

HKScan

HKScan Corporation
Q3 Interim report, 3 Nov 2009

CEO Matti Perkonaja

Press conference, 3 November 2009

Group structure

HKScan Corporation Net sales in 2008: EUR 2 294.6m, CEO Matti Perkonoja			
Finland	Sweden	Baltics	Poland
net sales in 2008: EUR 740.4m	net sales in 2008: EUR 1 179.3m	net sales in 2008: EUR 168.2m	net sales in 2008: EUR 270.9m**
<ul style="list-style-type: none"> • HK Ruokatalo Oy Managing director Jari Leija 	<ul style="list-style-type: none"> • Scan AB Managing director Denis Mattsson 	<ul style="list-style-type: none"> • AS Rakvere Lihakombinaat Managing director Anne Mere • AS Tallegg Managing director Teet Soorm 	<ul style="list-style-type: none"> • Saturn Nordic Holding AB → Sokolów S.A. Managing director Boguslaw Mischczuk

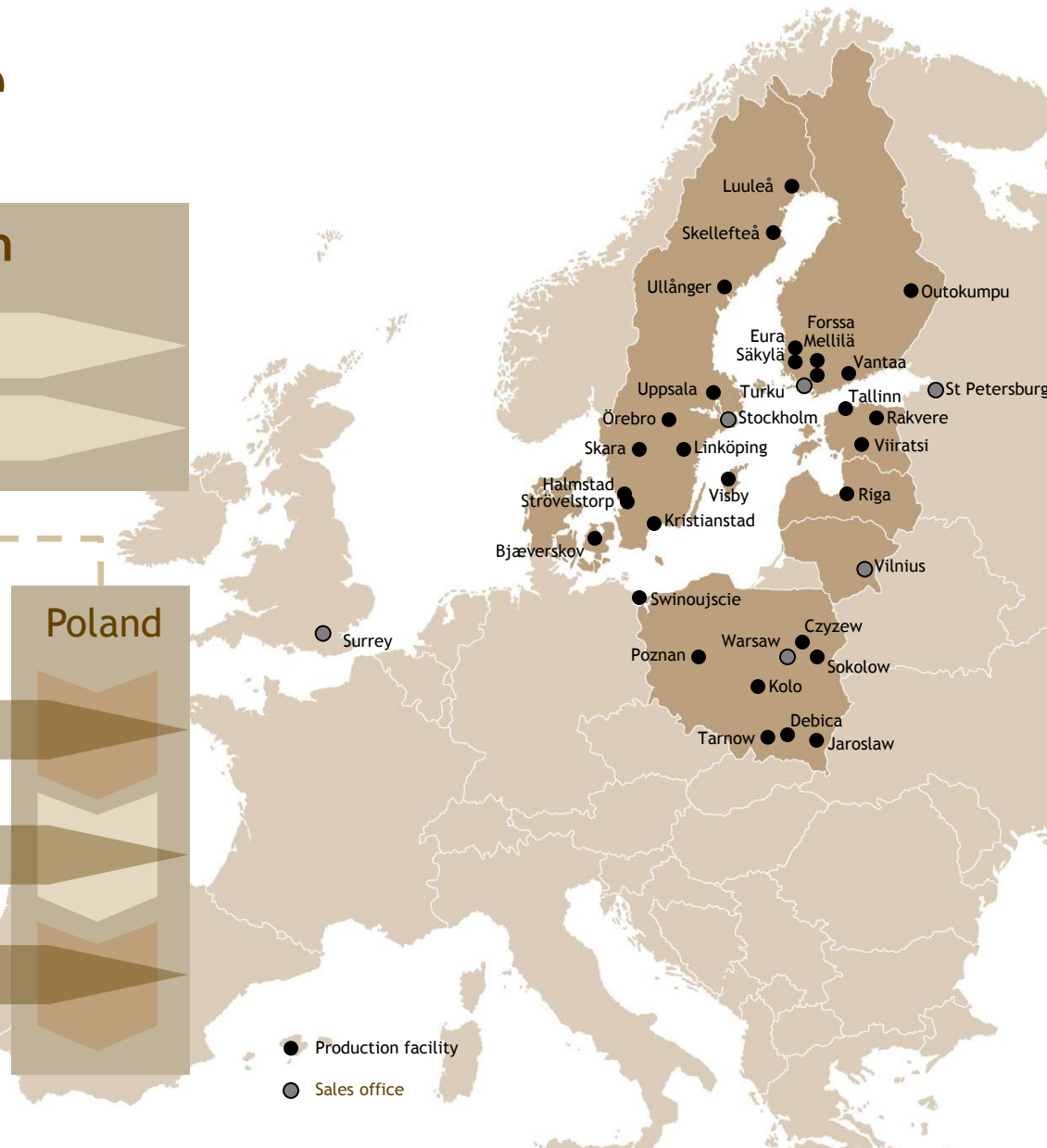
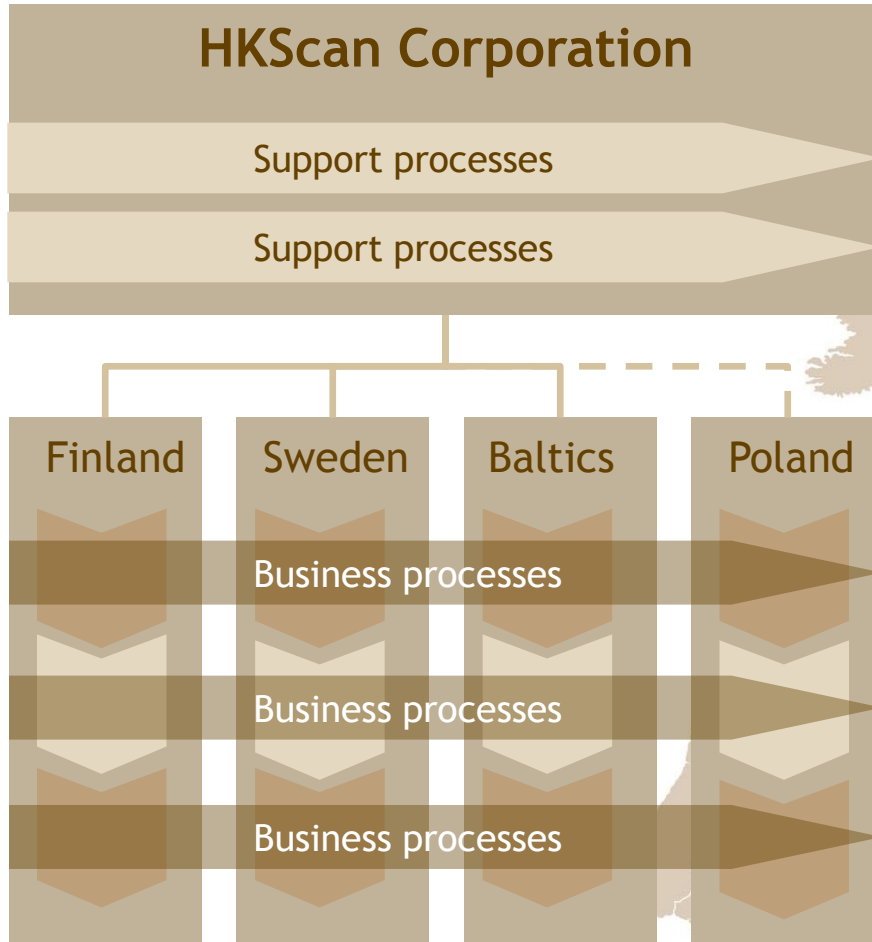
* Between segments EUR -64.3 million

** Joint venture Saturn Nordic Holding owned 50/50 by HKScan and Danish Crown holds 100% of shares in Sokolów. In 2008, half of Sokolów's net sales i.e. EUR 270.9 million were accounted for in HKScan Group figures.



HKSCAN

Group structure



HKSCAN

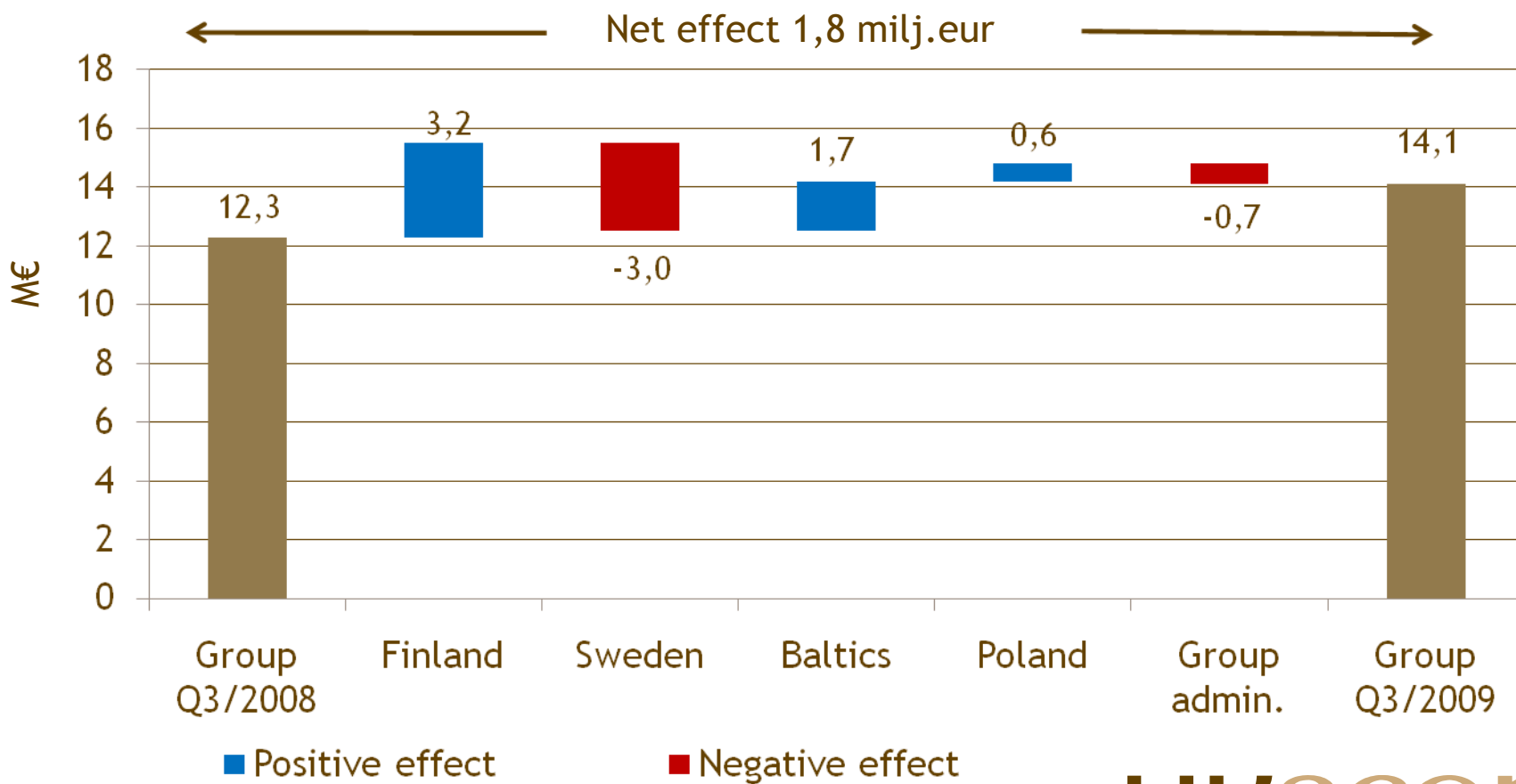
HKScan Corporation

	Q3/ 2009	Q3/ 2008	Q1-Q3/ 2009	Q1-Q3/ 2008	2008
Net sales, EUR mill.	533.5	600.4	1 567.2	1 702.3	2 294.6
EBIT, EUR mill.	14.1	12.3	36.6	22.8	38.1
- EBIT margin, %	2.6	2.0	2.3	1.3	1.7
Profit / loss before taxes	10.8	5.4	21.9	3.1	9.0
Earnings/share, EUR	0.22	0.05	0.40	-0.05	0.12

- The Group's competitiveness continued to grow stronger and supplier shares increased in all of the company's market areas.
- January-September positive for HKScan as anticipated.
- Nine-month EBIT was EUR 36.6 million (EUR 22.8 million).
- Owing to changes in exchange rates, net sales in euro declined in the early part of the year, yet at fixed rates increased by ca. 1%.
- EBIT for January-September is eroded by non-recurring charges of approximately EUR 7m.

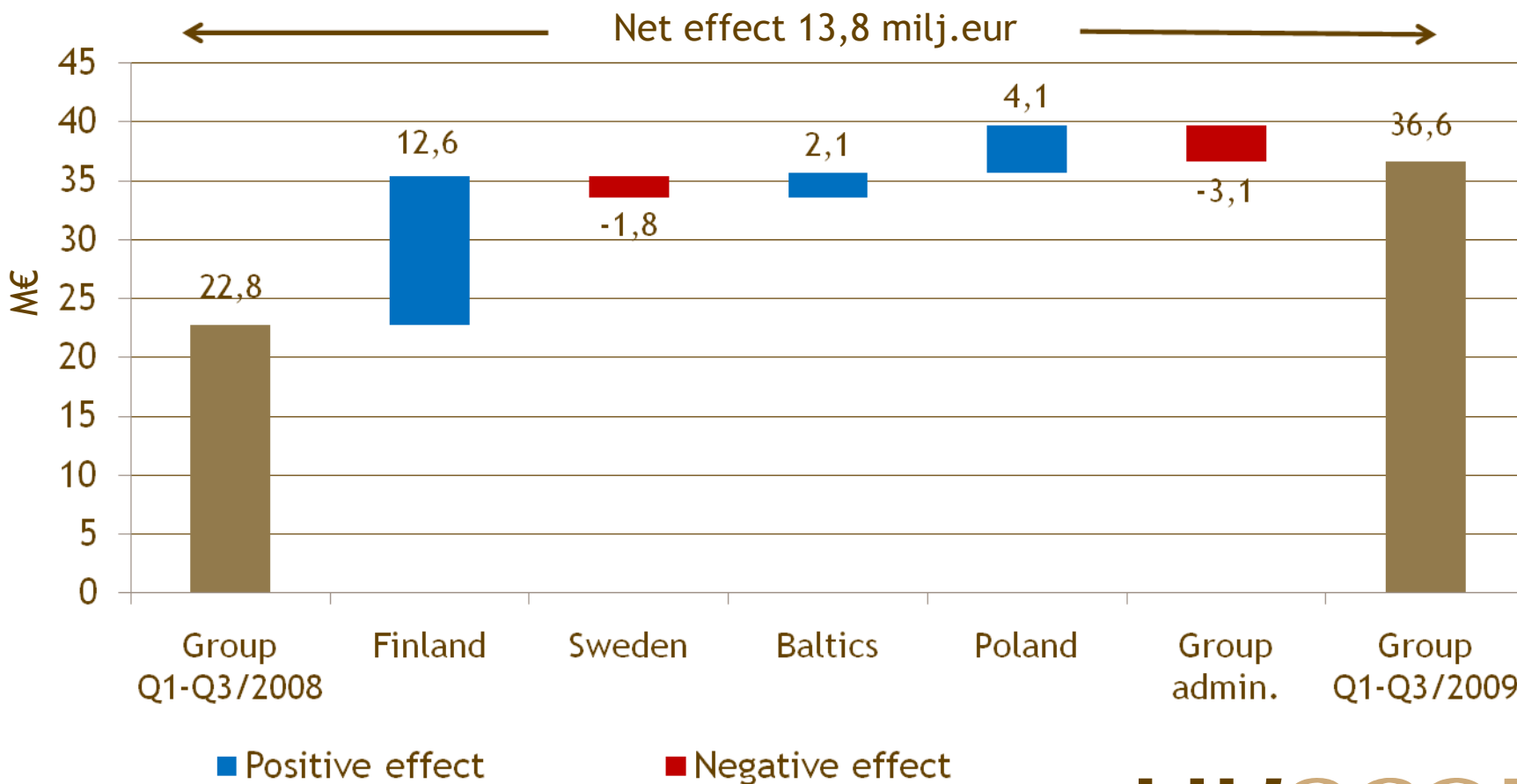
Group EBIT Bridge

- Q3 /2008 vs. Q3 /2009



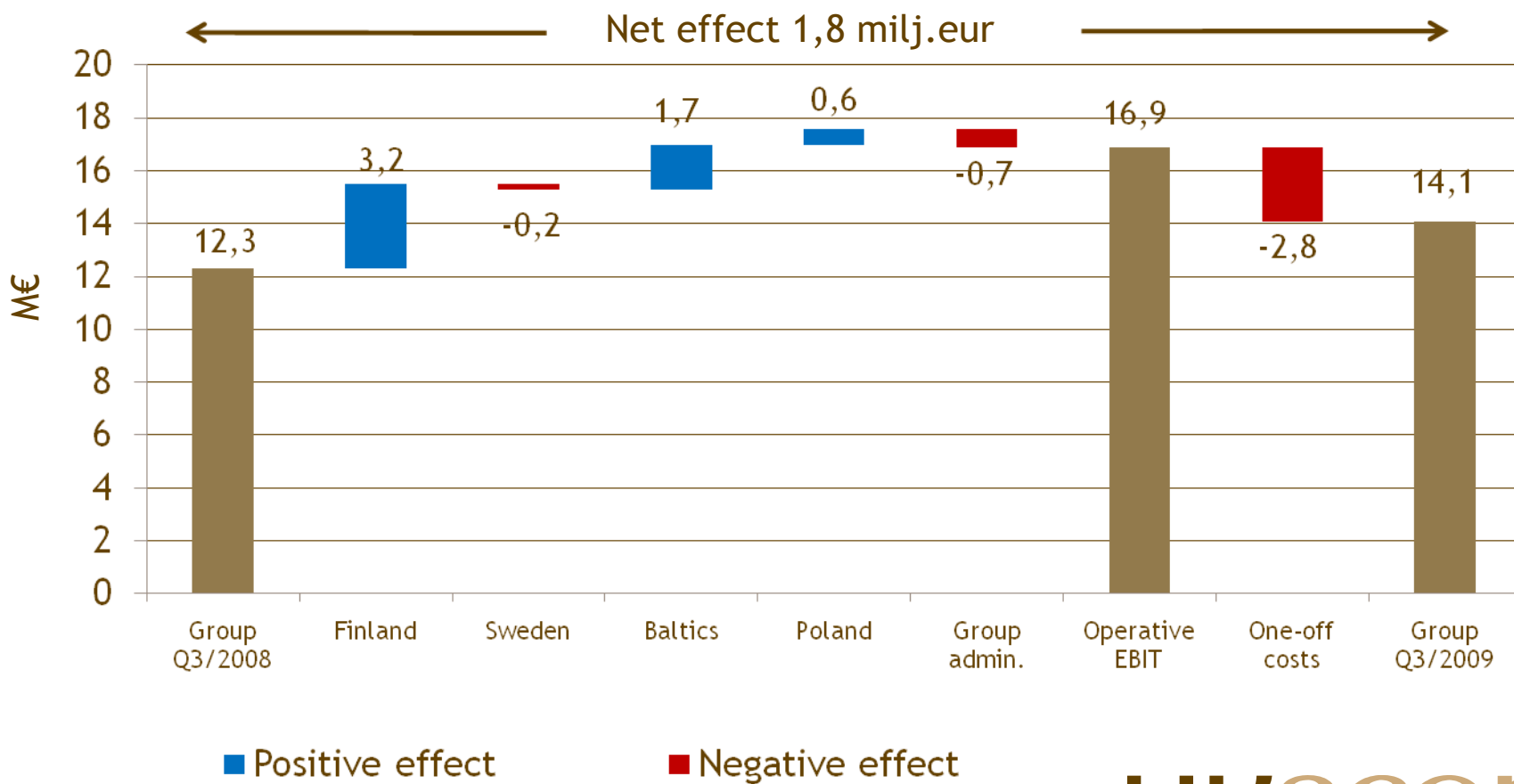
Group EBIT Bridge

- Q1-Q3 /2008 vs. Q1-Q3 /2009



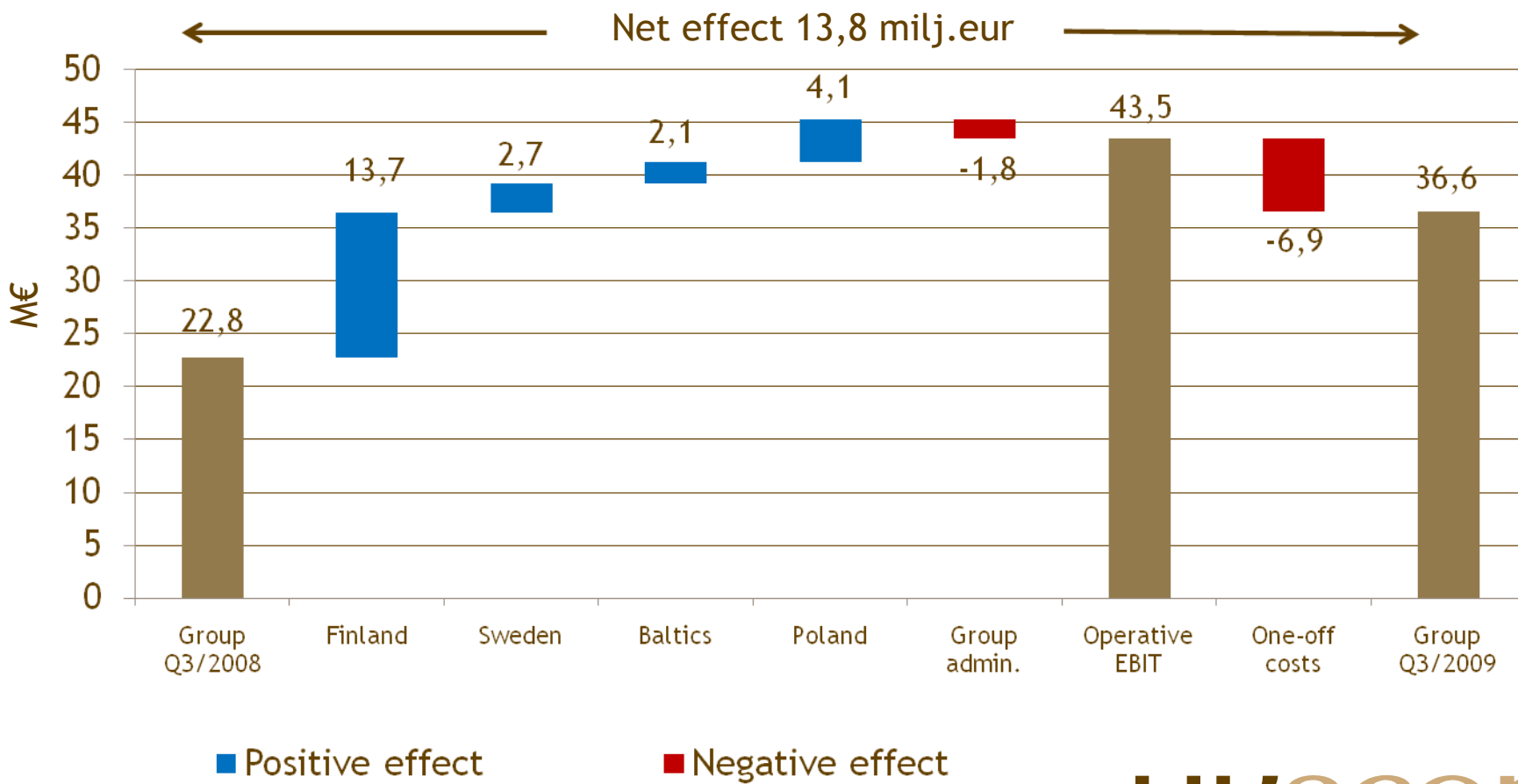
Group EBIT Bridge (one-off items separately)

- Q3 /2008 vs. Q3 /2009



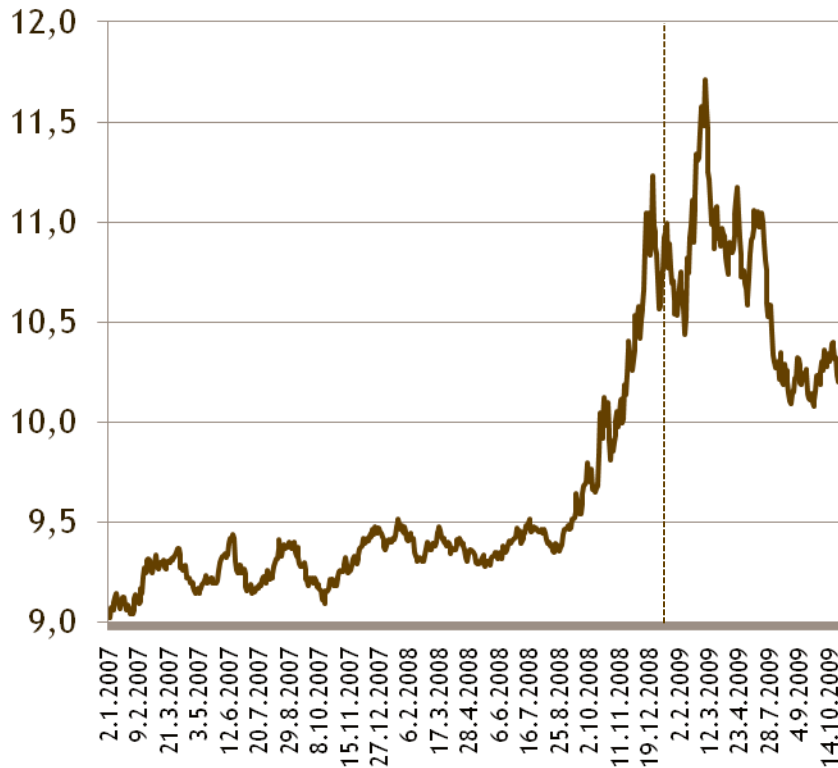
Group EBIT Bridge (one-off items separately)

- Q1-Q3 /2008 vs. Q1-Q3 /2009

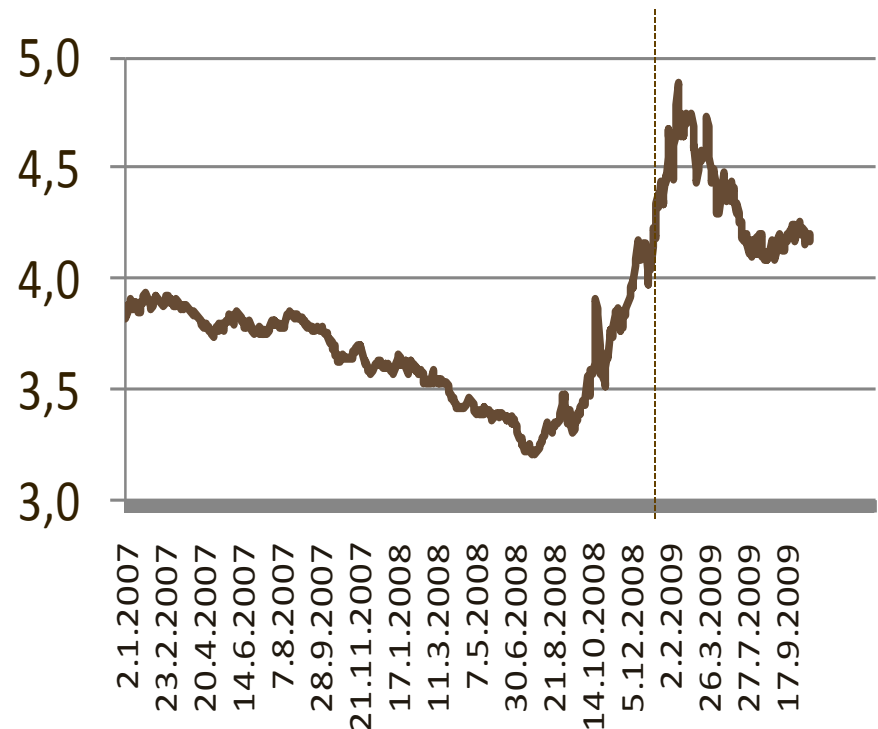


Exchange rate trends

Euro against the Swedish crown, SEK



Euro against the Polish zloty, PLN



Source: European Central Bank



Market area: Finland

	Q3/ 2009	Q3/ 2008	Q1-Q3/ 2009	Q1-Q3/ 2008	2008
Net sales, EUR million	181.6	183.7	547.2	543.2	740.4
EBIT, EUR million	7.7	4.5	20.6	8.0	14.4
- EBIT margin, %	4.2	2.5	3.8	1.5	1.9

- EBIT grew in Q3 as anticipated. The year-on-year increase was 71%.
- Improved EBIT was based on HK Ruokatalo's:
 - cost-effective operations
 - excellent delivery reliability resulting in higher supplier shares.
- The slight decline in net sales was attributable to reduced export revenue.
- Domestic sales increased considerably in terms of both volume and value.
- Responsibility highlighted in consumer communications:
 - Kariniemen responsibility programme: farm, environment, taste and nutrition
 - HK sandwich meat package redesign: marked reduction in use of plastic in packaging
- Earnings for January-September include a non-recurring cost provision of EUR 1.1 million (EUR 0.0 million) recognised in Q1.

Market area: Sweden



	Q3/ 2009	Q3/ 2008	Q1-Q3/ 2009	Q1-Q3/ 2008	2008
Net sales, EUR million	256.2	315.4	759.1	877.7	1 179.3
EBIT, EUR million	2.5	5.5	7.6	9.4	18.0
- EBIT margin, %	1.0	1.7	1.0	1.1	1.5

- Net sales in crowns were nearly in line with comparison period Q3/2008.
- Streamlining plan announced in September:
 - industrial restructuring
 - possible personnel cuts
- The measures are envisioned to deliver annual streamlining benefits of EUR 30 million by the end of 2012.
- EUR 12m will be invested over the same time in the Swedish business.
- Non-recurring charges of EUR 4.5m (EUR 0.0m) recognised since the start of the year:
 - Q3: EUR 2.8 million (EUR 0.0 million) relating to the streamlining plan
 - Q1-Q2: EUR 1.7 million relating to personnel downsizing

Market area: Baltics



	Q3/ 2009	Q3/ 2008	Q1-Q3/ 2009	Q1-Q3/ 2008	2008
Net sales, EUR million	40.5	44.2	118.8	125.2	168.2
EBIT, EUR million	3.4	1.7	7.9	5.8	6.4
- EBIT margin, %	8.3	3.8	6.6	4.7	3.8

- Rakvere Lihakombinaat and Tallegg have grown their earnings and strengthened their market position:
 - Sustained cost control
 - Operational flexibility
- The competition setting has grown increasingly fierce.
- The state of the national economies in the Baltics is unclear to some extent at present.
- Latvia in particular is facing great challenges.



Market area: Poland

*)	Q3/ 2009	Q3/ 2008	Q1-Q3/ 2009	Q1-Q3/ 2008	2008
Net sales, EUR million	69.2	74.2	186.5	204.6	270.9
EBIT, EUR million	2.2	1.6	6.4	2.3	4.2
- EBIT margin, %	3.2	2.2	3.4	1.1	1.6

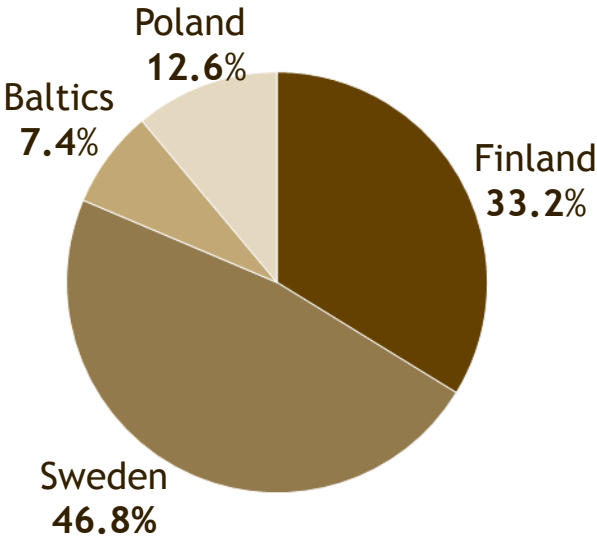
*) The figures refer to HKScan's share (50%) of the Sokolów Group's figures.

- Sokolów's business grew in Q3 in terms of both volume and value.
- Sokolów's net sales for the full nine months grew by 16% year-on-year when measured in zloty.
- The company has gained even better access into the selections of modern retail chains where most of the market growth will be taking place.
- Thanks to solid sales in the domestic market, rising exports and cost control, Sokolów has considerably improved its profitability.
- The recession has not had any considerable effect on the food-buying decisions of consumers in Poland.

Breakdown of net sales and EBIT

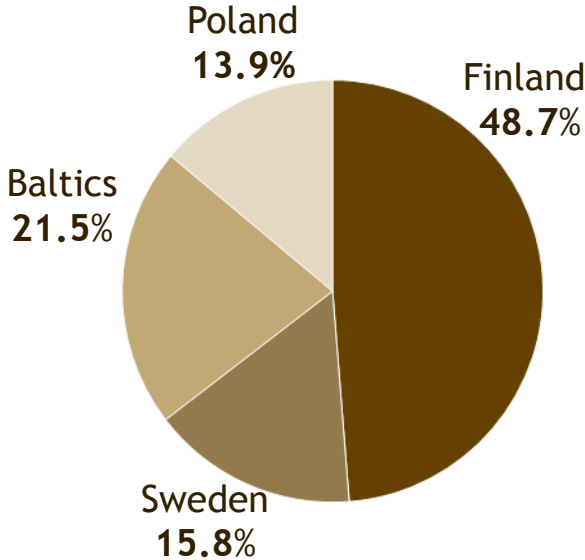
Q3/2009

Net sales EUR 533.5m



* shares calculated inclusive of internal sales

EBIT EUR 14.1m

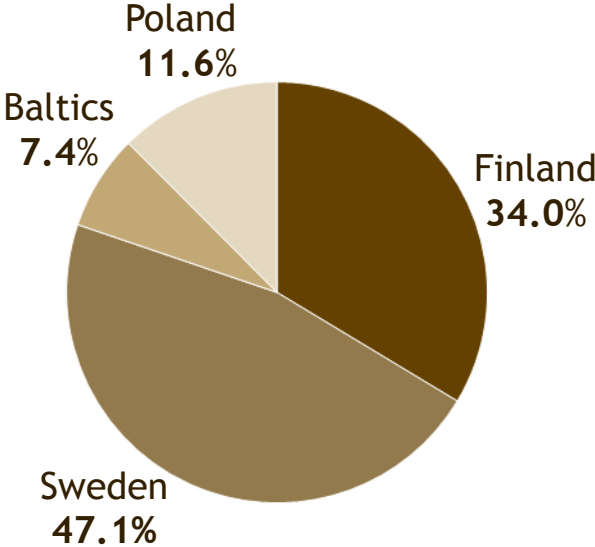


* shares calculated exclusive of Group administration costs

Breakdown of net sales and EBIT

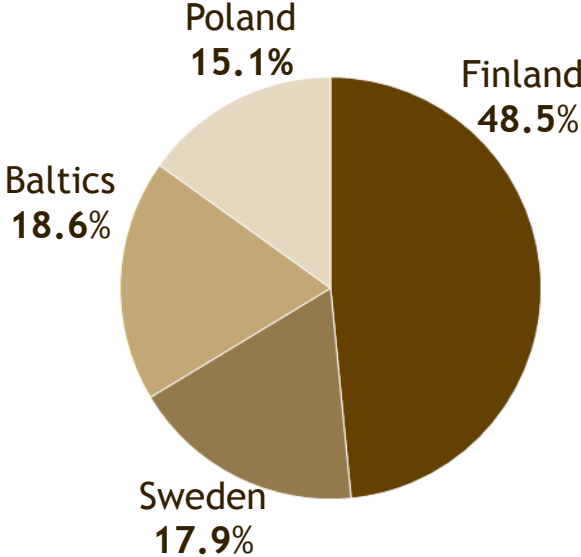
Q1-Q3/2009

Net sales EUR 1 567.2m



* shares calculated inclusive of internal sales

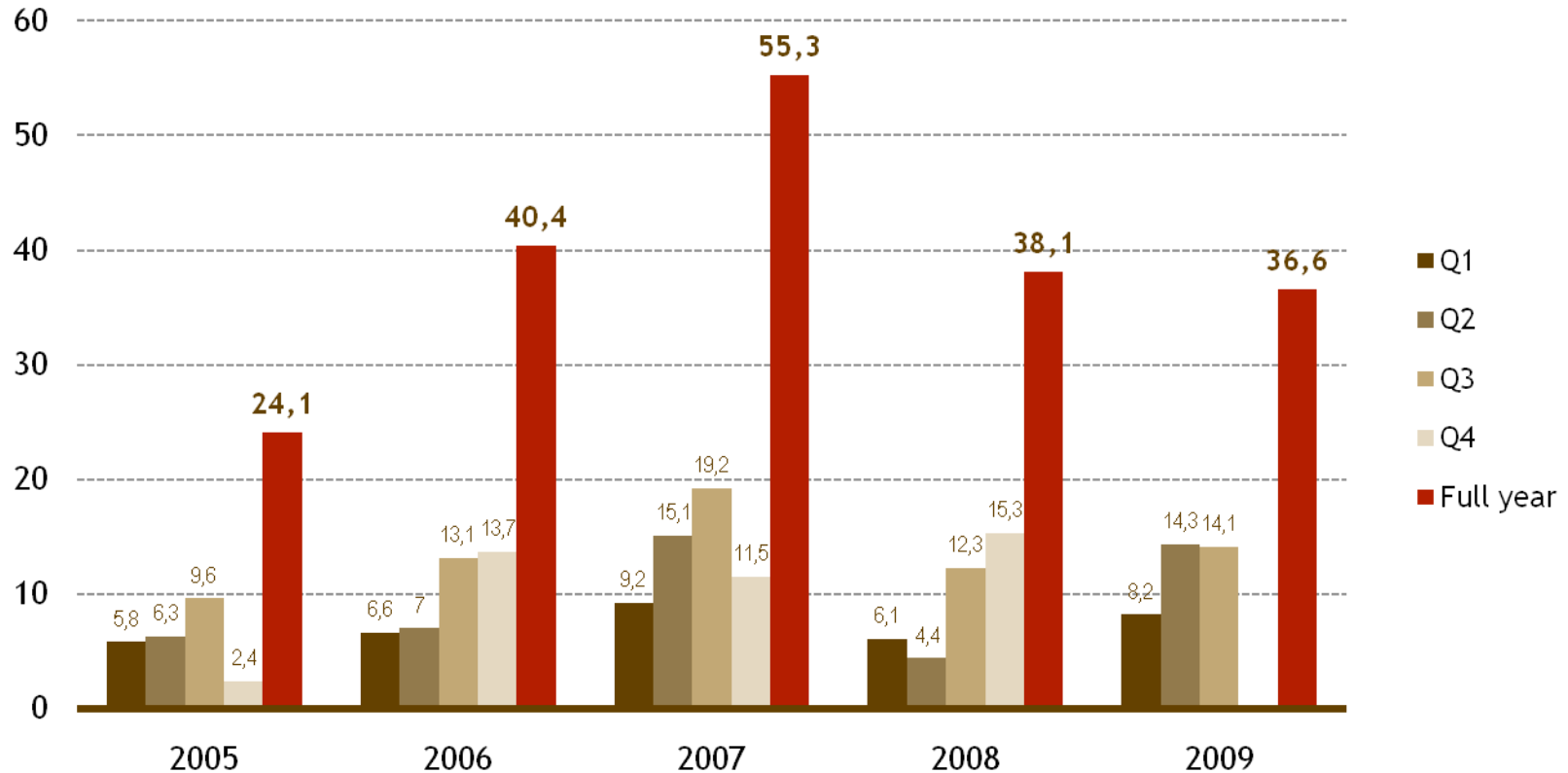
EBIT 36.6m



* shares calculated exclusive of Group administration costs

Quarterly EBIT* development

EUR mill.



* reported

Future outlook



The conditions of exceptional uncertainty arising from the global financial crisis continue to prevail. Consumer demand for food is nonetheless anticipated to remain unchanged in Finland and in Sweden, which provides the foundation for stable business development in the Group's main market areas. Signs of sharp fluctuations in demand are visible in the Group's other market areas as well as its export markets.

Based on business performance and the outlook in the near term, Group EBIT for the current year is estimated to clearly surpass that for 2008.

HKScan income statement

(EUR million)	Q3/ 2009	Q3/ 2008	Q1 -Q3/ 2009	Q1-Q3/ 2008	2008
NET SALES	533.5	600.4	1 567.2	1 702.3	2 294.6
Operating income and expenses	-504.0	-572.9	-1 488.2	-1 638.0	-2 203.1
Share of profit of associate	0.6	-0.2	0.8	0.6	0.6
Depreciation and impairment	-16.0	-15.0	-43.2	-42.1	-54.0
EBIT	14.1	12.3	36.6	22.8	38.1
- % of net sales	2.6	2.0	2.3	1.3	1.7
Financial income and expenses, net	-4.6	-7.6	-17.2	-20.6	-29.0
Exchange rate differences	0.8	0.2	1.1	-0.1	-1.1
Share of profit of associates	0.5	0.6	1.4	1.0	0.9
PROFIT / LOSS BEFORE TAXES	10.8	5.4	21.9	3.1	9.0
- % of net sales	2.0	0.9	1.4	0.2	0.4
Income taxes	-1.1	-2.2	-3.3	-3.5	-1.4
PROFIT / LOSS FOR THE PERIOD	9.8	3.2	18.7	-0.4	7.6

HKScan income statement

(EUR million)	Q3/ 2009	Q3 / 2008	Q1-Q3 / 2009	Q1 -Q3/ 2008	2008
OTHER COMPREHENSIVE INCOME					
Exchange differences on translating foreign operations	4.5	-2.8	0.9	0.9	-21.9
Available-for-sale investments	-0.0	-1.3	0.1	-1.0	-0.2
Cash flow hedging	0.0	-1.0	0.2	0.1	-2.0
TOTAL OTHER COMPREHENSIVE INCOME	4.5	-5.1	1.2	-0.0	-24.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14.2	-1.8	19.9	-0.5	-16.5
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	9.1	2.1	16.7	-2.1	4.7
Minority interests	0.7	1.1	2.0	1.7	2.9
Total	9.8	3.2	18.7	-0.4	7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	13.3	-2.5	17.6	-2.1	-19.0
Minority interests	0.9	0.7	2.2	1.6	2.5
Total	14.2	-1.8	19.9	-0.5	-16.5
EPS, EUR, undiluted/diluted	0.22	0.05	0.40	-0.05	0.12

Consolidated balance sheet

(EUR million)	30.9.2009	30.9.2008	31.12.2008
ASSETS			
Non-current assets			
Intangible assets	64.3	64.5	57.8
Goodwill	85.3	84.8	81.7
Property, plant and equipment	467.5	503.9	479.3
Holdings in associates	20.3	18.7	17.8
Trade and other receivables	21.6	14.1	17.4
Available-for-sale investments	10.6	11.0	9.9
Deferred tax assets	10.5	8.7	10.1
Total non-current assets	680.0	705.7	673.9
Current assets			
Inventories	135.1	151.9	128.3
Trade and other receivables	200.7	239.9	198.4
Income tax receivable	1.4	5.8	1.5
Other financial assets	2.2	3.4	2.2
Cash and cash equivalents	49.1	33.6	92.2
Total current assets	388.4	434.6	422.6
TOTAL ASSETS	1 068.4	1 140.3	1 096.5

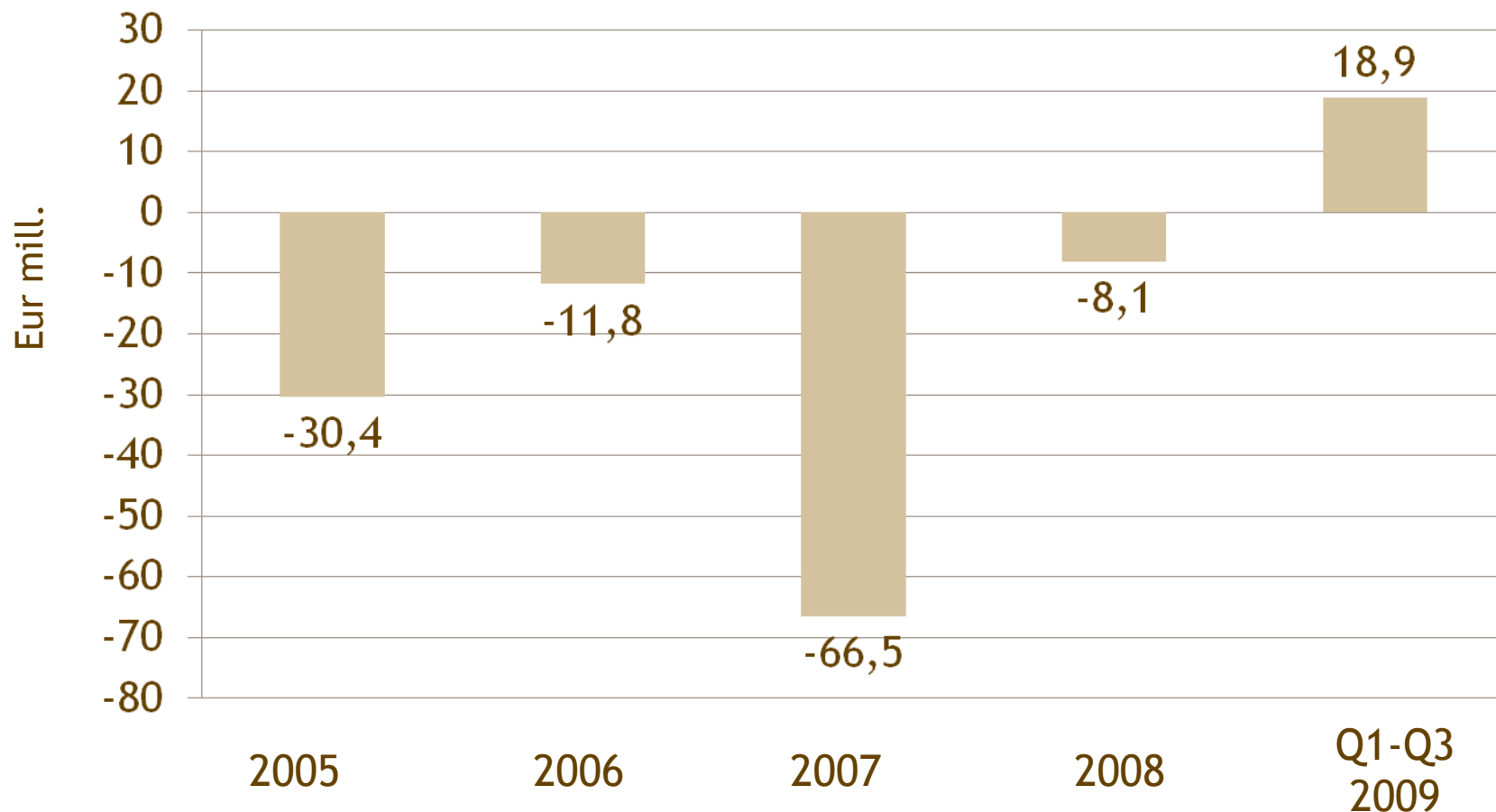
Consolidated balance sheet

(EUR million)	30.9.2009	30.9.2008	2008
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	325.6	336.6	318.2
Minority interest	6.2	5.2	5.4
Total equity	331.8	341.8	323.7
Deferred tax liability	33.5	35.6	33.6
Non-current interest-bearing liabilities	425.0	426.9	442.1
Non-current non-interest bearing liabilities	4.5	6.1	7.9
Pension obligations	3.5	3.0	3.7
Non-current provisions	3.5	0.4	1.4
Non-current liabilities	470.0	472.0	488.7
Current interest-bearing liabilities	58.6	114.1	82.4
Trade and other payables	204.8	210.9	199.4
Income tax liability	0.4	0.1	0.5
Current provisions	2.7	1.4	1.9
Current liabilities	266.5	326.6	284.2
EQUITY AND LIABILITIES	1 068.4	1 140.3	1 096.5

Cash flow statement

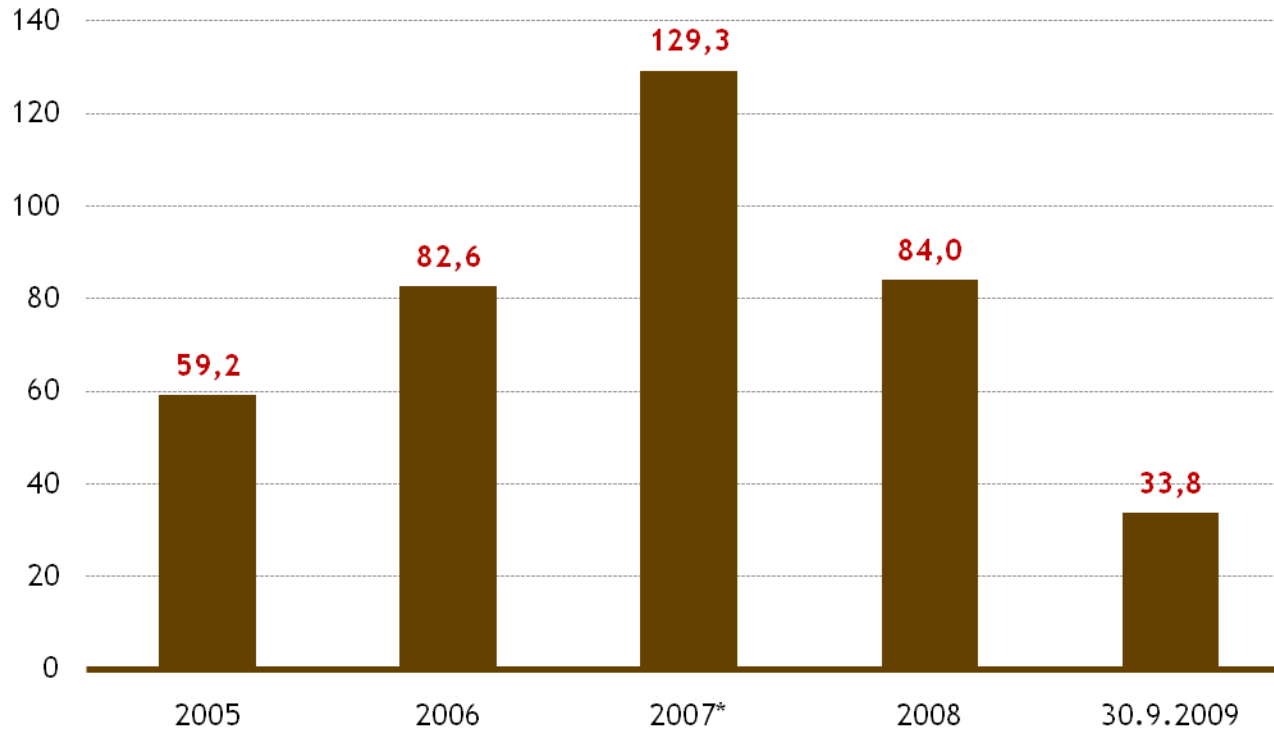
(EUR million)	1-9 /2009	1-9 /2008	2008
Operating activities			
EBIT and depreciation (incl. adjustment items)	81.6	60.5	92.2
Change in net working capital	-11.5	-31.2	1.3
Financial income and expenses	-16.1	-20.6	-29.9
Taxes	-3.3	-3.5	-1.4
Net cash flow from operating activities	50.7	5.2	62.2
Investing activities			
Gross investments in fixed assets	-32.7	-68.8	-84.1
Disposals of fixed assets	1.7	8.6	12.0
Investments in subsidiary	-0.9	0.0	0.0
Loans granted and repaid	0.3	1.6	1.8
Net cash flow from investing activities	-31.8	-58.6	-70.3
Cash flow before financing activities	18.9	-53.4	-8.1
Financing activities			
Payments received on hybrid bond	0.0	20.0	20.0
Borrowings raised and repaid	-52.2	25.2	43.8
Interest on hybrid bond	-1.3	0.0	0.0
Dividends paid	-9.4	-10.6	-10.6
Purchase of treasury shares	0.0	-0.1	-0.1
Net cash flow from financing activities	-62.9	34.4	53.0
Change in cash and cash equivalents	-44.0	-19.0	44.9

Cash flows after capital expenditure 2005-2009



Capital expenditure

Eur mill.



* Exclusive of enterprise value on Scan AB acquisition

Financial highlights

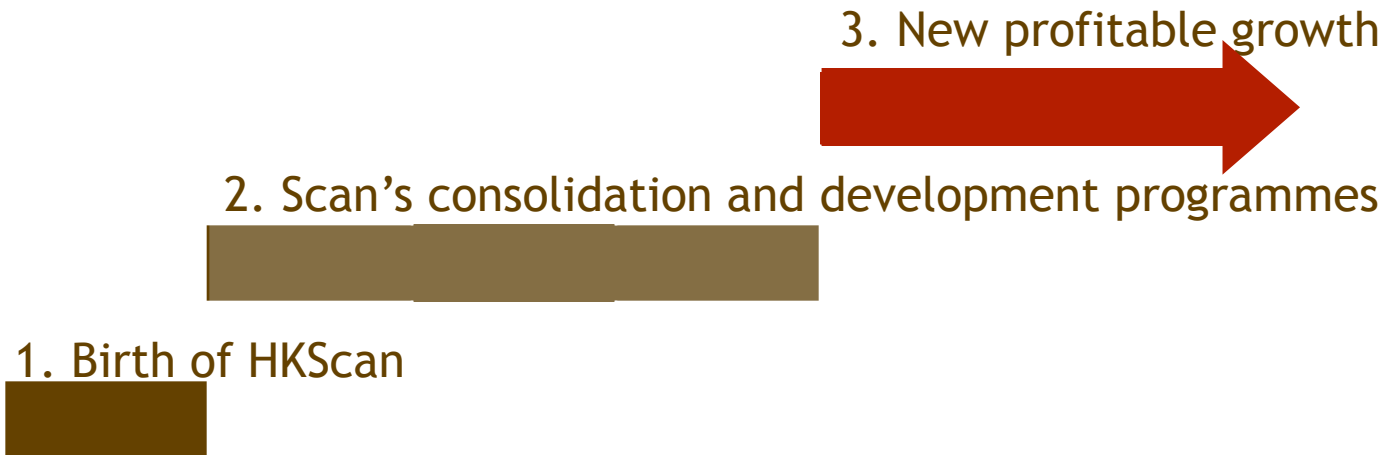
	30.9.2009	30.9.2008	2008
Earnings/share (EPS), diluted, EUR	0.40	-0.05	0.12
Equity / share, 30.9., EUR ^{*)}	8.29	8.57	8.10
Dividend per share			0.24
Equity ratio, %	31.1	30.0	29.5
Average no. of shares, mill.	39.3	39.3	39.3
Production-related investment, EUR mill.	33.8	70.6	84.0
Average no. of employees	7 301	7 526	7 421
^{*)} Exclusive of minority interest in equity			

Financial targets and their achievement

2005 - Q3/2009

	Target	Achievement				
		Q1-Q3/ 2009	2008	2007	2006	2005
EBIT	over 5% of net sales	2.3	1.7	2.6	4.3	2.7
Return on equity	over 15%	5.6	2.3	9.2	11.9	7.7
Equity ratio	over 40%	31.1	29.5	29.3	43.7	44.7
Dividend distribution	at least 30% of net earnings	-	199.3	37.7	34.2	58.2

HKScan's development



2006

2007

2008

2009

2010

2011

2012

Industrial restructuring in Finland

Economic recession

