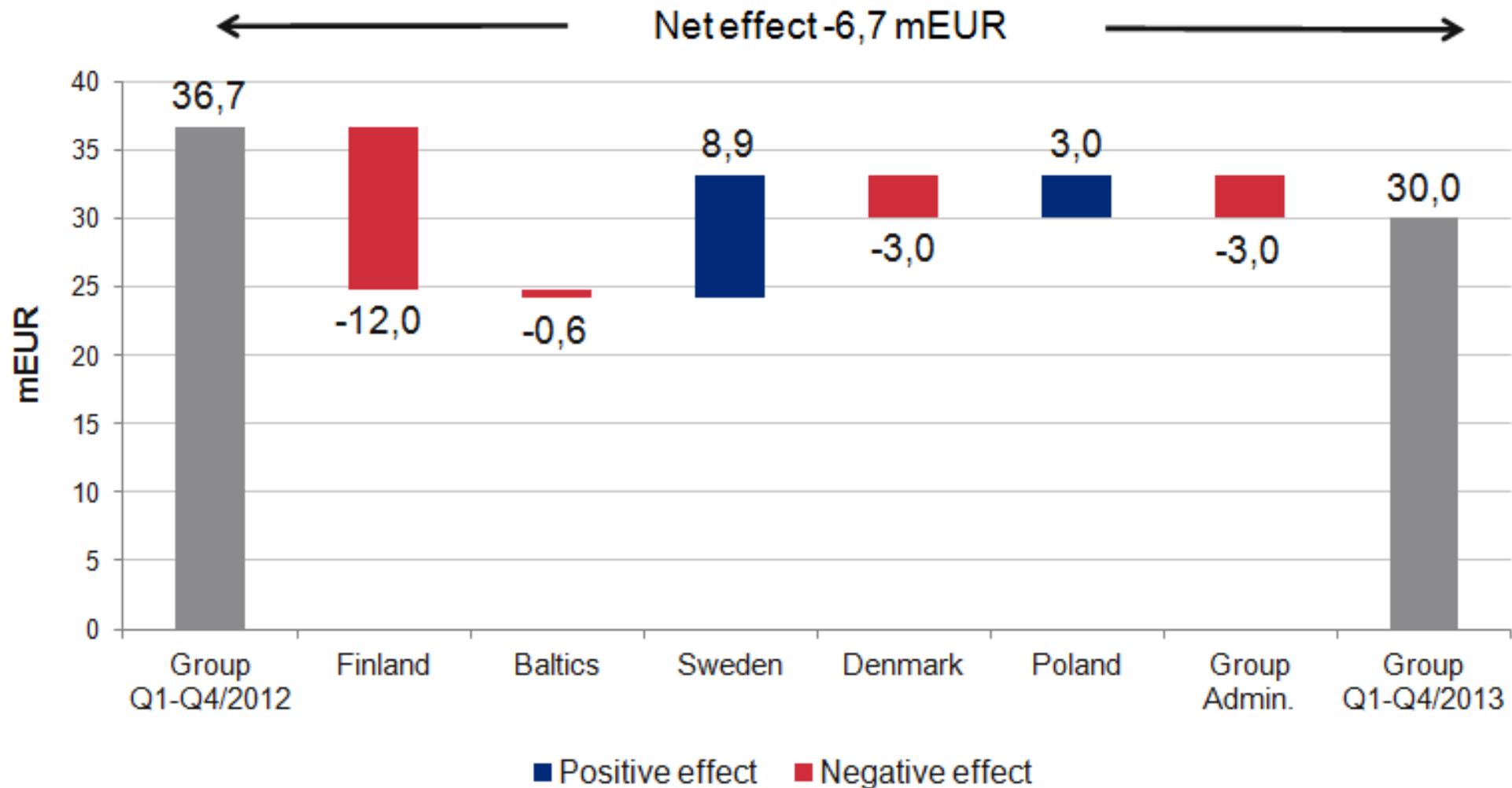
## Q4/2012 vs. Q4/2013



\*) Excluding non-recurring items

# Group EBIT\*)

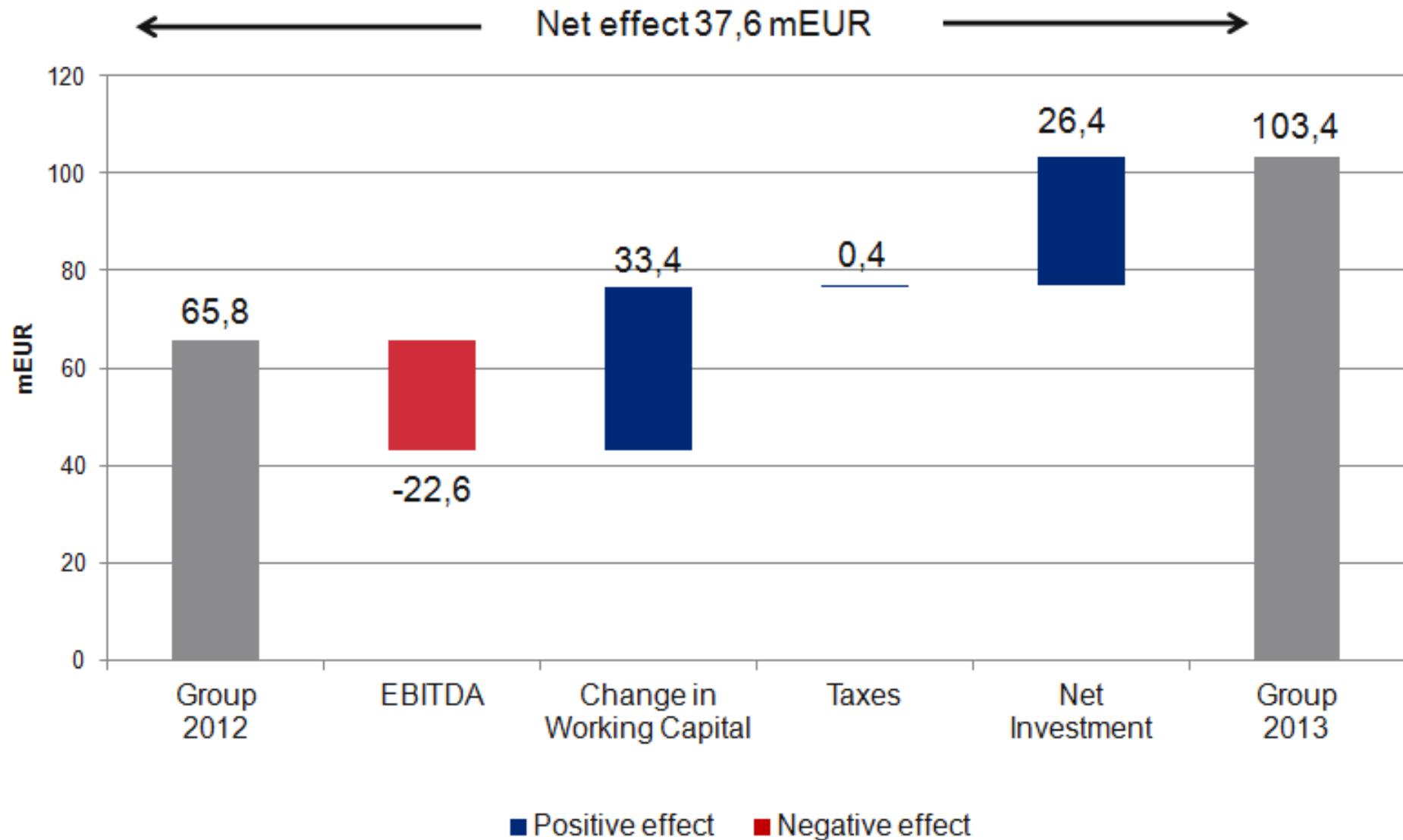
## 2012 vs. 2013



\*) Excluding non-recurring items

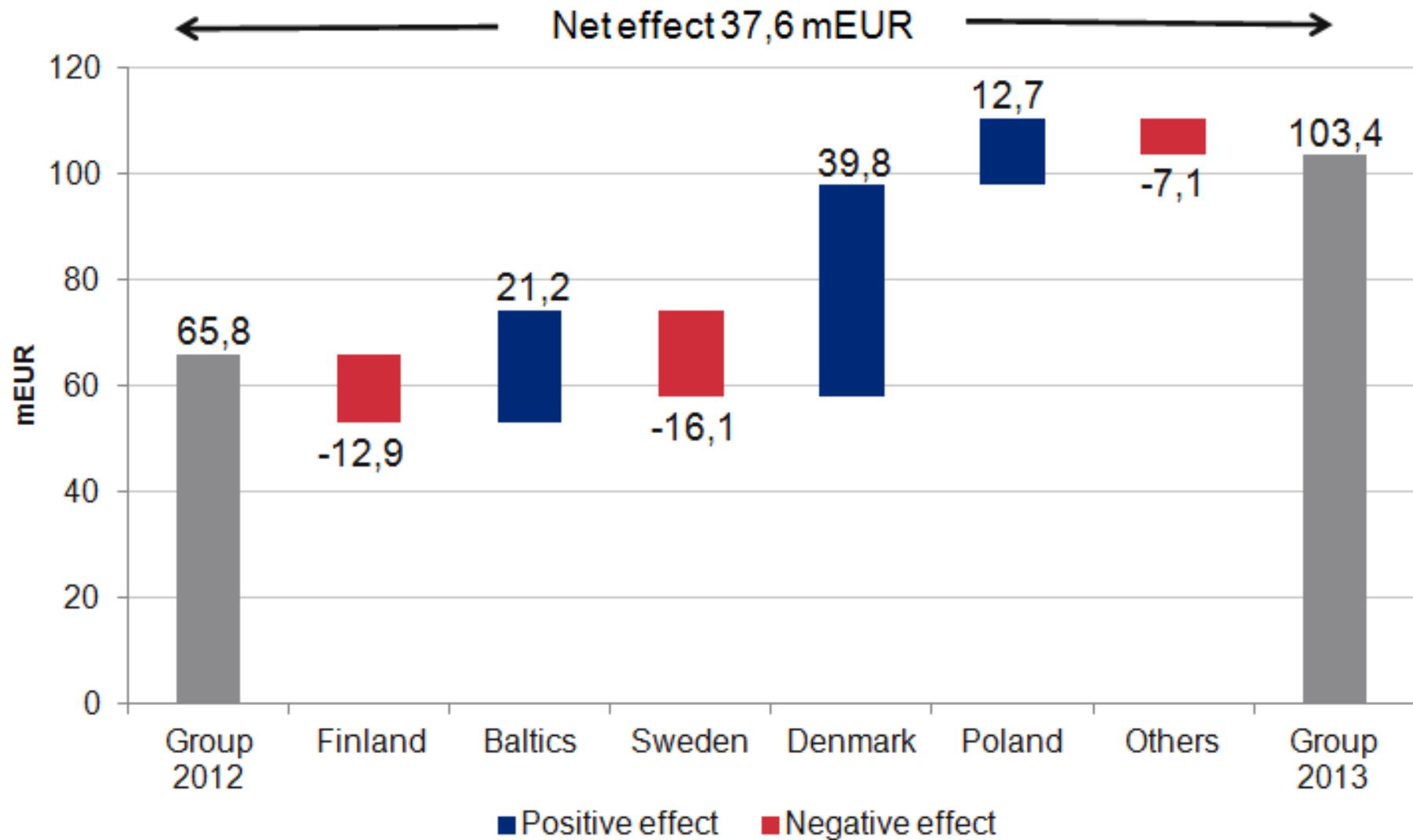
# Group Cash Flow before Debt Service

## 2012 vs. 2013

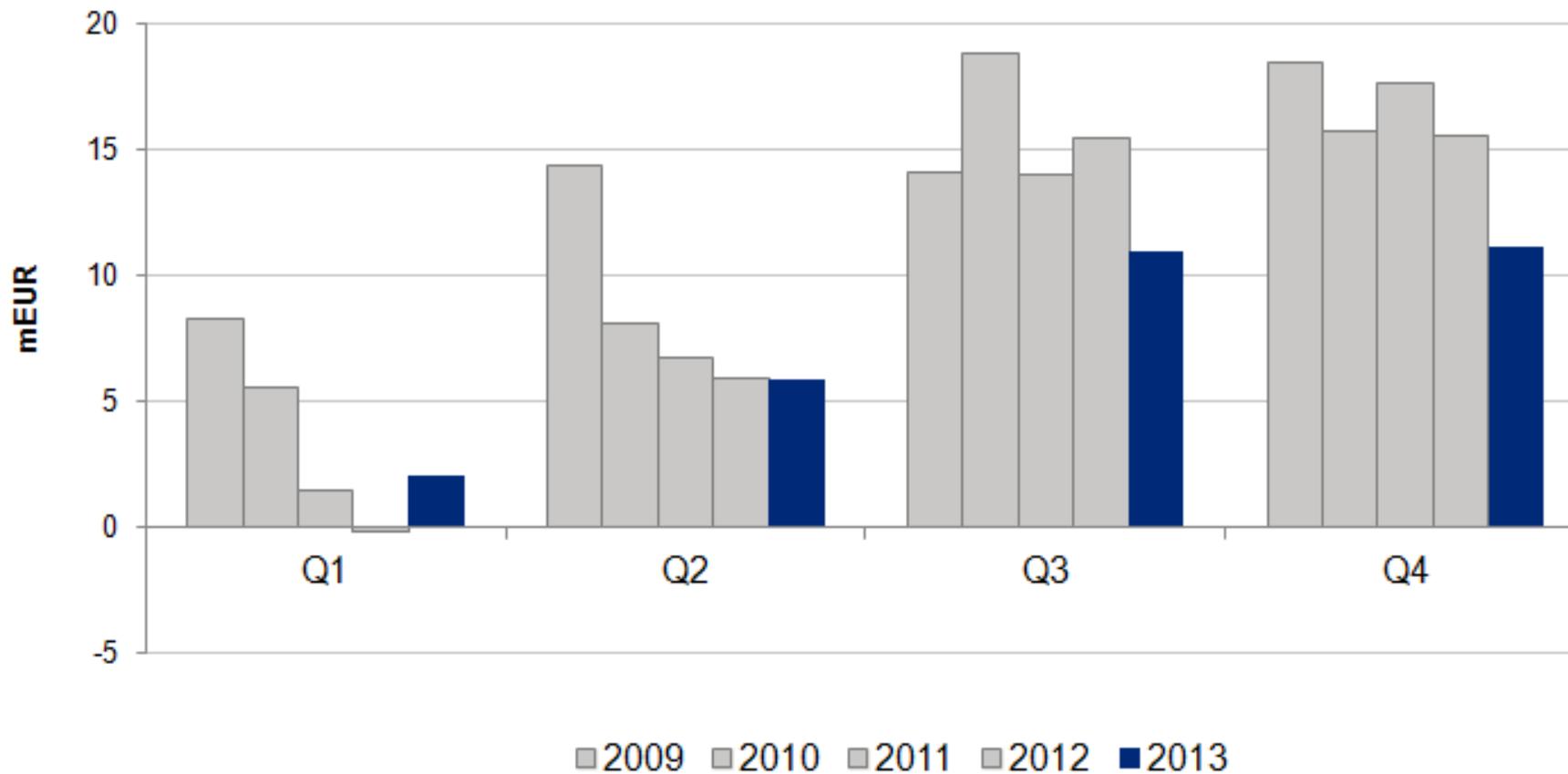


# Group Cash Flow before Debt Service

2012 vs. 2013

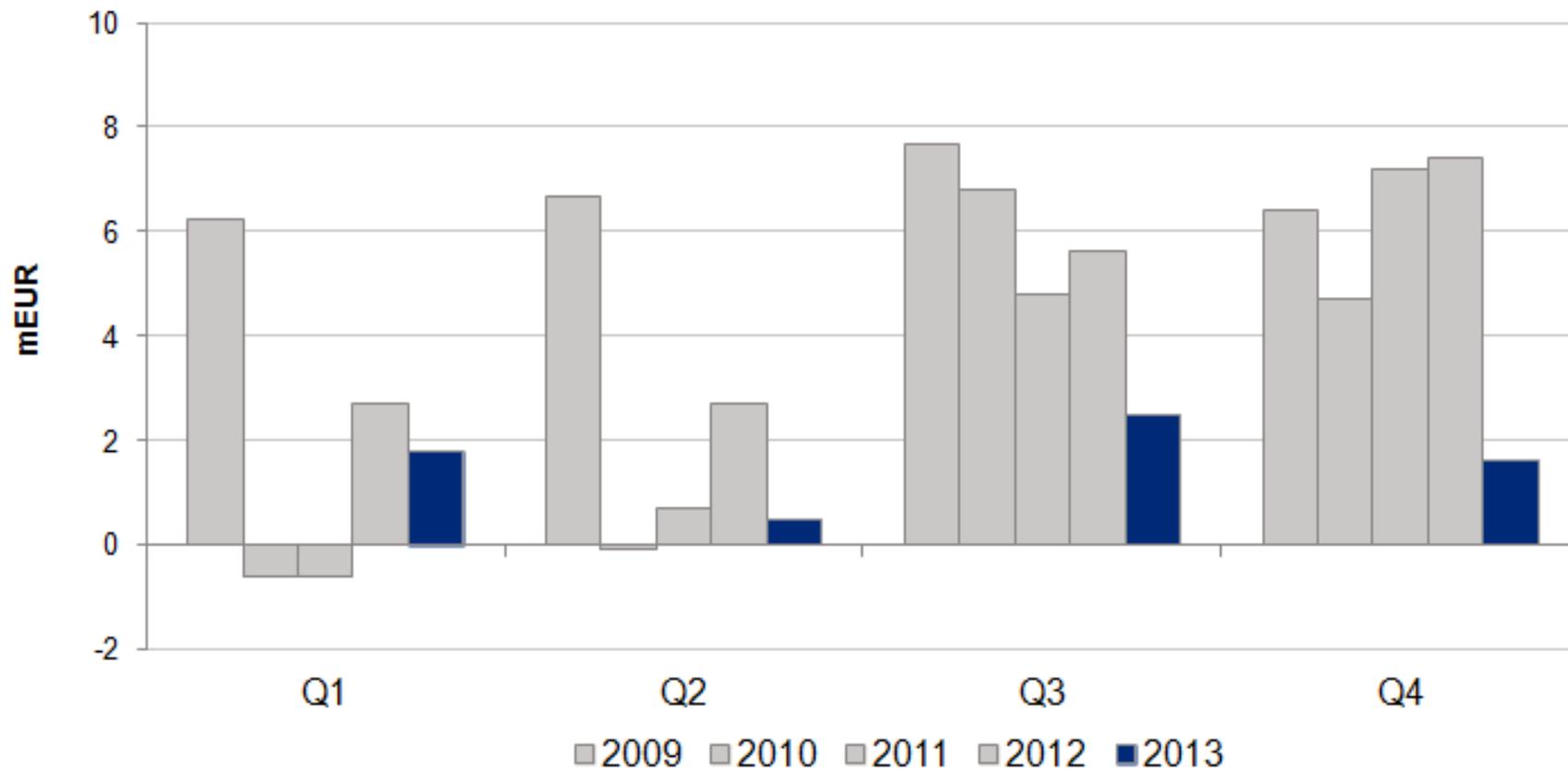


# Group EBIT\*)



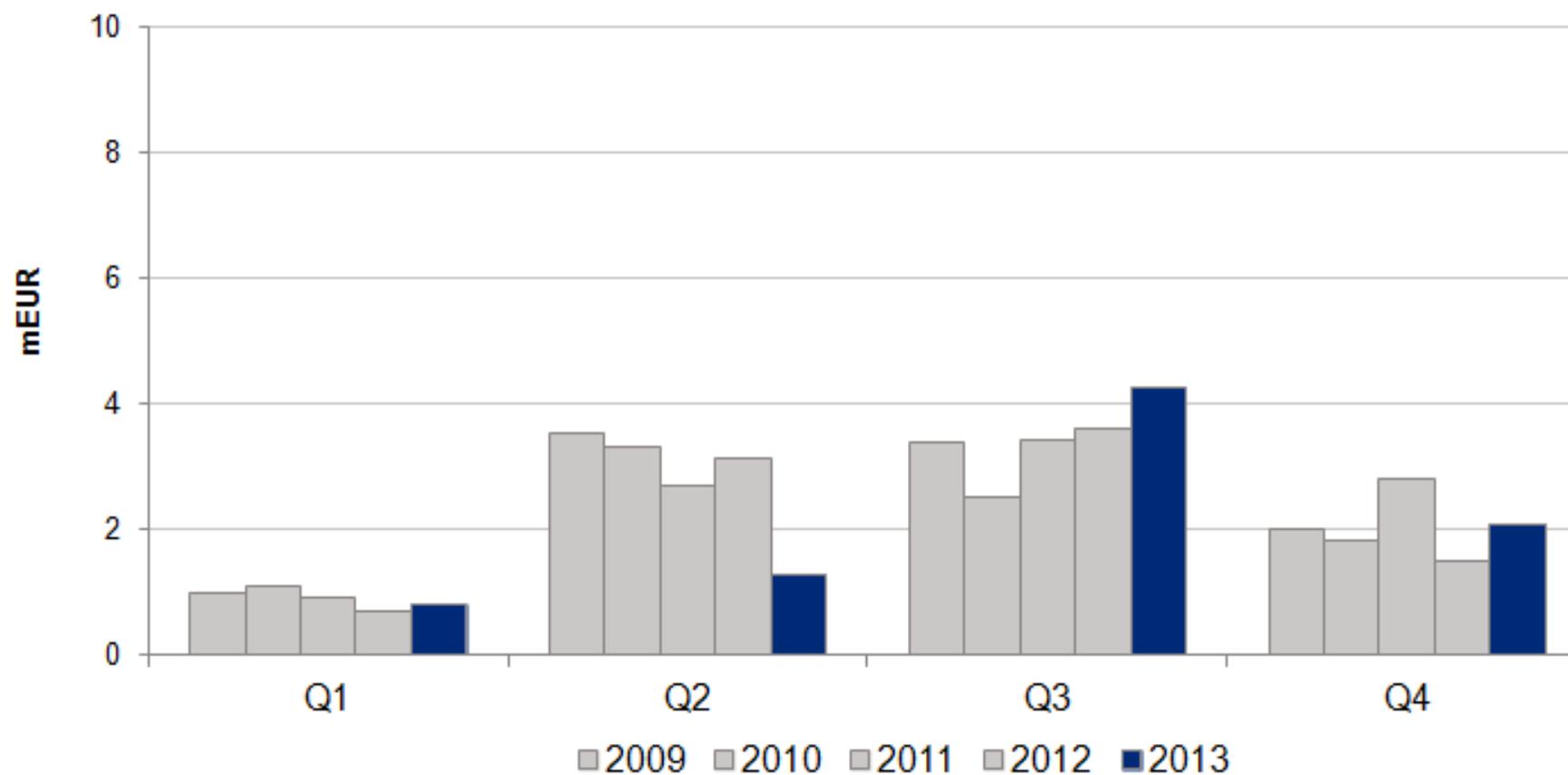
\*) Excluding non-recurring items

# Finland EBIT\*)

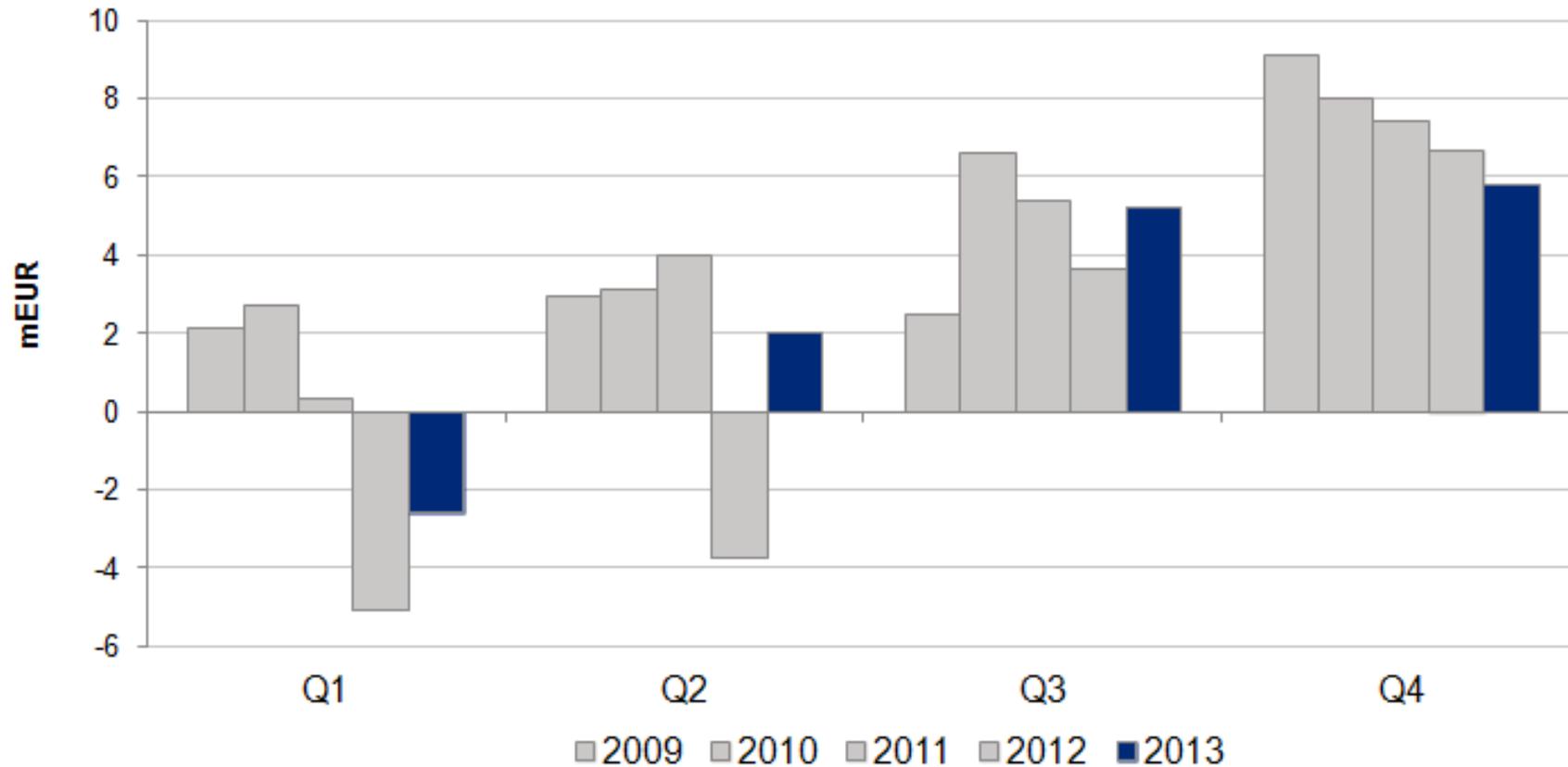


\*) Excluding non-recurring items

# Baltics EBIT

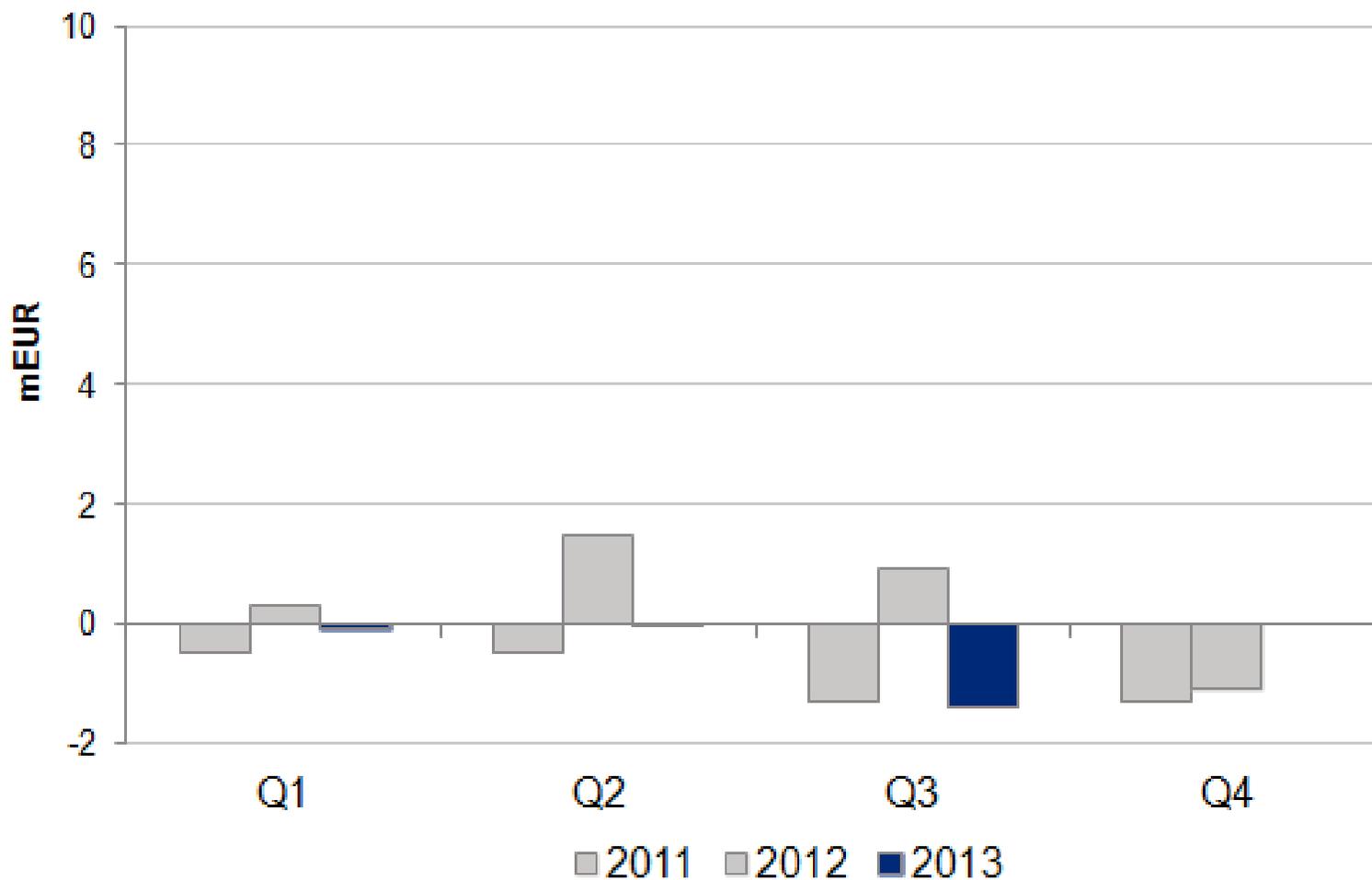


# Sweden EBIT\*)



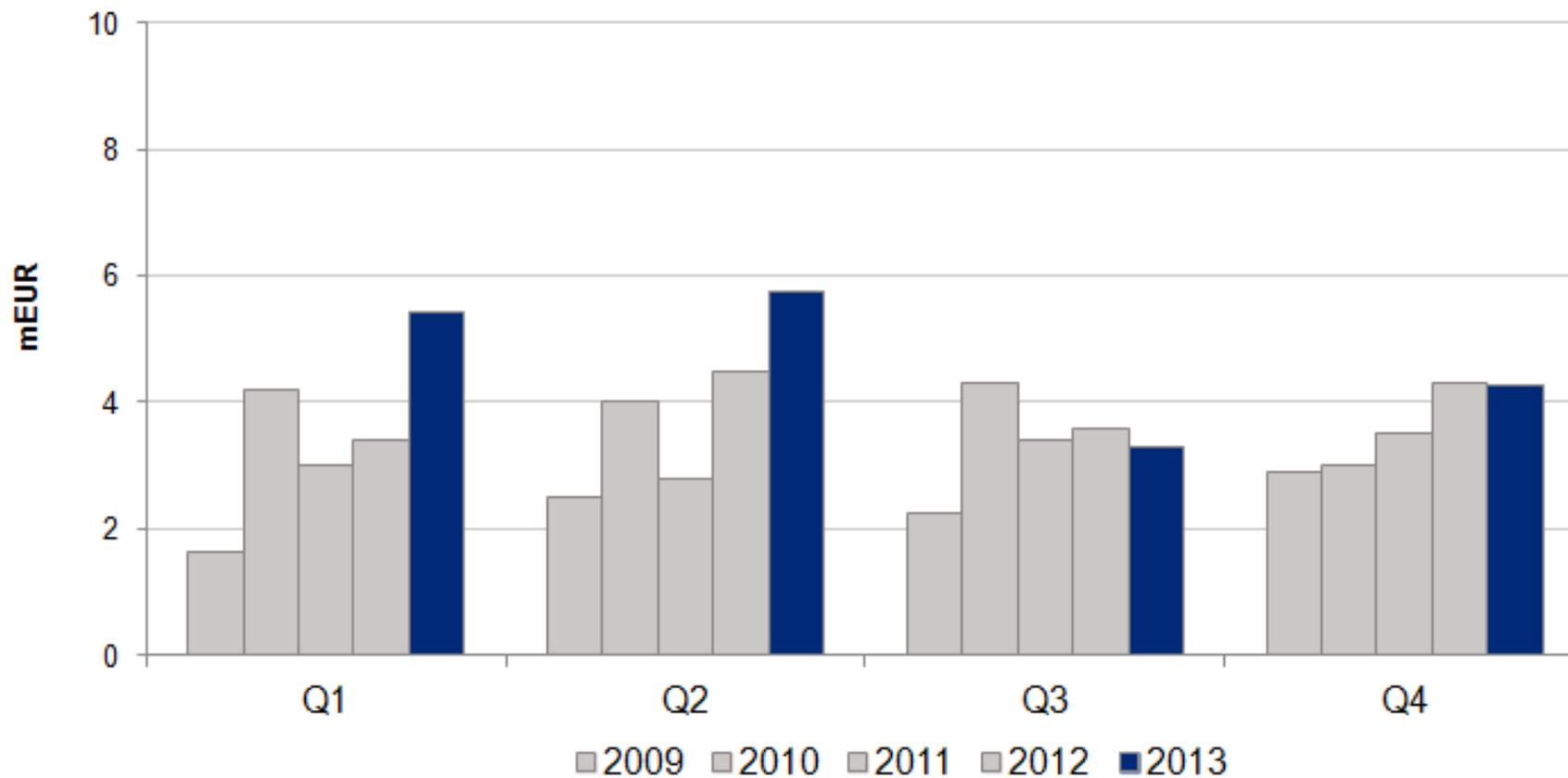
\*) Excluding non-recurring items

# Denmark EBIT\*)



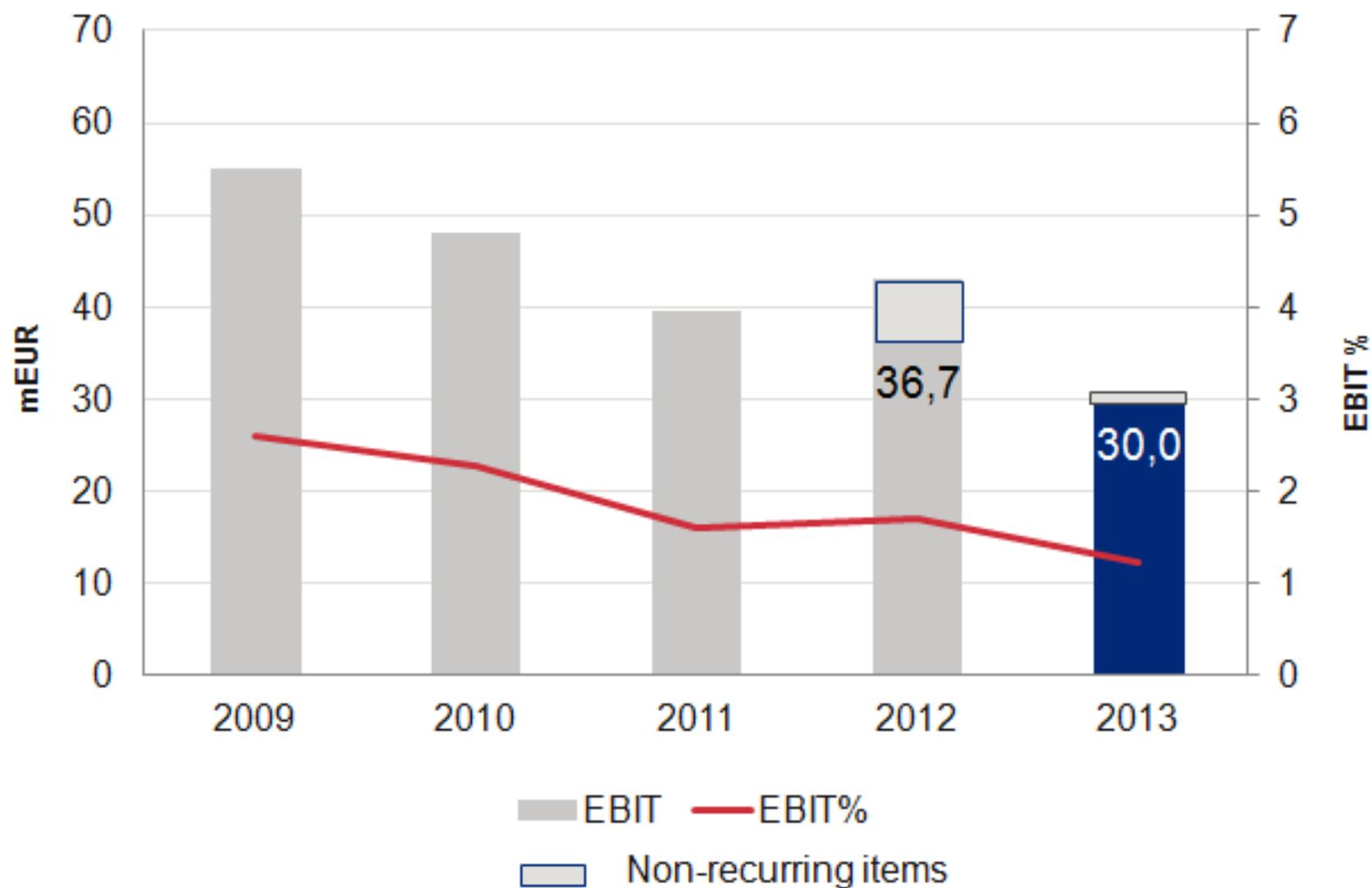
\*) Excluding non-recurring items

# Poland EBIT\*)

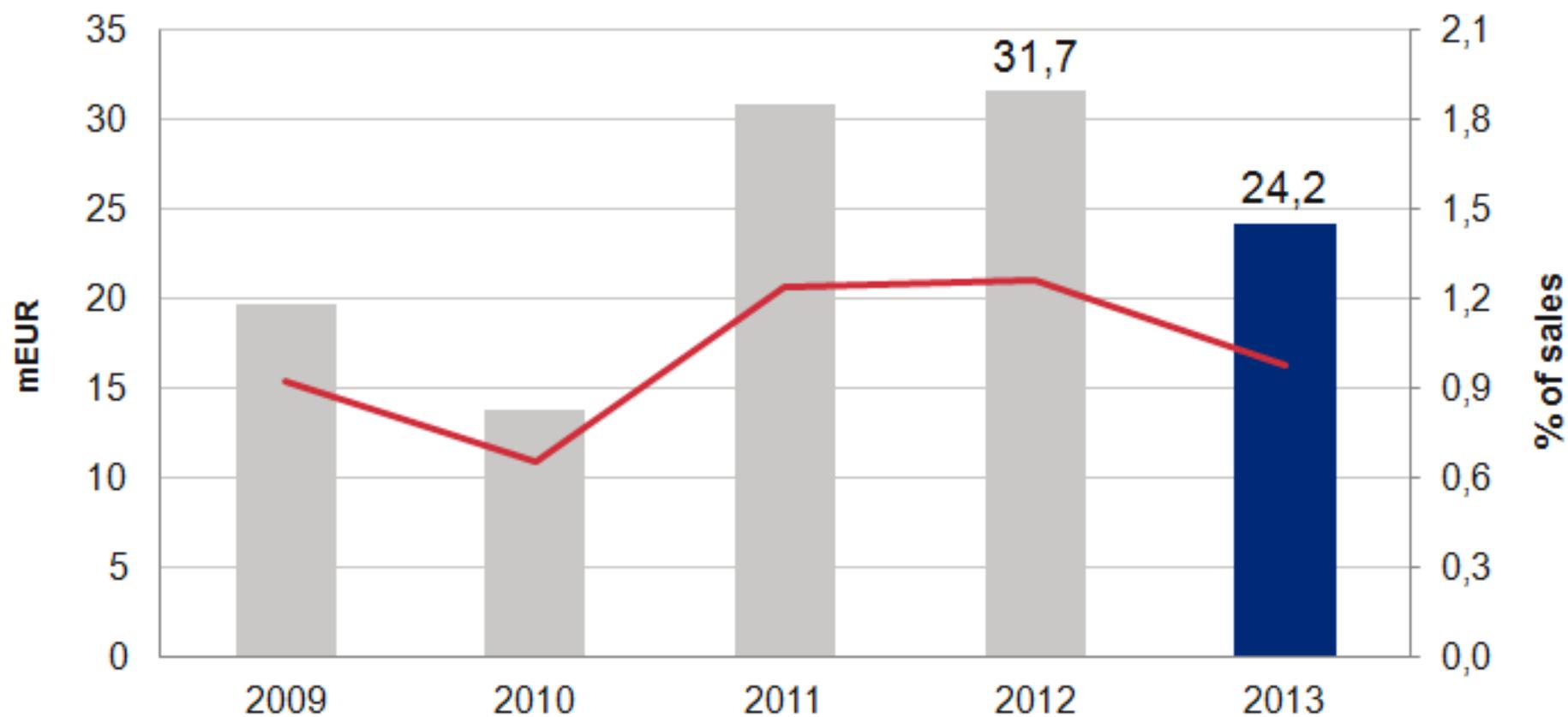


\*) Represents HKScan's 50% share of Sokolów.

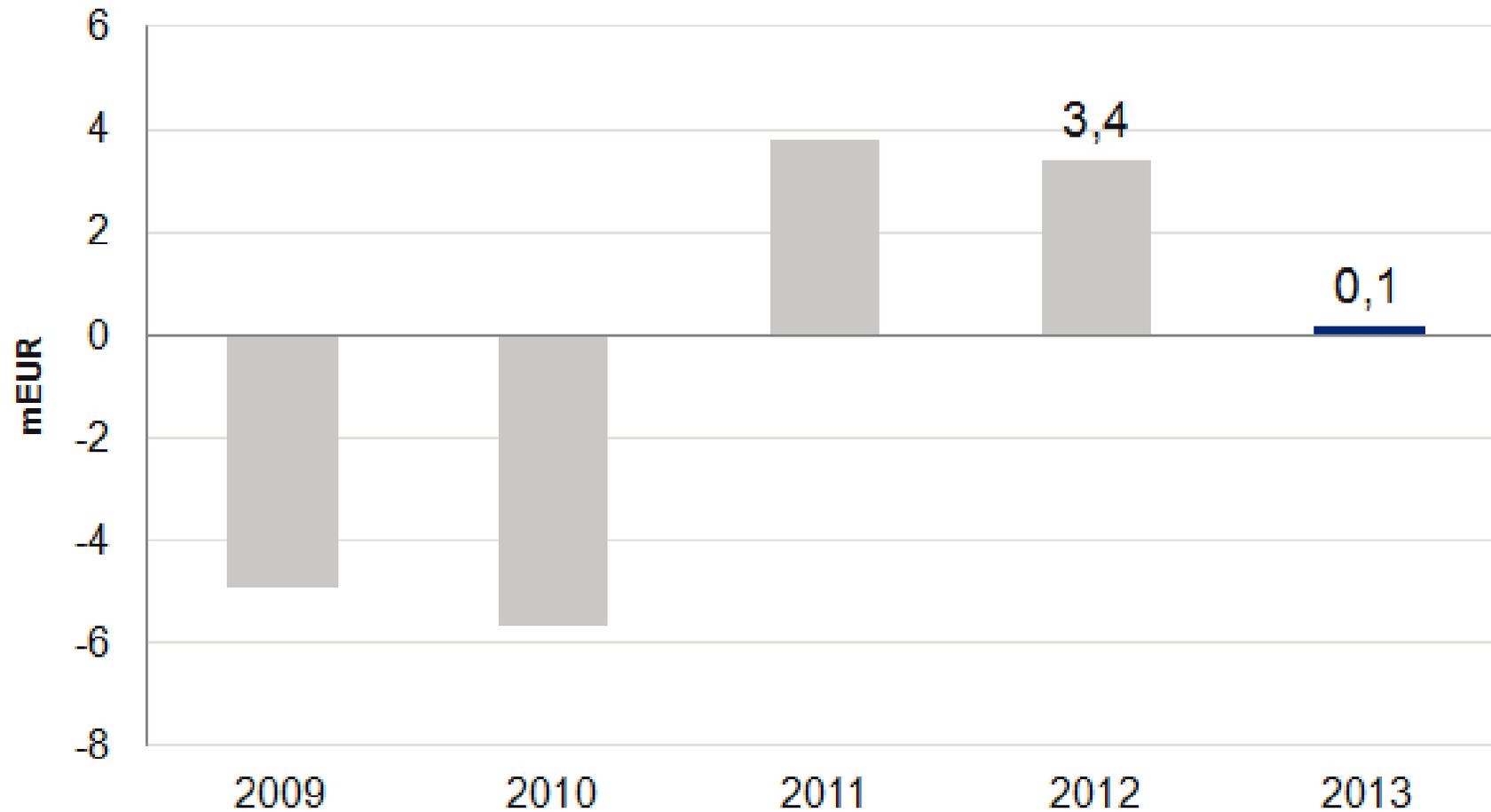
# Group EBIT Development



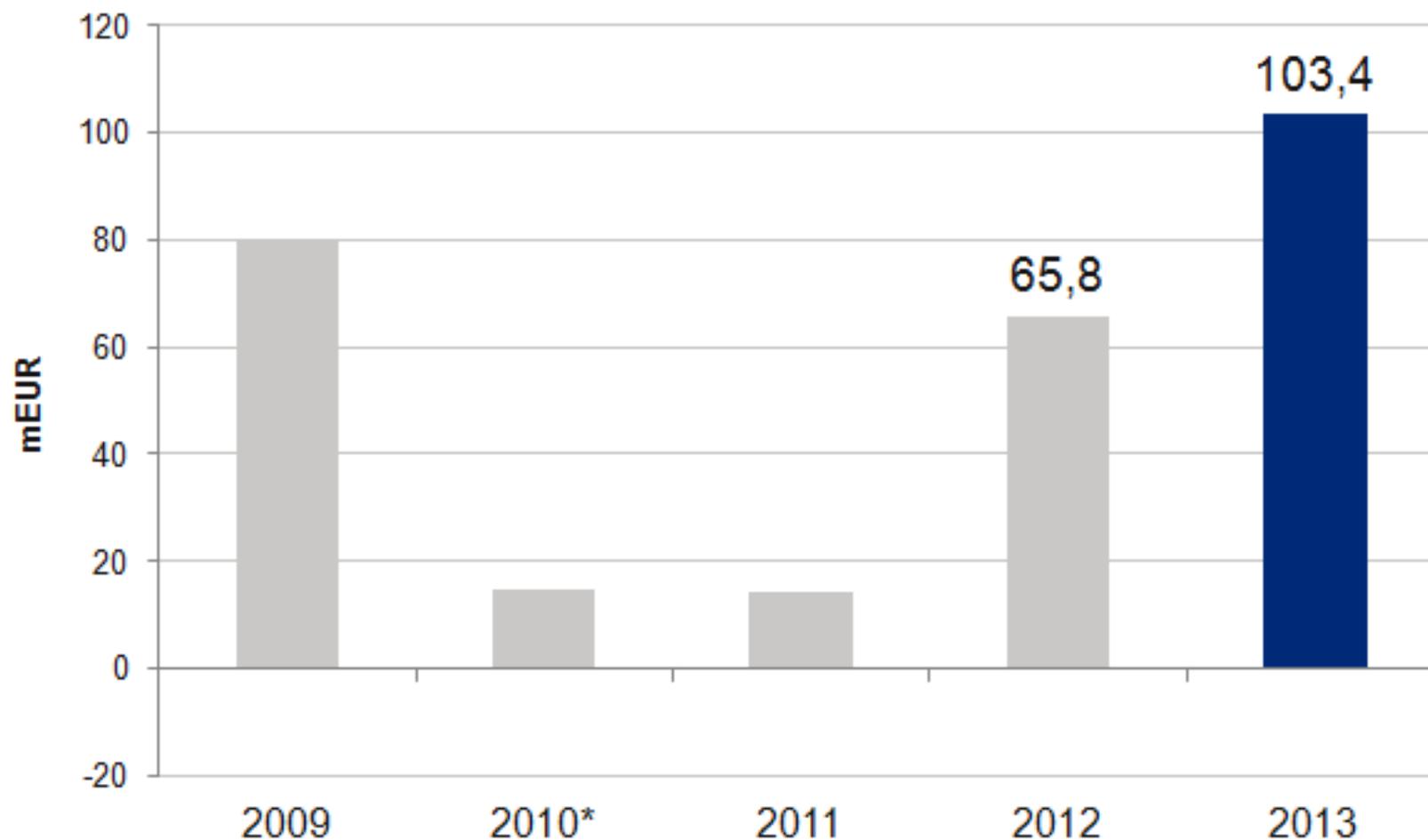
# Group Net Financial Expenses



# Group Income Tax

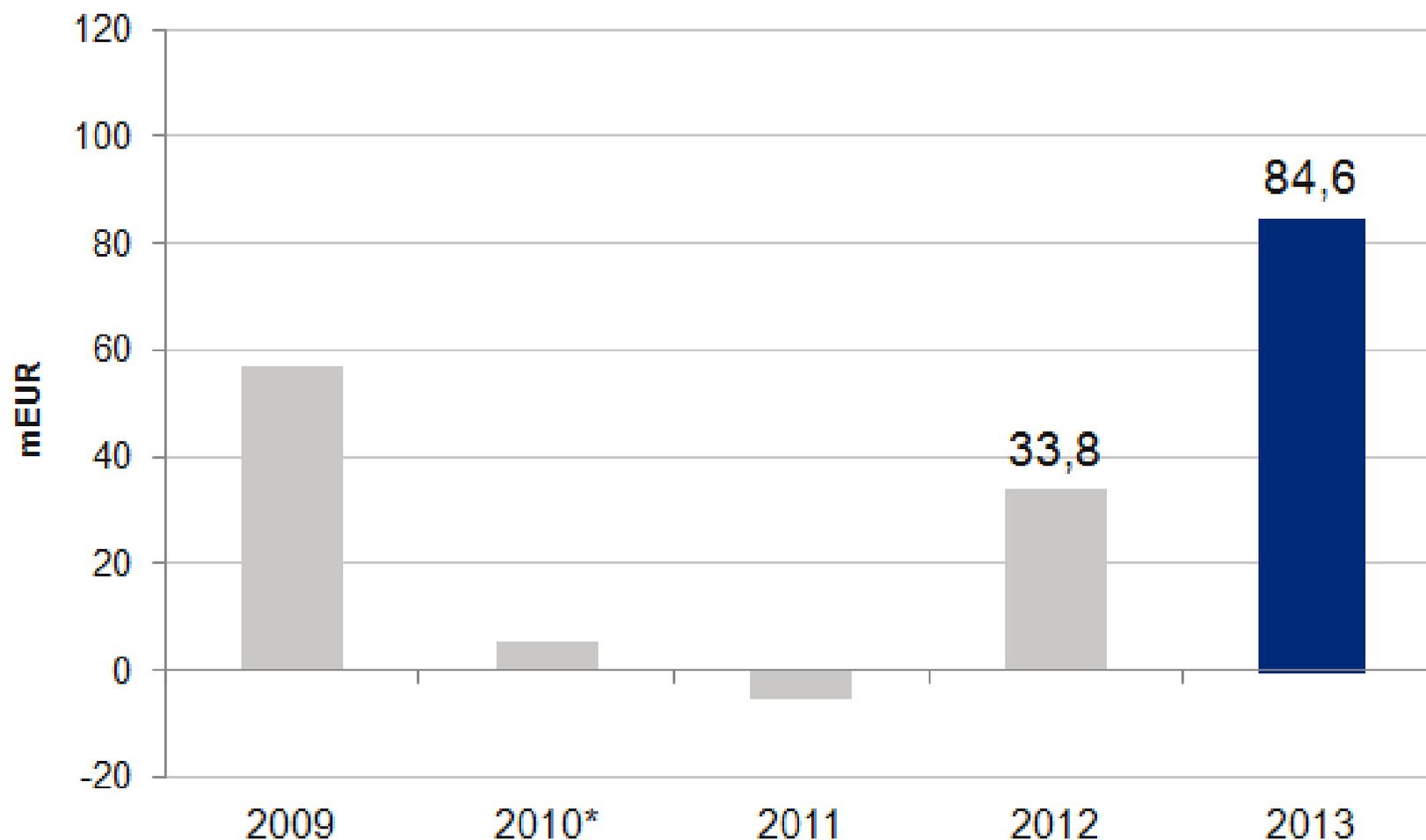


# Group Cash Flow before Debt Service



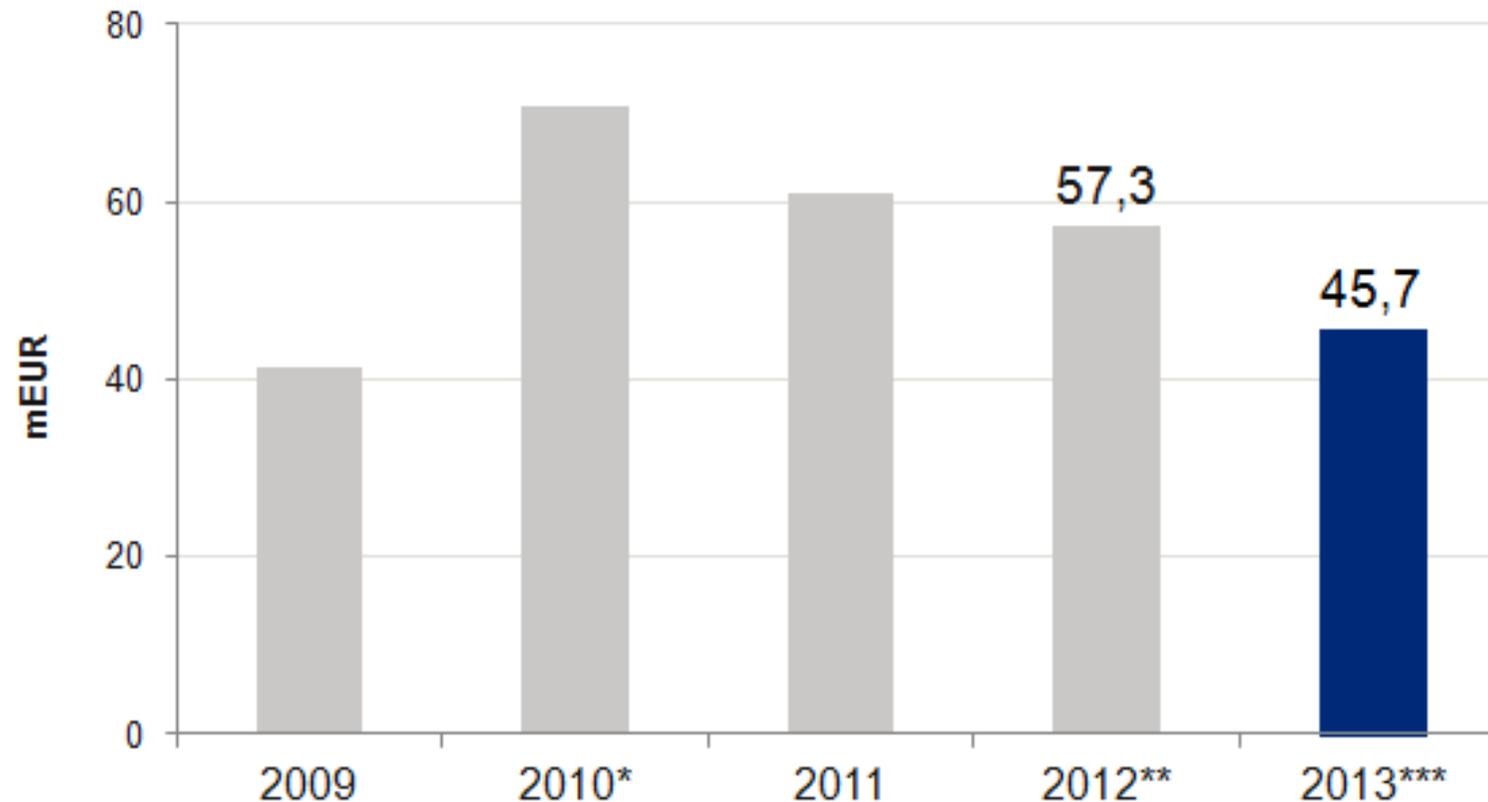
\* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

# Group Cash Flow before Financing Activities



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

# Group Investments

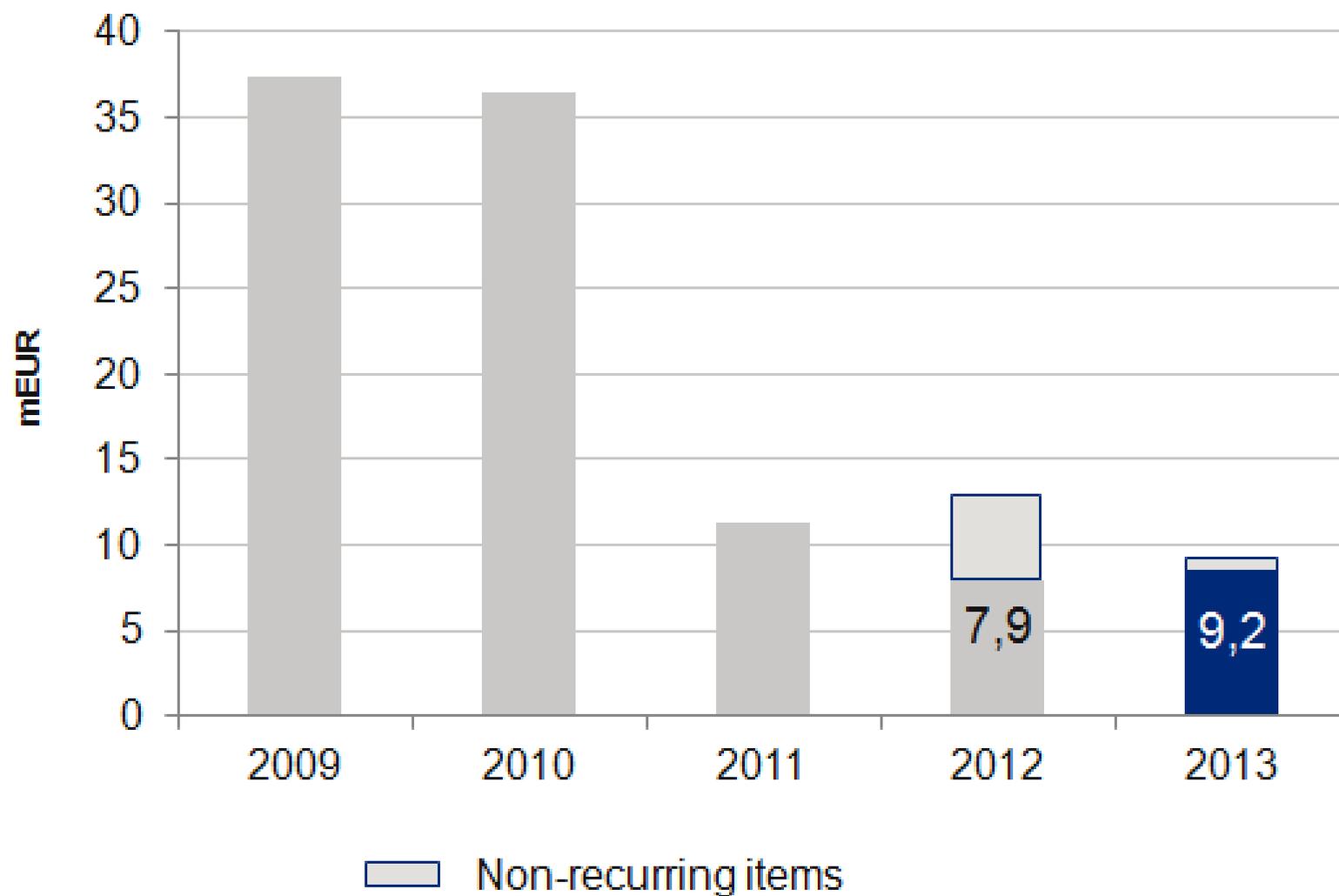


\* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

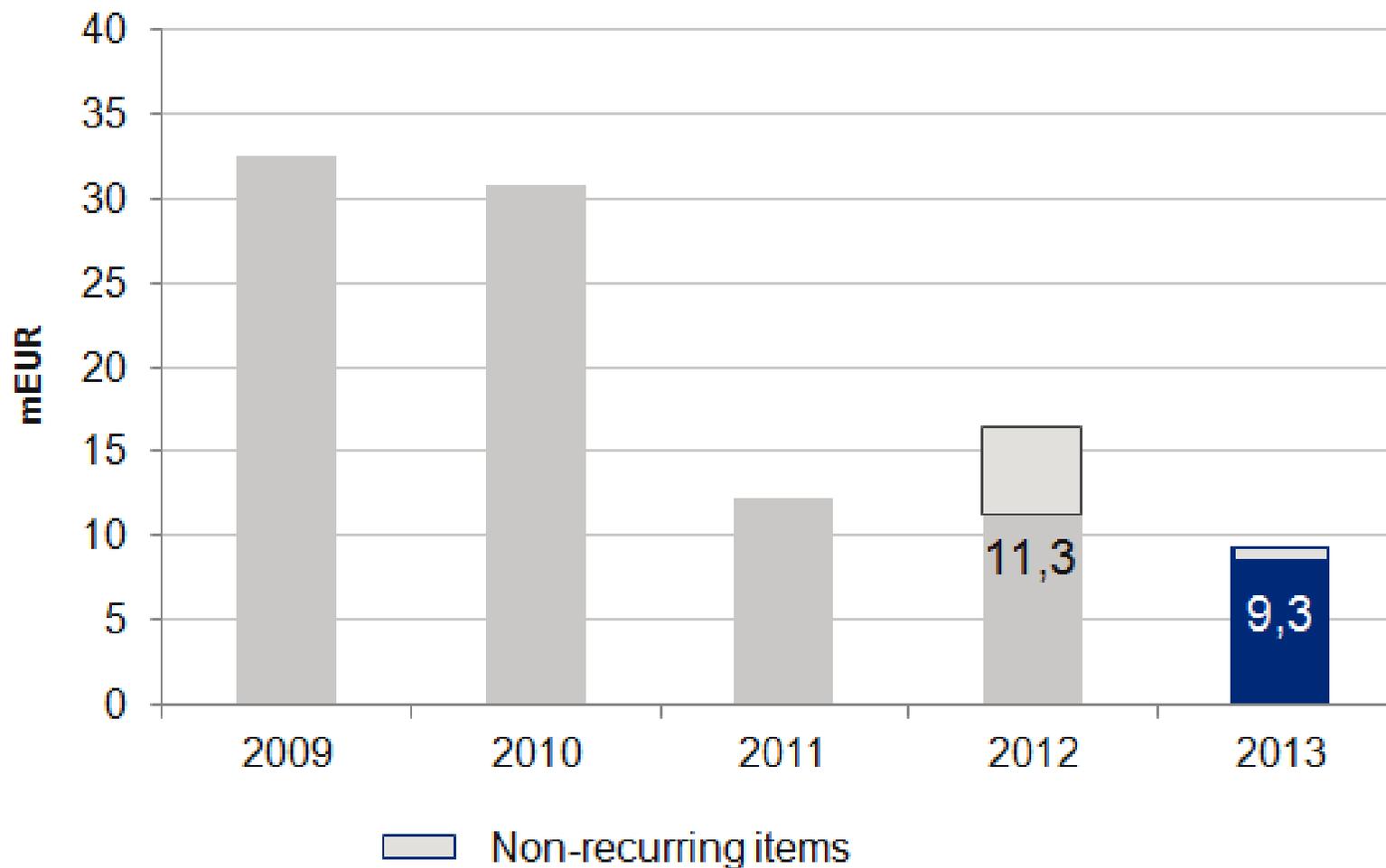
\*\* EUR 57.3 million excluding rebuild of the Vinderup plant EUR 19.3 million

\*\*\* EUR 45.7 million excluding rebuild of the Vinderup plant EUR 7.2 million

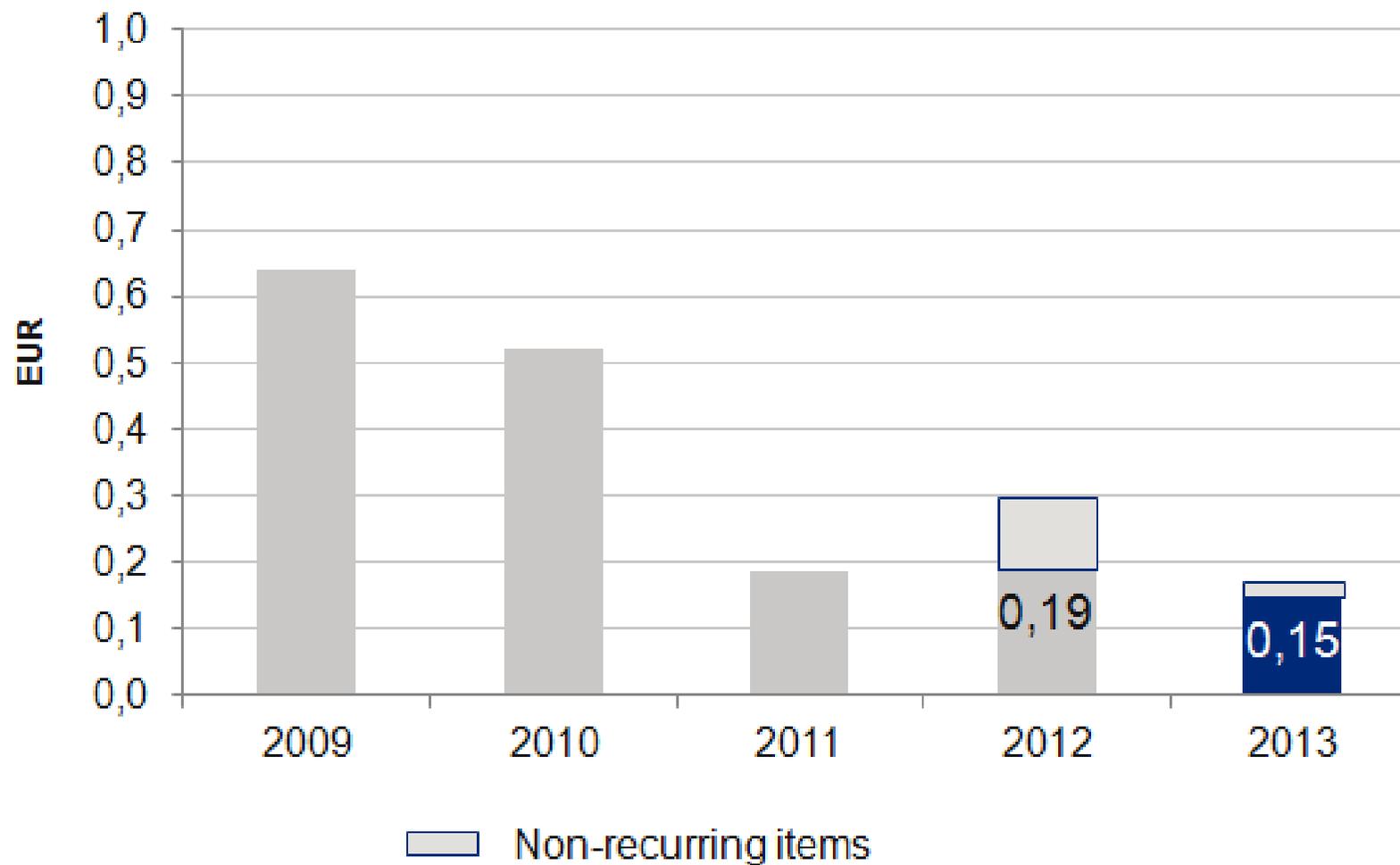
# Profit before Taxes



# Profit for the Period

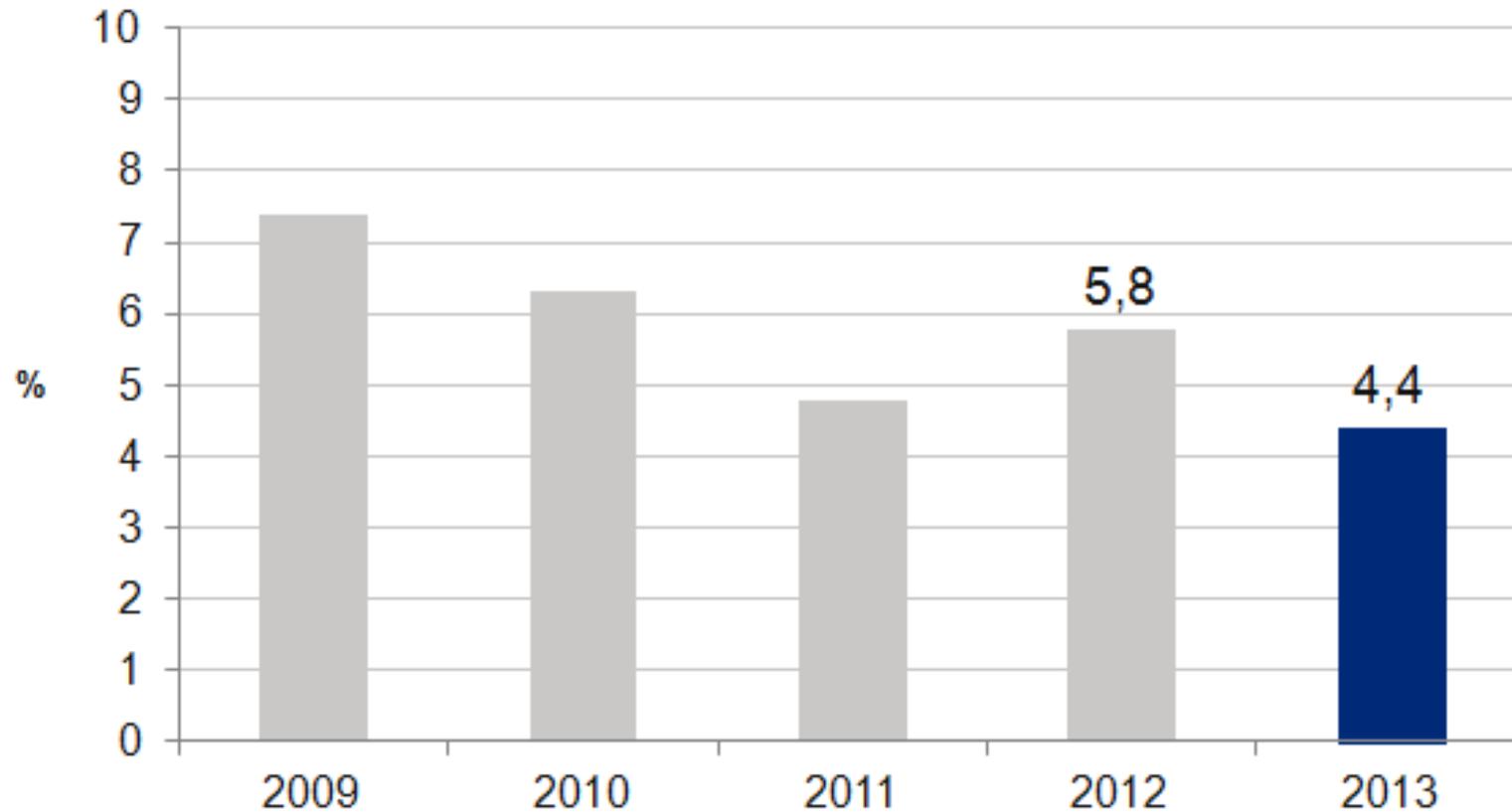


# Earnings per Share (EPS)



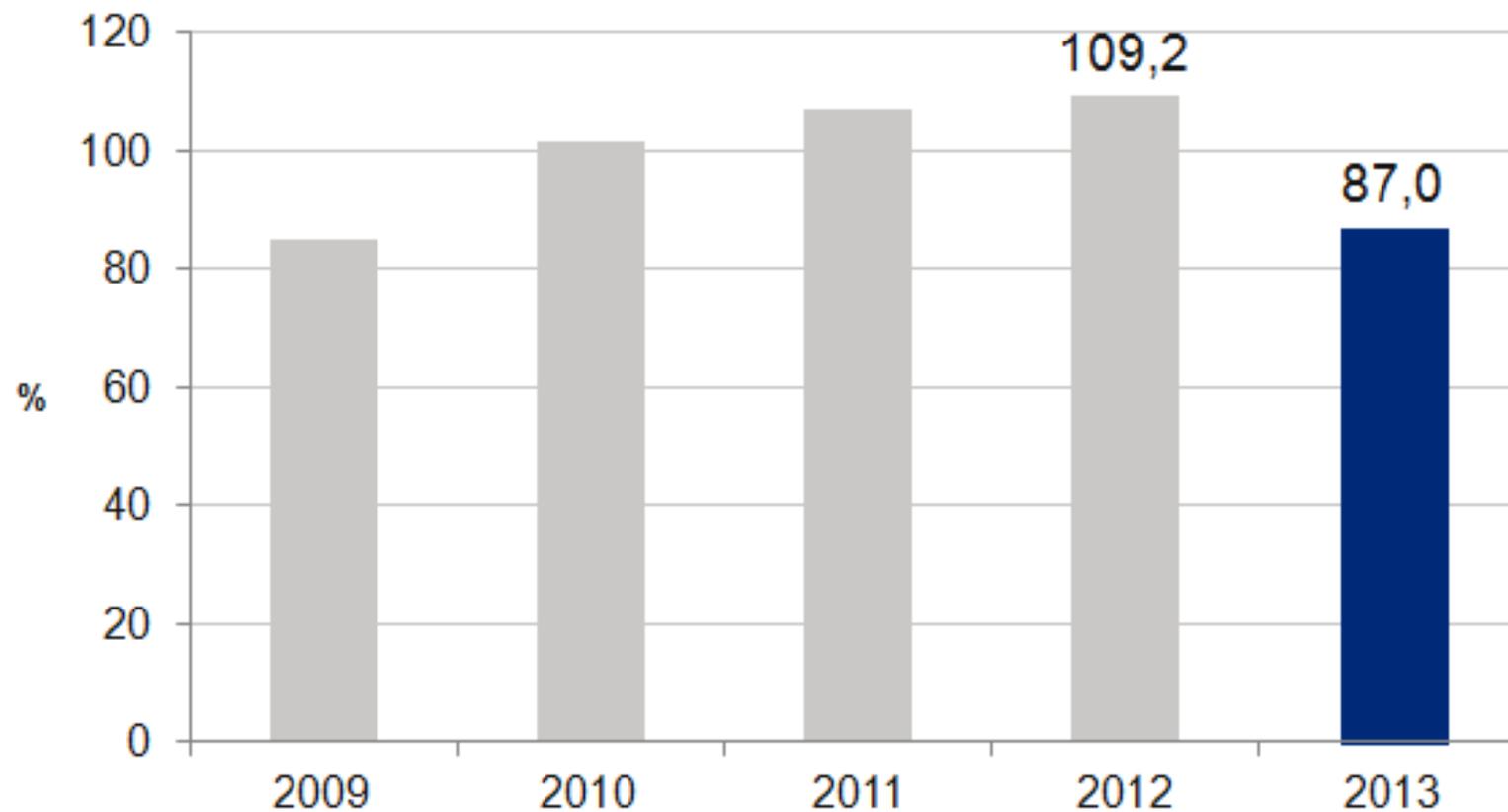
# Return on Capital Employed (ROCE)

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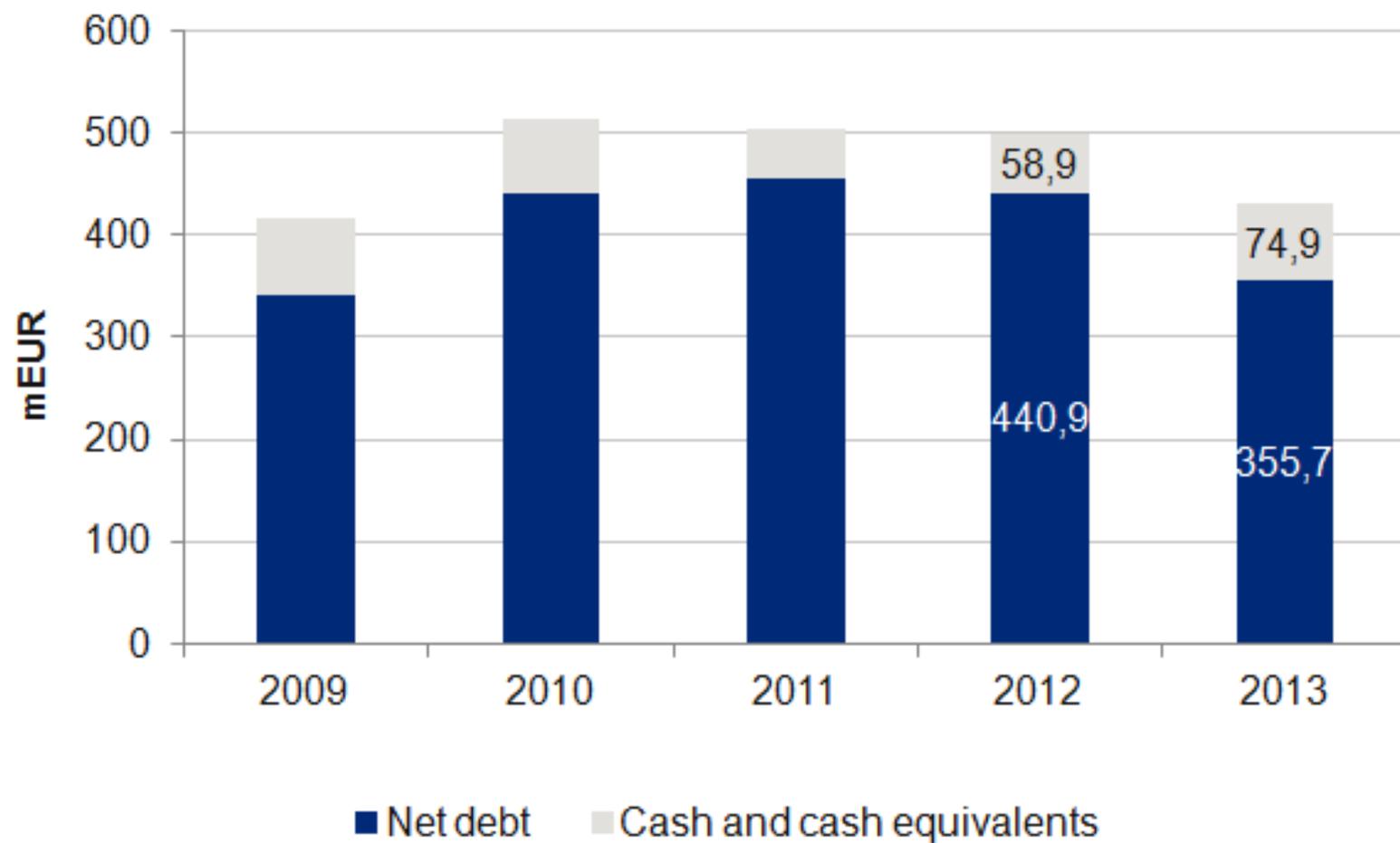


# Net Gearing

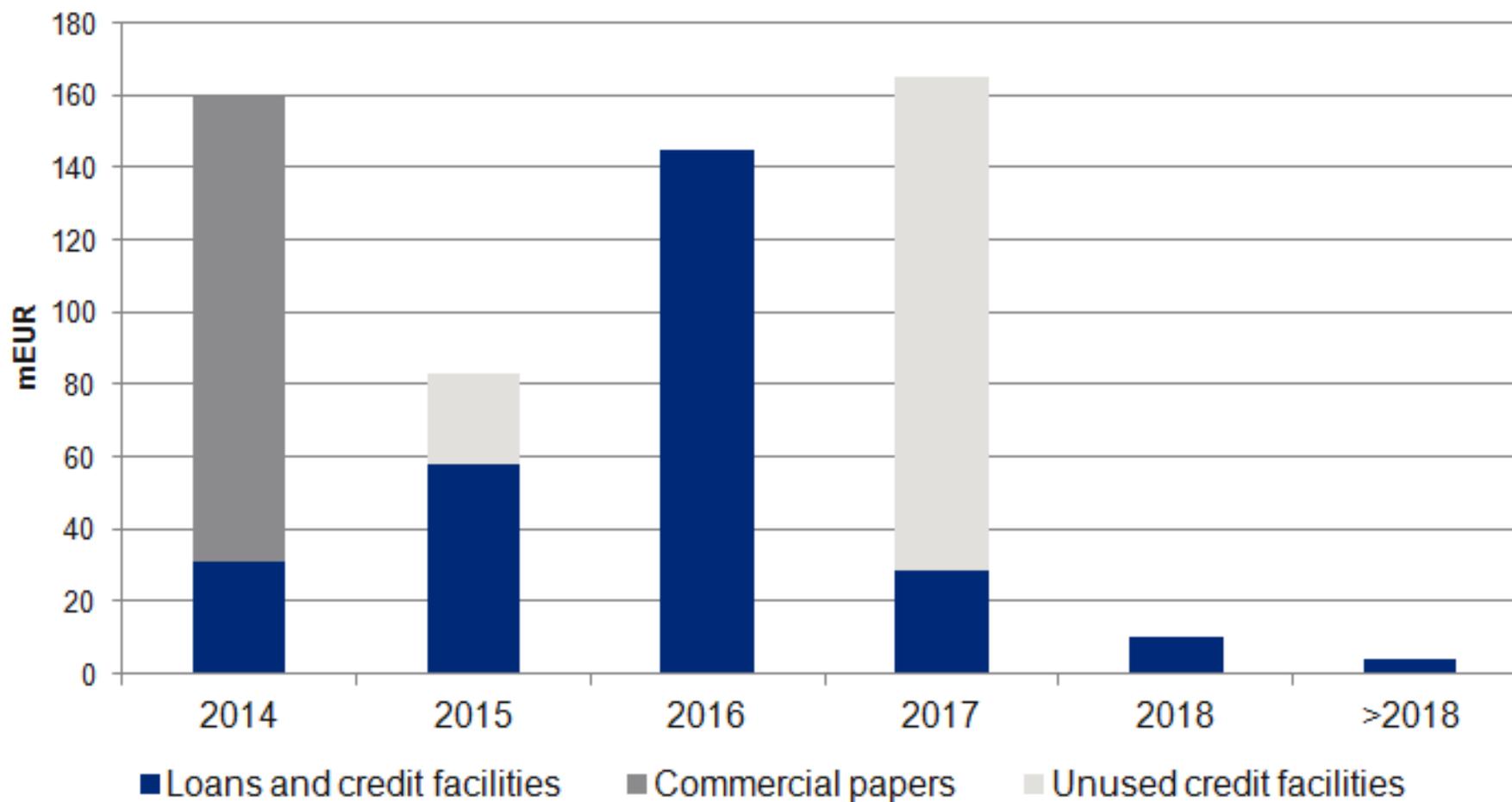
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# Net Debt

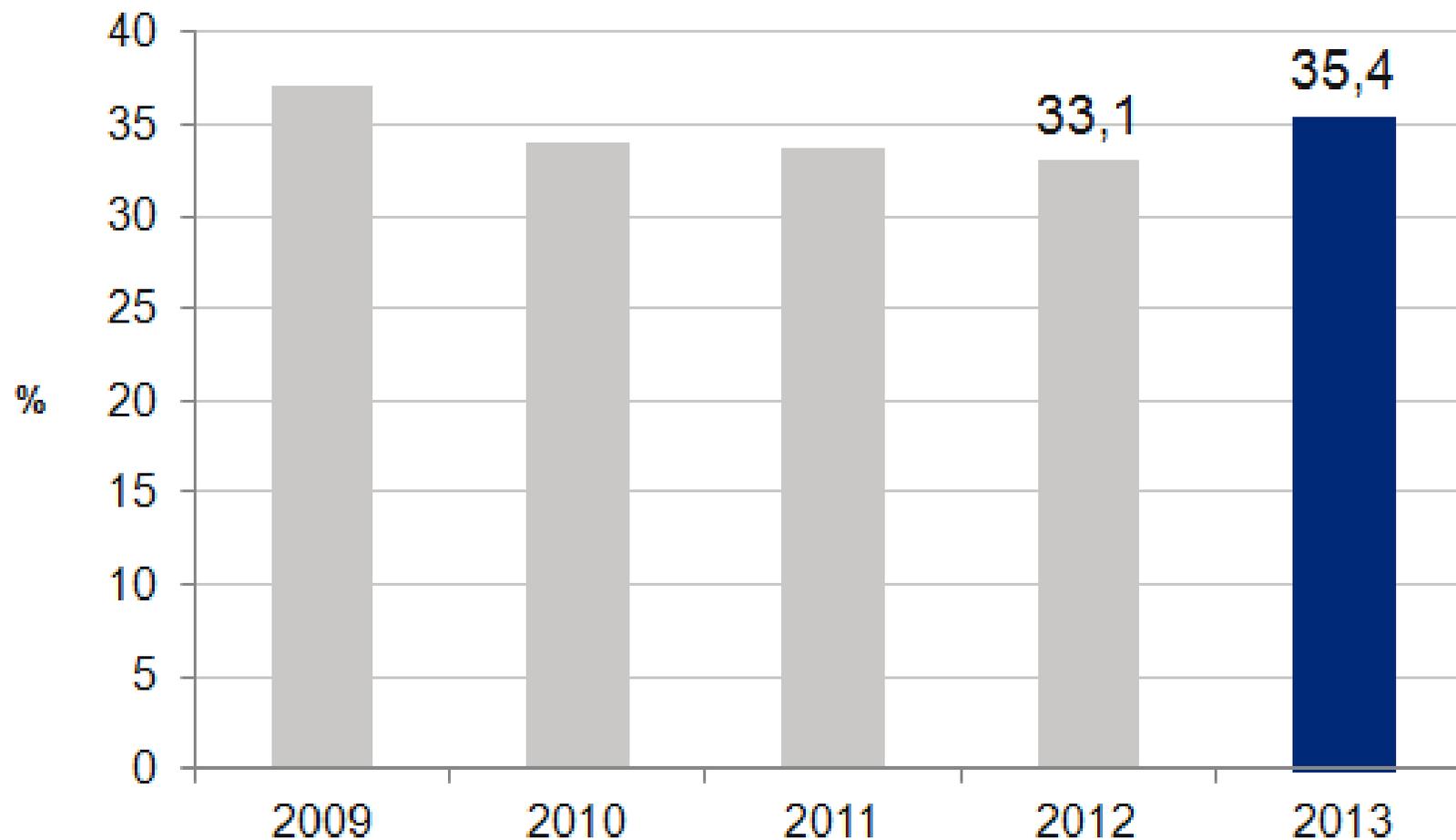


# Maturity of the Group's Interest-bearing Debts

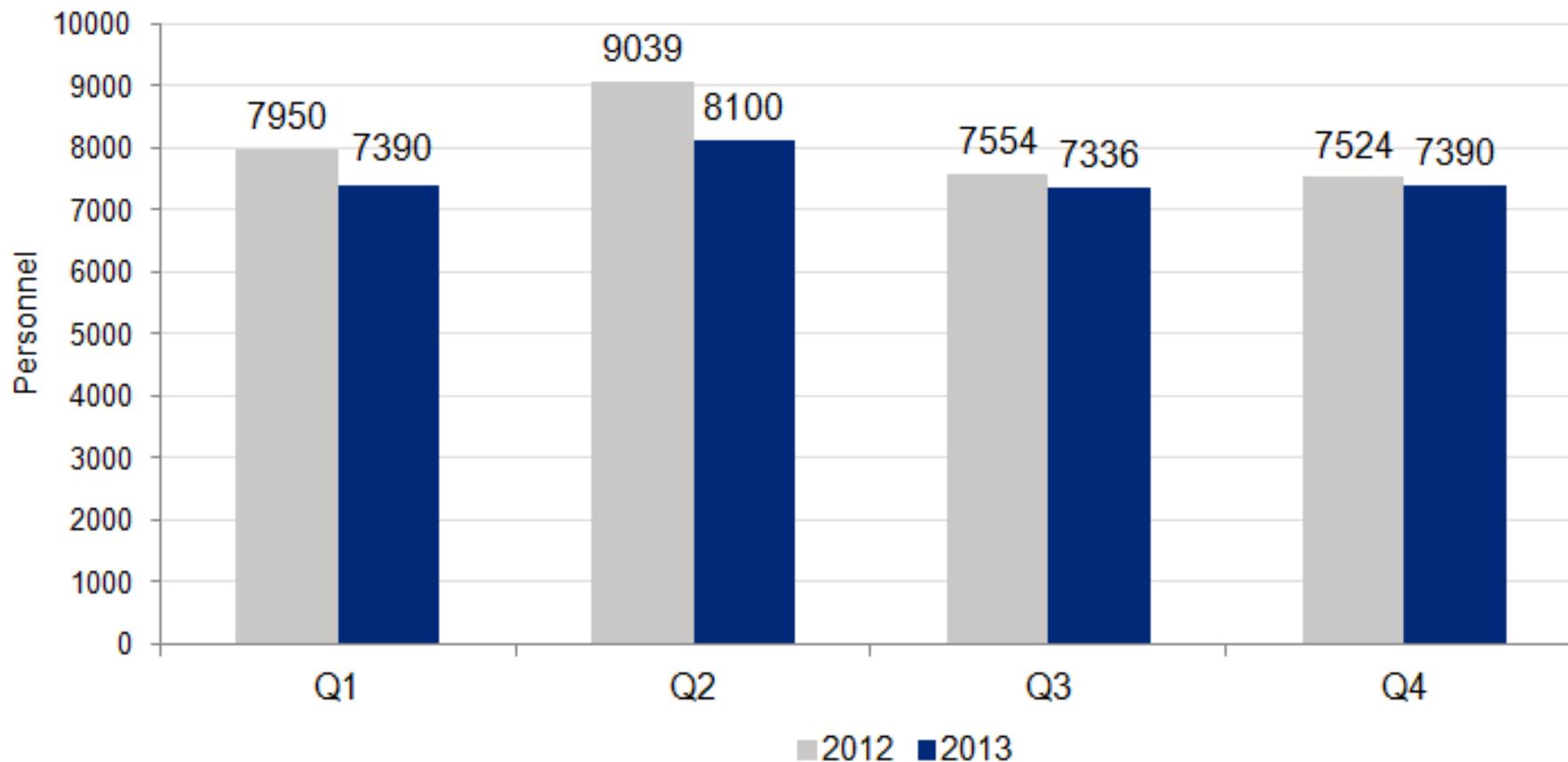


# Equity Ratio

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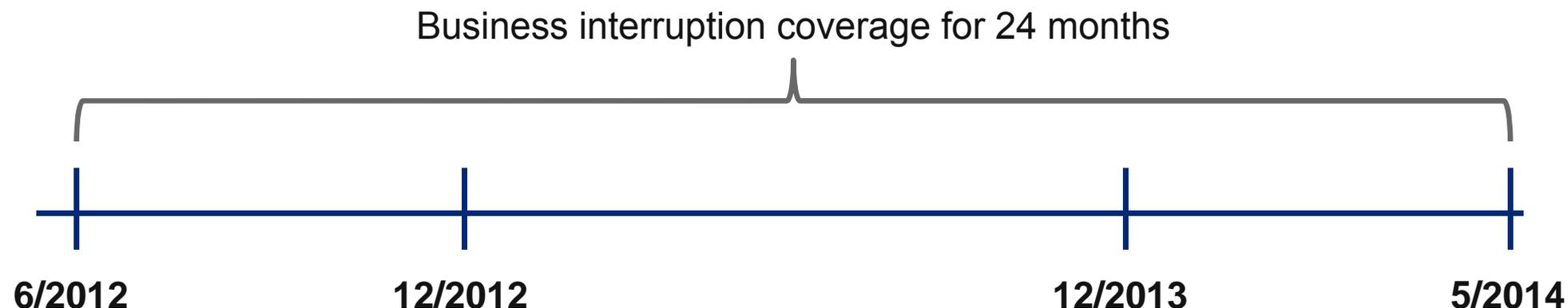


# Group Personnel at the End of Period \*)



\*) Excluding Sokolów's employees

# Fire Insurance Compensation



## 1) Comparable EBIT before non-recurring items

- Insurance compensation of business interruption (BI) of lost margin and additional costs in income statement



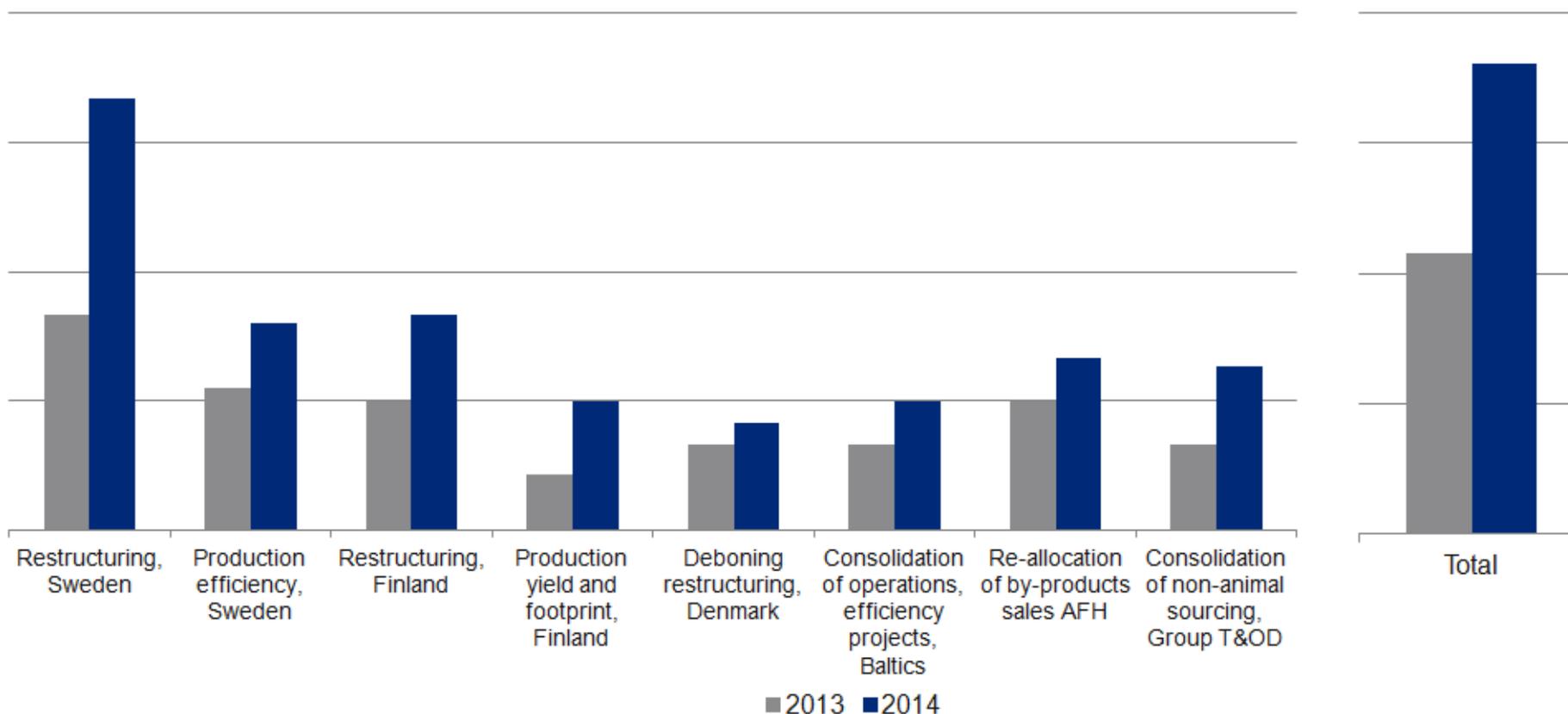
## 2) Reported EBIT after non-recurring items

- Insurance compensation of property damage (PD) of EUR 26,5 million/ capitalized investment expenses in balance sheet



# Development Programme 2012-2013

- Cost saving and cash release programme
- Production efficiency improvement and organisation restructuring
- Cash free up from trade payables
- Divestment of idle assets
- No investments required

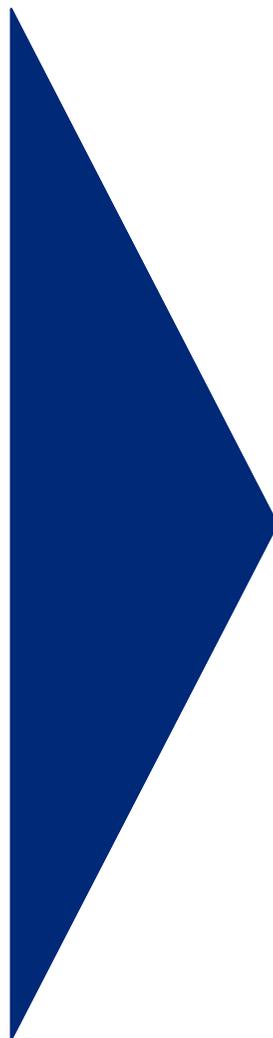


# Development Programme 2014

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## 2012-2013

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- Production efficiency improvement
- Organisation restructuring
- Cash free up from trade payables
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- No investments required



## 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

# Change in IFRS Segment Reporting in 2014

EUR million	2013 Reported	2013 Restated
Net sales	2 478,6	2 113,3
EBIT	30,5	11,7
- EBIT %	1,2	0,6
EBIT excl. non-recurring items	30,0	11,2
- EBIT %	1,2	0,5
Profit before taxes	9,7	6,7
Profit for the review period	9,8	9,8
EPS, EUR	0,16	0,16
Dividend per share, EUR*)	0,10	0,10
Cash flow before debt service	103,4	86,8
Cash flow before financing activities	84,6	74,6
ROCE before taxes, %	4,4	4,0
Net debt	355,7	335,3
Net gearing, %	87,0	82,0

## IFRS 11 Joint Arrangements

- Applicable in the EU as of 1 January 2014 or subsequent accounting periods.
- The standard requires a single method, the equity method, in joint venture reporting and the previous option to apply proportionate consolidation is no longer allowed.
- HKScan will adopt the standard from Q1/2014. It will significantly change the consolidation of segment Poland (HKScan's 50% share of Sokolów).

\*) Board's proposal to AGM

# Outlook 2014

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- HKScan expects the comparable operating profit (EBIT) margin to be 1 – 2 per cent, and anticipates that the last quarter will be the strongest. In 2013, the comparable operating profit (EBIT) margin was 0.5 per cent.
  - The outlook takes into account that the market area Poland (HKScan's 50 per cent share of Sokolów) will be excluded in the consolidated operating profit based on the change of IFRS 11 in the International Financial Reporting Standards as of 1 January 2014.
- HKScan expects the overall economic situation to remain tough. However, the market situation in both demand and supply is anticipated to improve from the previous year. Group's development programmes will continue to contribute to better financial performance.

# Key Figures

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Dividend per share, EUR			0,10*)	0,10
ROCE before taxes, %			4,4	5,8
Net debt			355,7	440,9
Net gearing, %			87,0	109,2
Personnel at the end of the period **)			7 390	7 524

\*) Board's proposal to AGM

\*\*) Excluding Sokolów's personnel

A group of four people are seated at a table in a restaurant. A waiter in a white shirt is on the left, serving a man in a grey shirt. A woman with blonde hair is smiling in the background. The table is set with plates of food, including a steak and broccoli, and glasses of water. A large window in the background shows a cityscape.

**HKSCAN**

**Thank you!**