



HKScan Group
Interim Report Q1-Q3/2013
Group overview

Hannu Kottonen, CEO

Investor and media briefing 6 November 2013



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mEUR				Q1-			
	Q3/2013	Q3/2012 *)	Change	Q3/2013	Q3/2012 *)	Change	2012 *)
Net sales	623,5	612,2	1,9 %	1 838,0	1 840,7	-0,1 %	2 503,1
EBIT	10,5	15,4	-31,8 %	15,3	21,2	-27,8 %	43,1
- EBIT %	1,7	2,5		0,8	1,1		1,7
Profit/loss before taxes	5,9	7,3	-19,8 %	1,1	-1,2	192,1 %	14,3
EPS, EUR	0,12	0,11	10,4 %	0,06	0,03	87,3 %	0,30
EBIT excl. non-recurring items	11,0	15,4	-28,9 %	18,8	21,2	-11,0 %	36,7
- EBIT %	1,8	2,5		1,0	1,1		1,5

*) Restated

- Positive development in the Baltics, Sweden and Poland did not compensate the declined sales margins in Finland and Denmark.
- Extraordinary actions taken to decrease excess frozen stock hit the margins in the market areas (except in Poland and the Baltics)
- Group's EPS ahead of prior year as net financial expenses kept decreasing
- New development programme for the year 2014 started

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(cont.)

- Group Marketing function founded to enhance long-term group-level brand management and offering development
- Product innovation exchange between the home markets is to be increased further
- Demand in both consumer and away-from-home businesses remained at a lower level compared to the previous year
- Tough price competition in all markets
- Consumers' purchasing behaviour continued shifting towards lower priced products
- Increase in animal purchasing prices stopped or turned to a decrease as grain and feed costs declined

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Market Area Finland



EUR million	Q3/2013	Q3/2012 *)	Change	Q1- Q3/2013	Q1- Q3/2012 *)	Change	2012 *)
Net sales	200,4	198,5	1,0 %	593,9	594,6	-0,1 %	813,8
EBIT	2,0	5,6	-63,6 %	1,2	11,0	-88,8 %	18,4
- EBIT %	1,0	2,8		0,2	1,9		2,3
EBIT excl. non-recurring items	2,5	5,6	-55,5 %	4,8	11,0	-56,4 %	18,4
- EBIT %	1,2	2,8		0,8	1,9		2,3

*) Restated

- Lower volumes and sales prices of seasonal products
- Tough price competition in both domestic and export markets
- Systematic actions to decrease the stock
- Production rationalisation and efficiency improvement continued
- Finnish organisation's, roles and responsibilities updated and streamlined
- New range of organic products launched
- Renewed HK-brand web site opened with a "Meat School" for consumers
- The 100 years anniversary activities

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New products in Finland



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Market Area Baltics



EUR million	Q3/2013	Q3/2012	Change	Q1- Q3/2013	Q1- Q3/2012	Change	2012
Net sales	44,7	44,3	1,1 %	130,4	131,6	-0,9 %	176,7
EBIT	4,2	3,6	18,1 %	6,3	7,4	-15,3 %	8,9
- EBIT %	9,5	8,1		4,8	5,7		5,1

- Clear recovery compared to H1/2013; excellent EBIT margin
- New product launches and sales of branded products succeeding well
- Overall demand and sales price level normalised after a weaker H1/2013
- Decreased primary production costs contributed to good profit development
- Baltic poultry production centralised at the renovated Tabasalu facility, Estonia
- “Estonian pig“ web site on Rakvere’s pork production awarded in the Estonian Design Awards 2013 competition

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New products in Baltics



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Award winning website on pork production "Estonian Pig"



LIHAKOOL RETSEPTID TOOTED KAMPAANIAD ETTEVÖTTEST

EESTI SIGA

Siga on Eesti rahva elus alati olemas olnud:
jooksnud taluõuedes, põõnanud sulunurgas ja katnud laua.

Otsi MÄRKI!

Kvaliteedimärk Eesti Siga
näitab, et Rakvere Lihakombinaadi tooted on
valmistatud heast ja kvaliteetsest Eestis
kasvatatud sigade lihast.

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Market Area Sweden



EUR million	Q3/2013	Q3/2012 *)	Change	Q1- Q3/2013	Q1- Q3/2012 *)	Change	2012 *)
Net sales	238,8	245,0	-2,5 %	709,5	751,3	-5,6 %	1 025,7
EBIT	5,2	3,6	43,0 %	4,6	-5,2	188,5 %	-5,9
- EBIT %	2,2	1,5		0,6	-0,7		-0,6
EBIT excl. non-recurring items	5,2	3,6	43,0 %	4,6	-5,2	188,5 %	1,5
- EBIT %	2,2	1,5		0,6	-0,7		0,1

*) Restated

- Decrease in net sales due to discontinuing non-profitable sales and lower volumes
- Positive profit development; cost saving and production efficiency improvement actions. Also sales price changes vs. prior year.
- Branded products and fresh chicken products performed and gained foothold on the market. Share of new launches still relatively low of the total business volume.
- Impact of decreasing Swedish primary production:
 - Intensified competition of domestic meat raw material, high price levels
 - Import pressure in beef and pork
- Private label taking more market share
- Climate initiatives moving forward

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New products in Sweden



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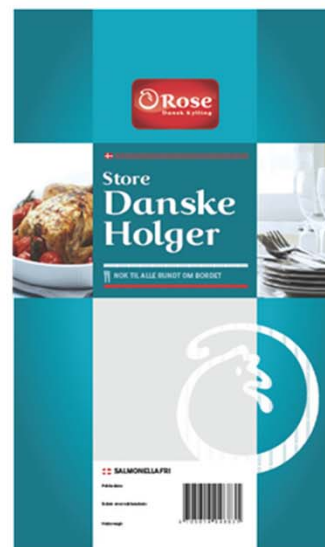
Market Area Denmark

EUR million	Q3/2013	Q3/2012	Change	Q1- Q3/2013	Q1- Q3/2012	Change	2012
Net sales	56,7	51,6	9,8 %	173,4	160,8	7,9 %	211,7
EBIT	-1,4	0,9	-254,4 %	-1,5	2,6	-157,9 %	15,4
- EBIT %	-2,5	1,8		-0,9	1,6		7,3
EBIT excl. non-recurring items	-1,4	0,9	-254,4 %	-1,5	2,6	-157,9 %	1,5
- EBIT %	-2,5	1,8		-0,9	1,6		0,7

- Sales volume higher in Q3/2013 vs. Q3/2012 when Vinderup fire interrupted sales
 - Operations and rebuilt production lines now in full use
 - Post-fire operational efficiency still behind the plan
 - Fire insurance case still in progress
- Domestic and export price competition tough; especially in frozen poultry products
- Extraordinary sales of the excess frozen stock, negative impact on sales margins
- Good sales of fresh chicken in Sweden
- Poultry sourcing on a slightly positive trend, but purchase prices still higher than in other continental Europe
- Operational efficiency improvement actions and related investments will continue

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New products in Denmark



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Market Area Poland



EUR million *)	Q3/2013	Q3/2012	Change	Q1- Q3/2013	Q1- Q3/2012	Change	2012
Net sales	99,2	88,7	11,8 %	280,7	256,0	9,7 %	343,7
EBIT	3,3	3,6	-7,7 %	14,5	11,5	25,8 %	15,8
- EBIT %	3,3	4,0		5,2	4,5		4,6

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

- Strong sales growth. Pork meat raw material prices rose. Fierce price competition.
- Sales of processed and barbecue products increased thanks to expanded product range. High recognition of the Sokolów brand contributed also to the positive development.
- Sokolów's slaughtering volumes grew and enabled bigger export volumes
- Exports of processed products increased
- New product line using "Mylar Cook" technology for convenience food launched by Sokolów
- Sokolów products awarded with gold medals for up-to-date, innovative and highest technology products at the International Polagra Fair in Poznań

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New products in Poland



SOKOŁÓW

**WIĘCEJ ENERGII
NA KAŻDY DZIEŃ**

ORLIKI
klasyczne

ORLIKI
serowe

ORLIKI
peperoni

ORLIKI
klasyczne

WIEM, ŻE DOBRZE JEM
M. Gortat



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Sokolów awards



SOKOŁÓW

4 Złote Medale

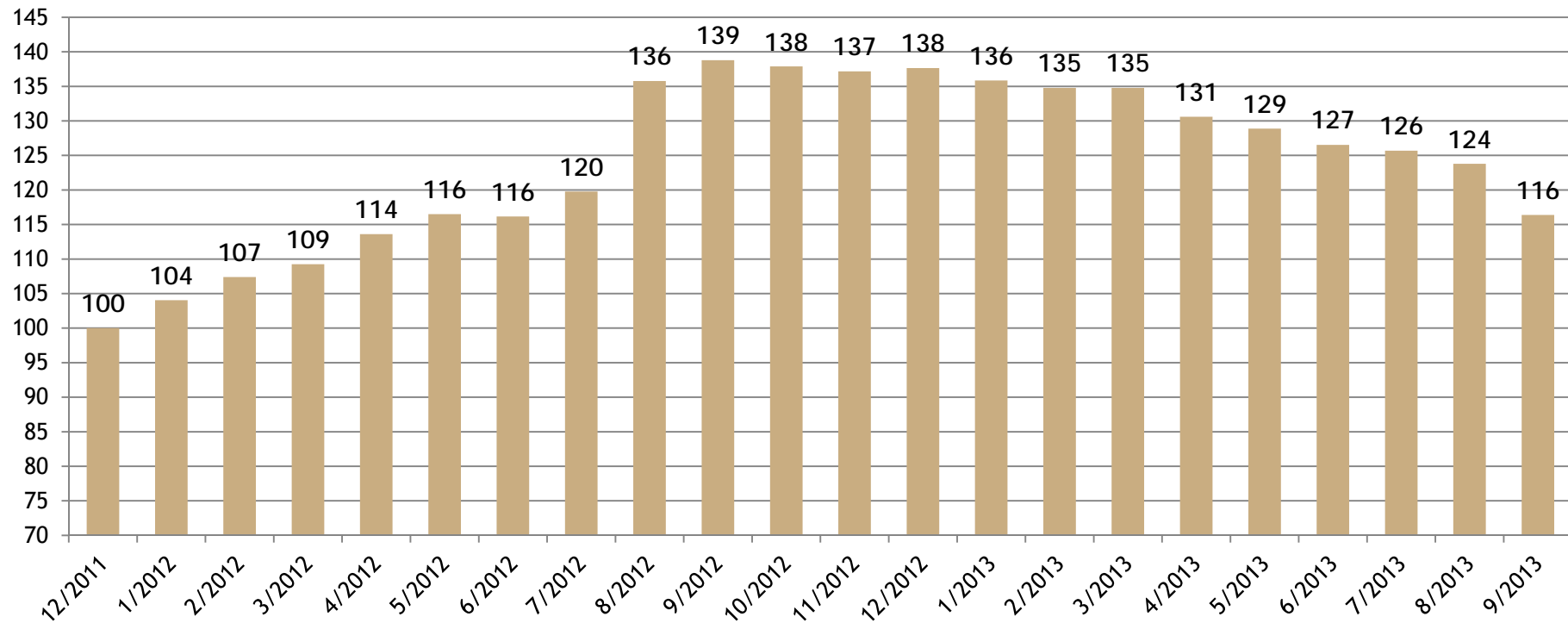
Polagra-Food 2013



pawilon 5A
stoisko 21

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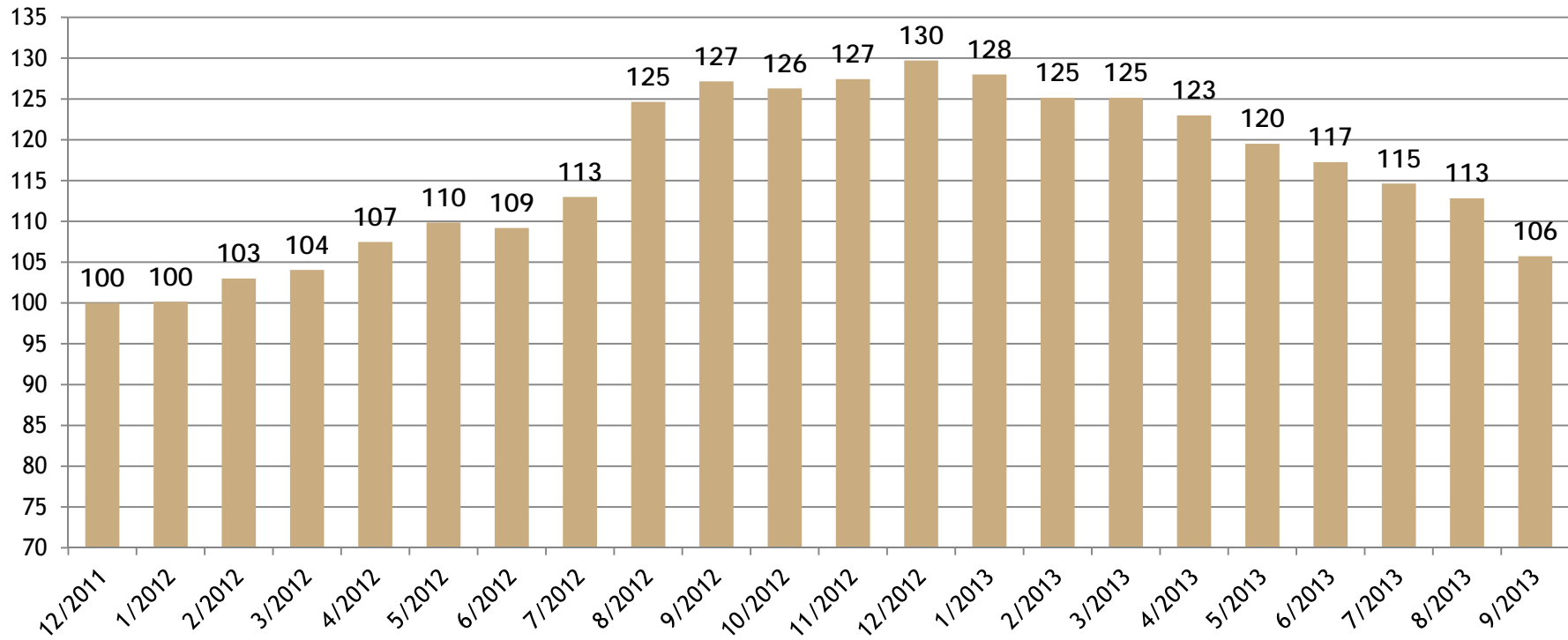
Feed Basket - Poultry



Source: HKScan

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Feed Basket - Pork



Source: HKScan

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Interim Report Q1-Q3/2013
Financials

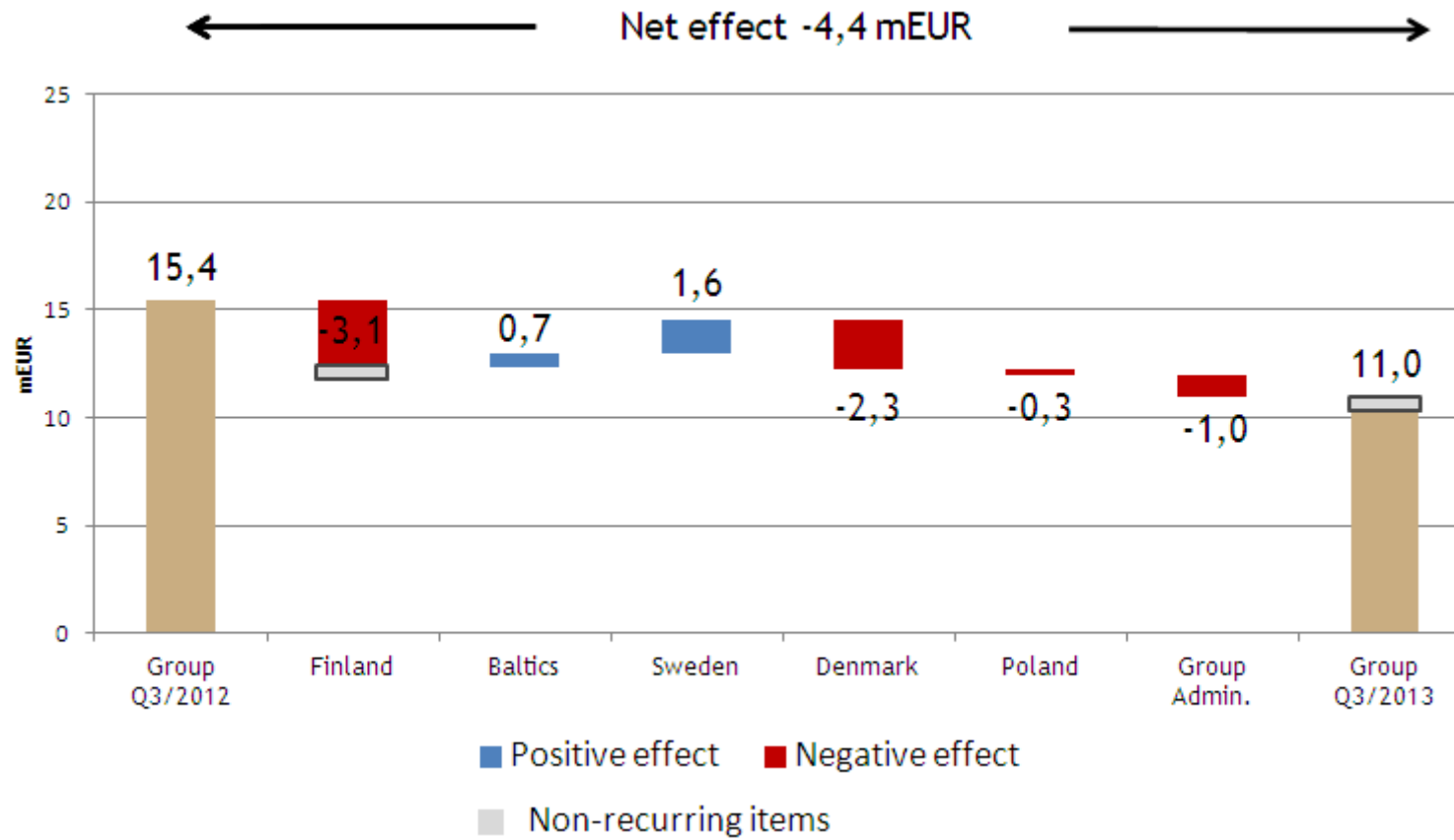
Tuomo Valkonen, CFO

Investor and media briefing 6 November 2013



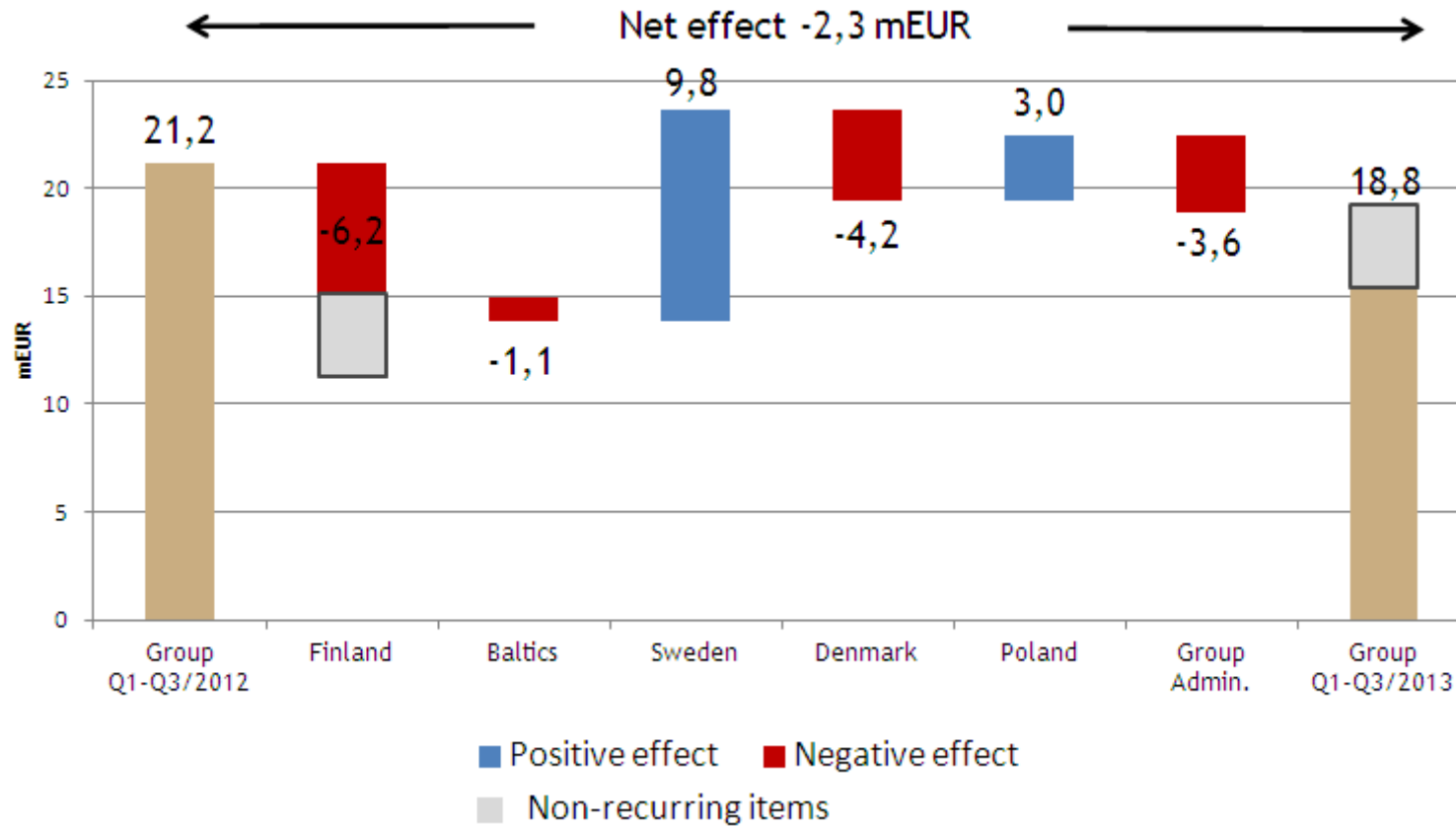
Group EBIT

Q3/2012 vs. Q3/2013



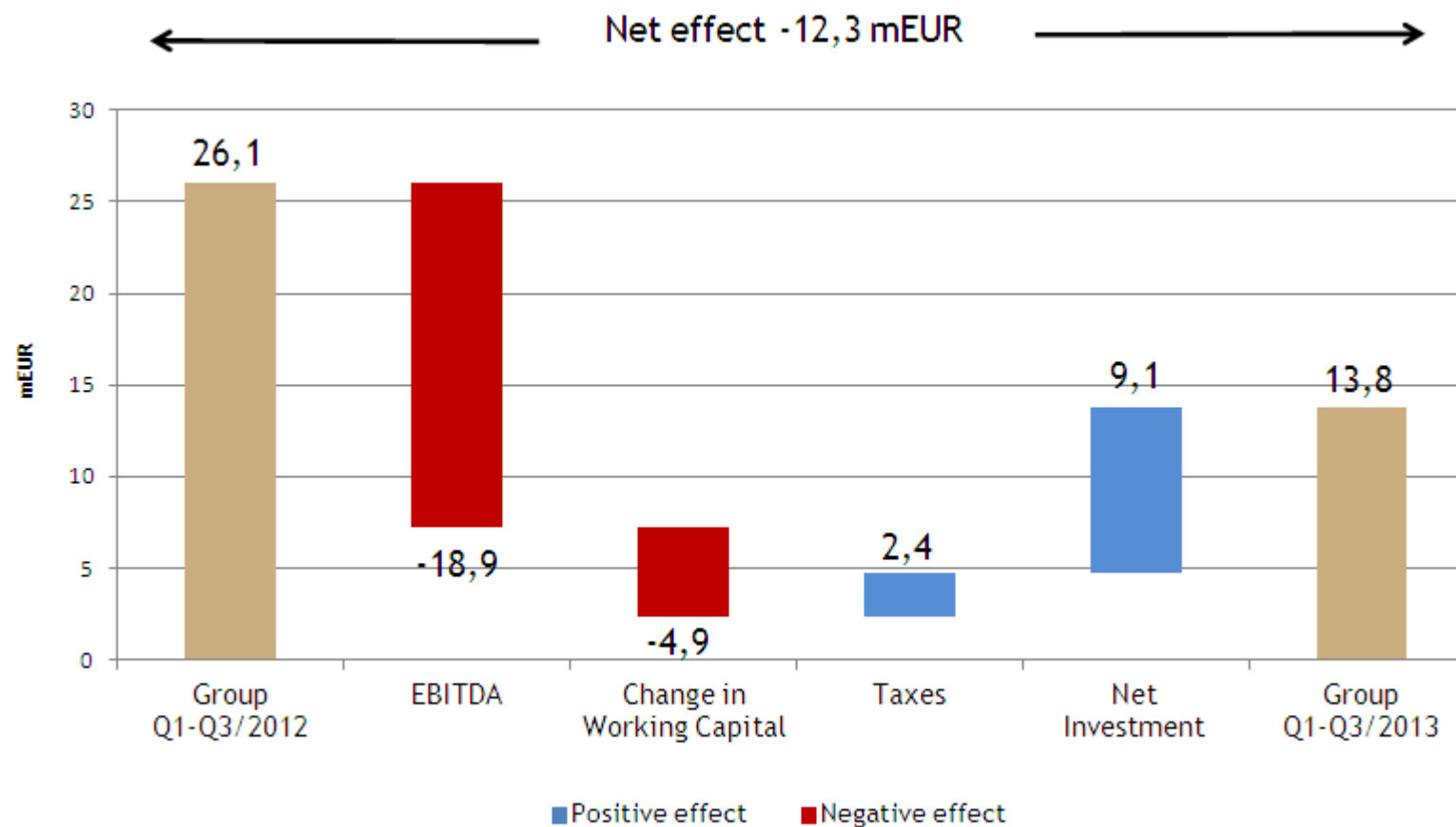
Group EBIT

Q1-Q3/2012 vs. Q1-Q3/2013



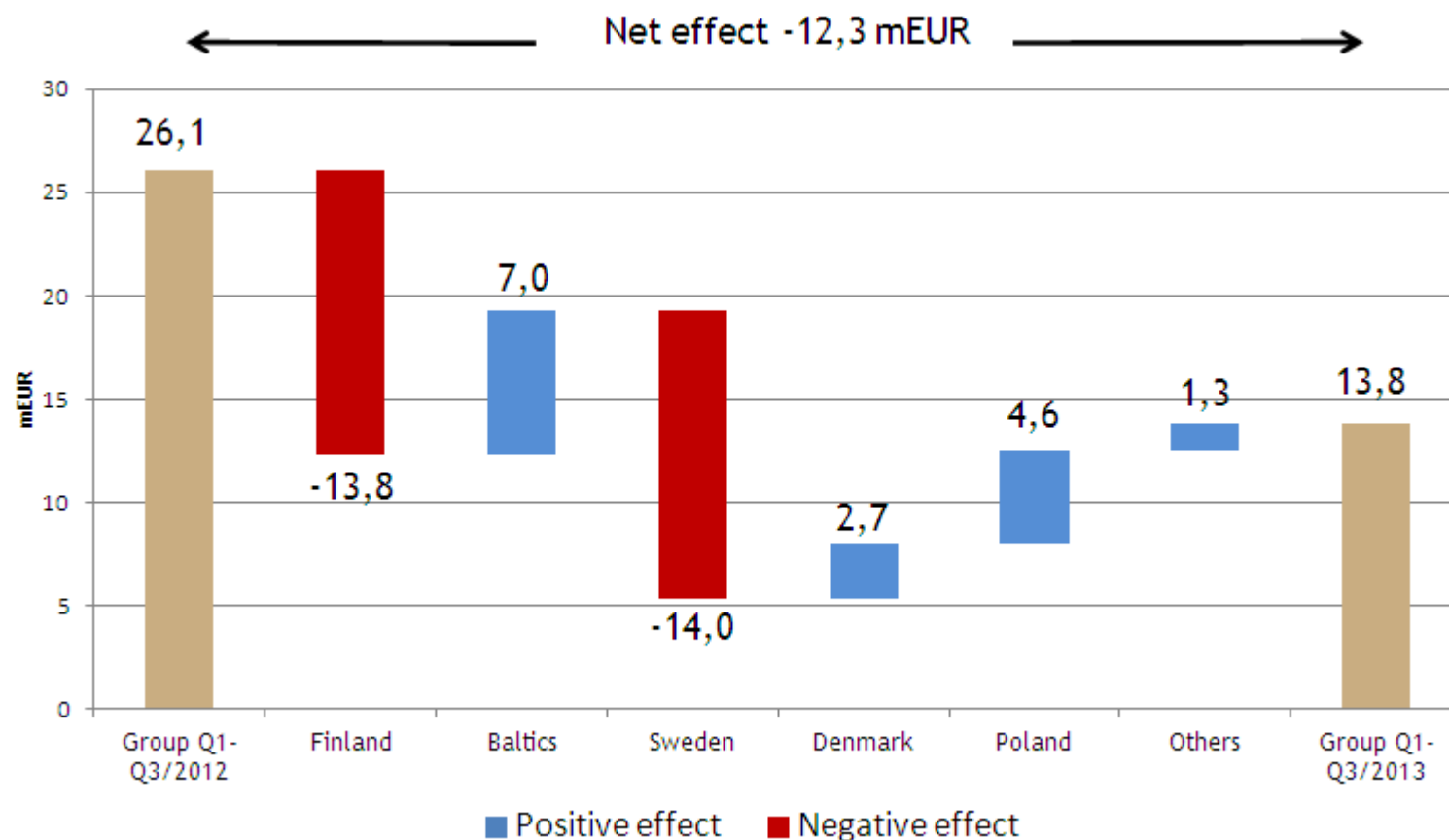
Group Cash Flow before Debt Service

Q1-Q3/2012 vs. Q1-Q3/2013



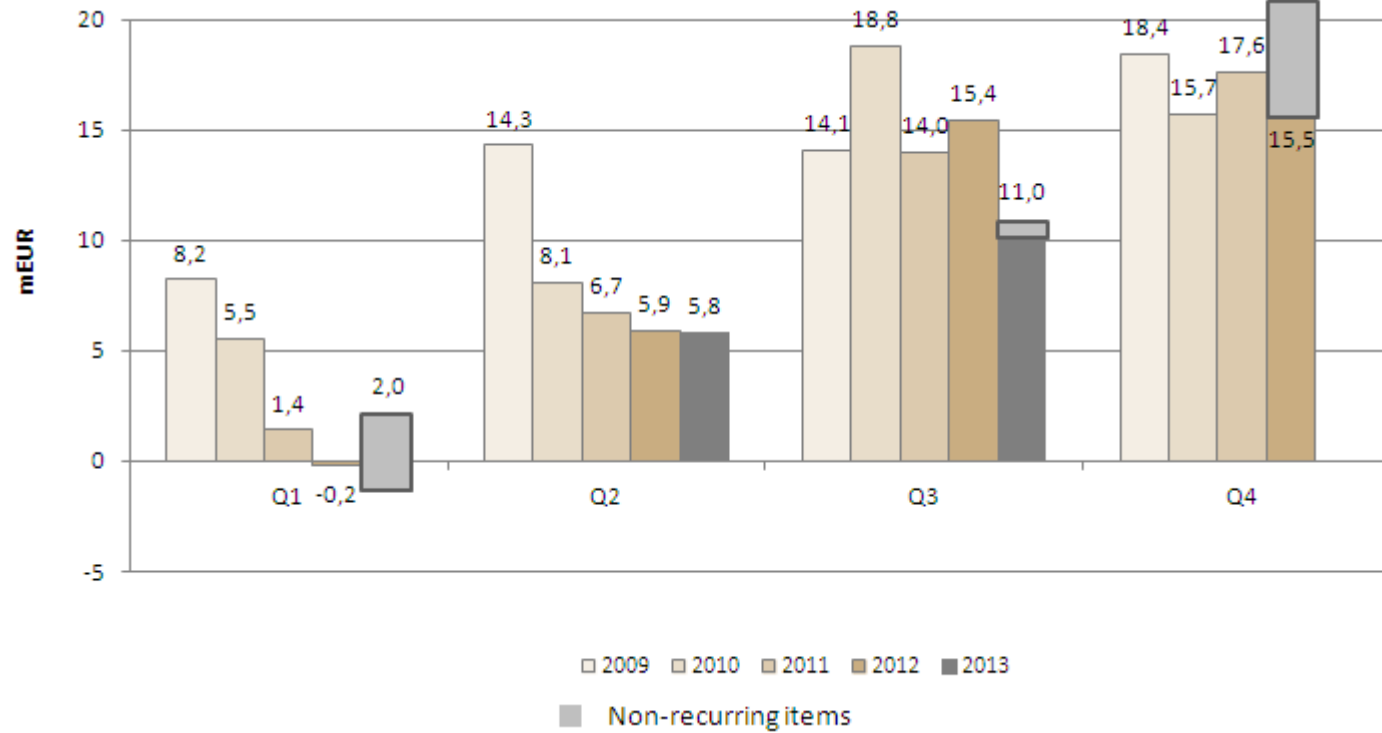
Group Cash Flow before Debt Service

Q1-Q3/2012 vs. Q1-Q3/2013

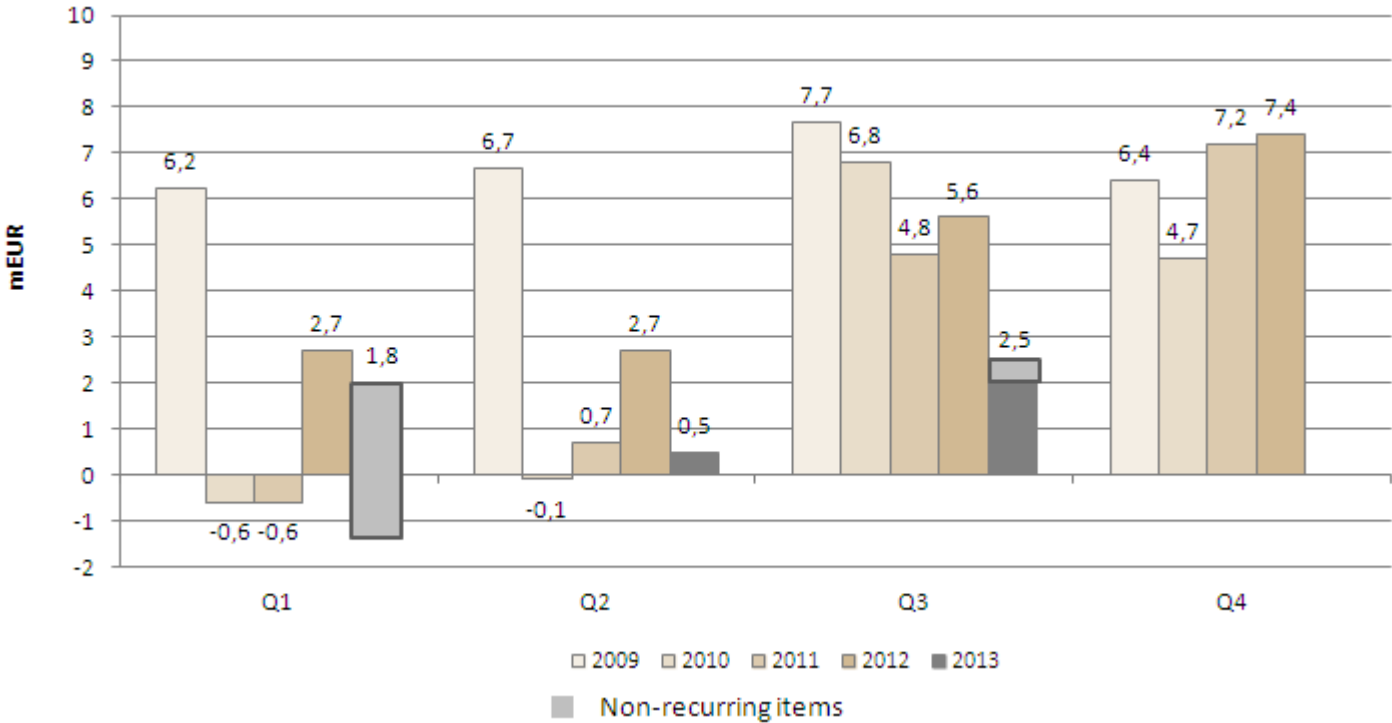


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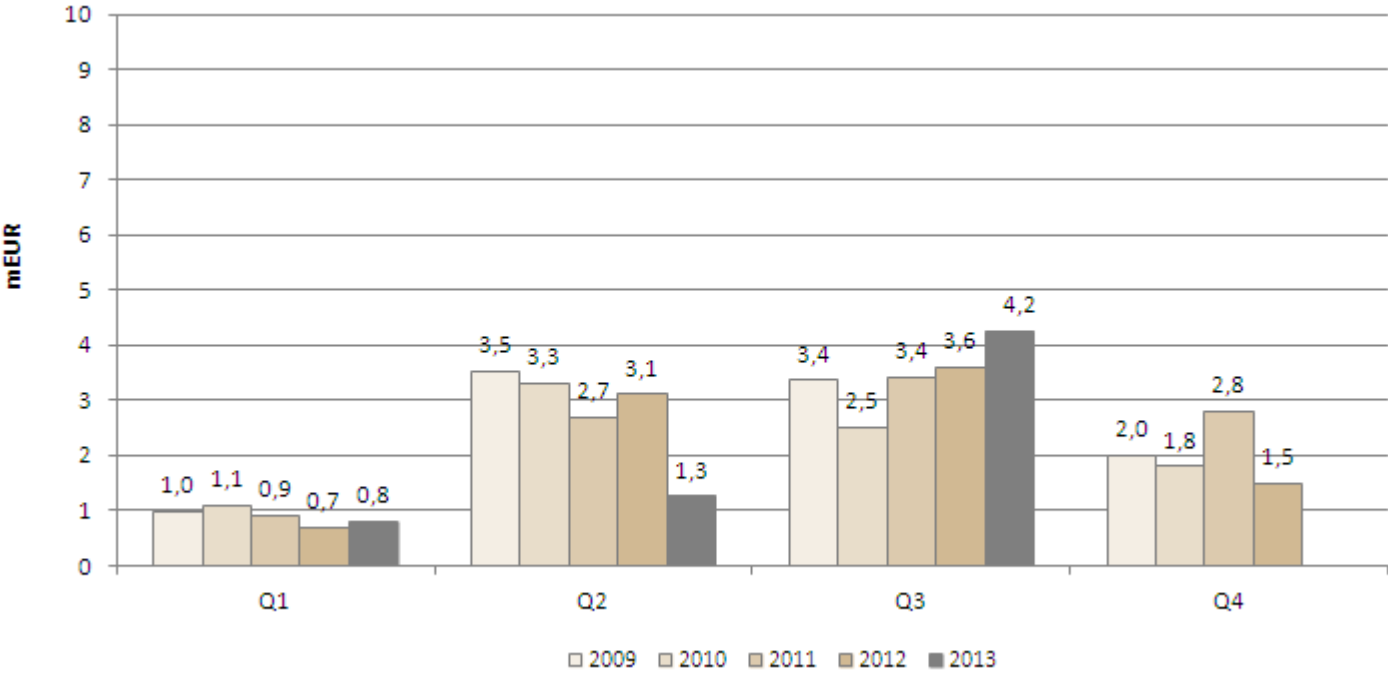
Group EBIT



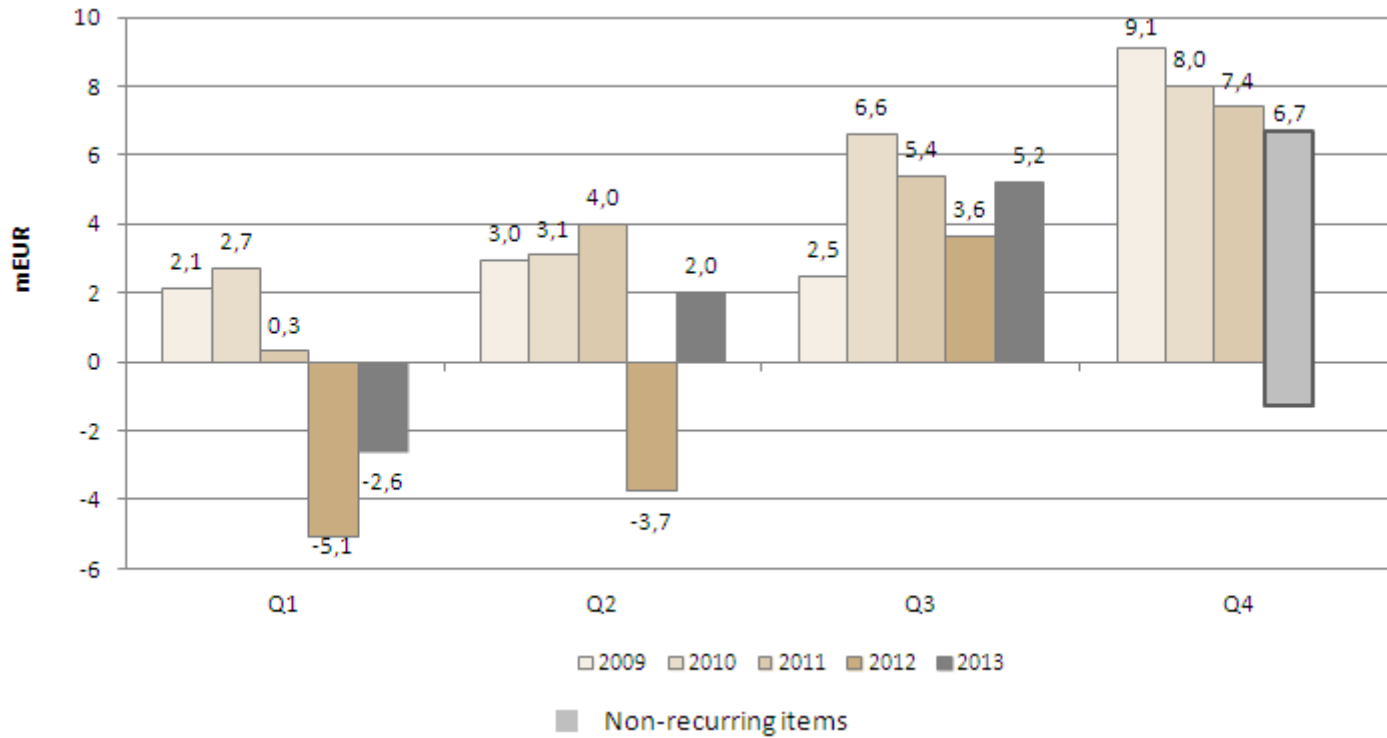
Finland EBIT



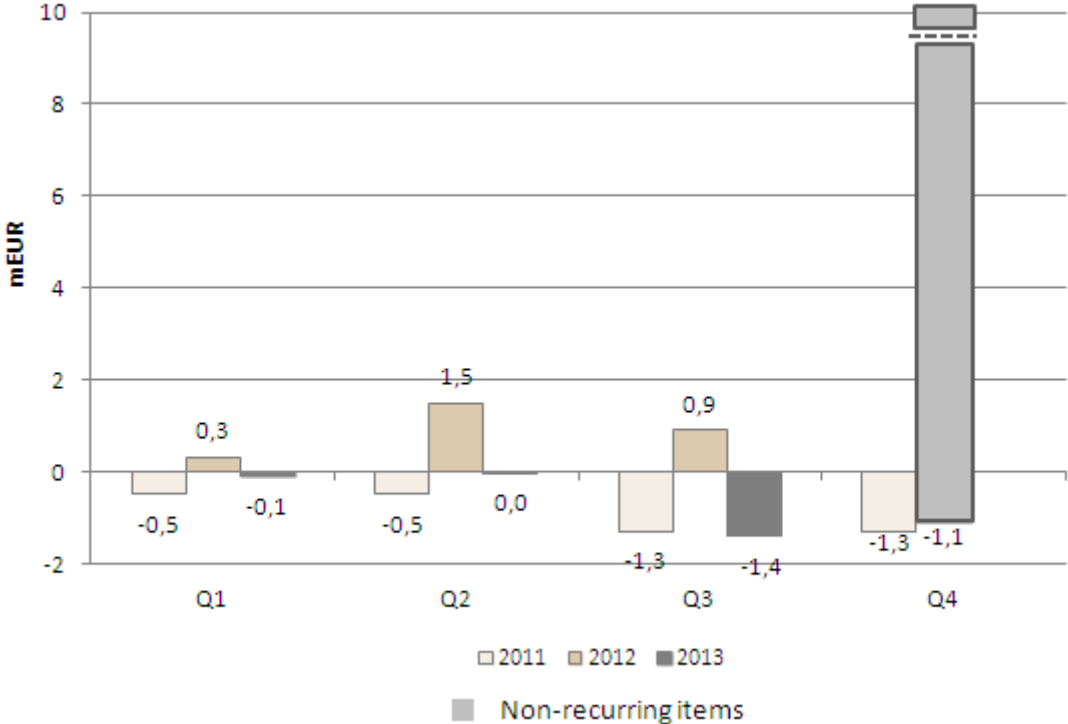
Baltics EBIT



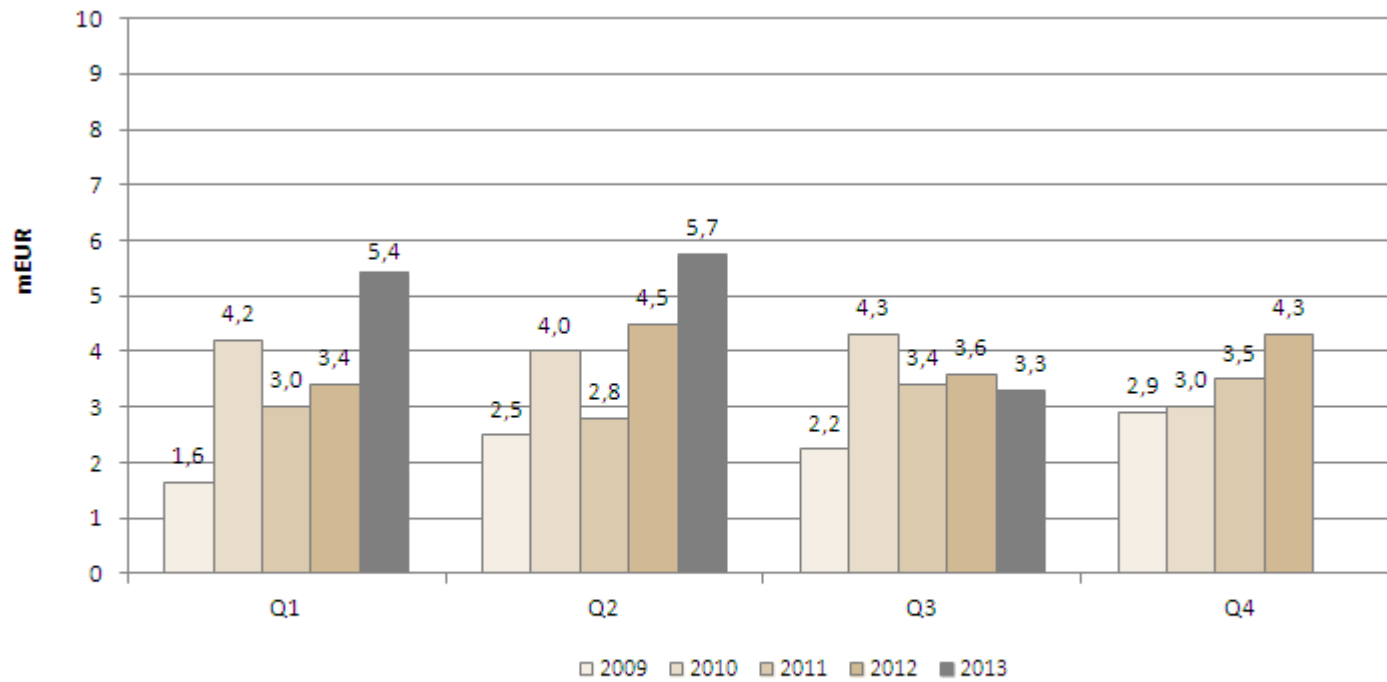
Sweden EBIT



Denmark EBIT

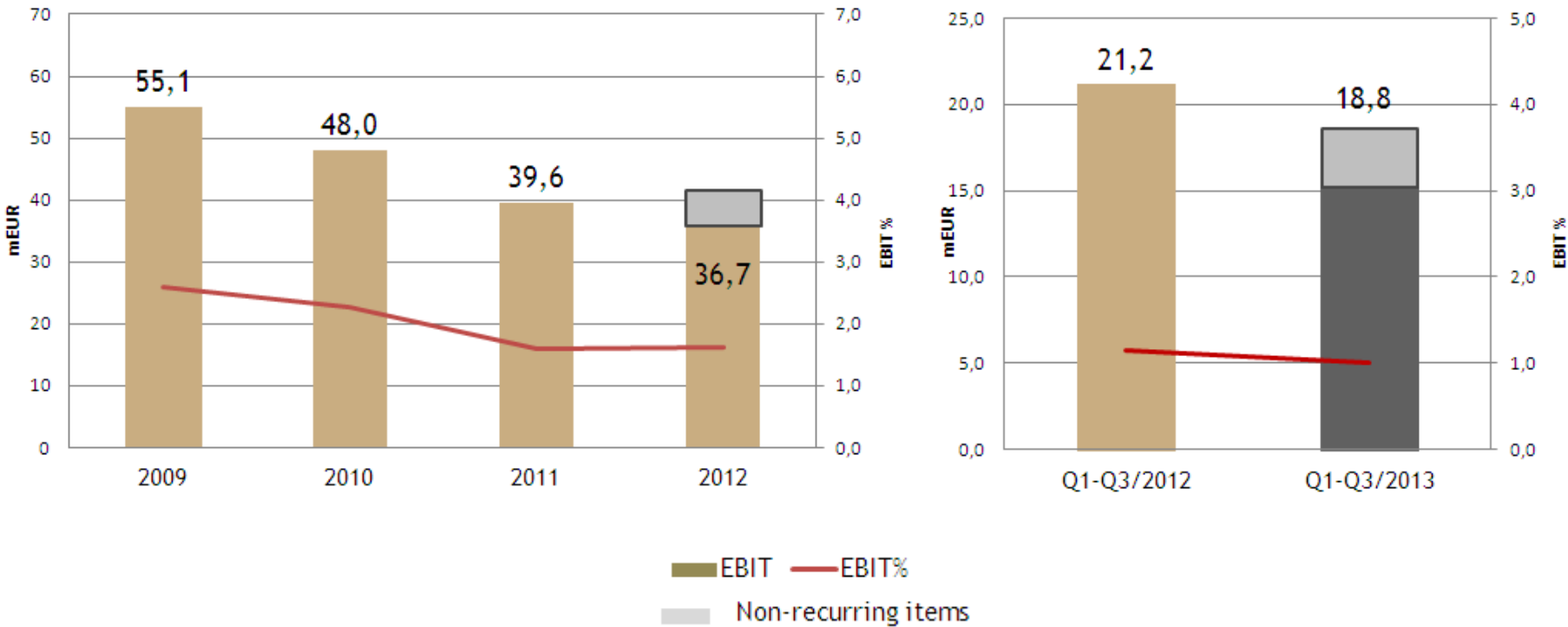


Poland EBIT *)

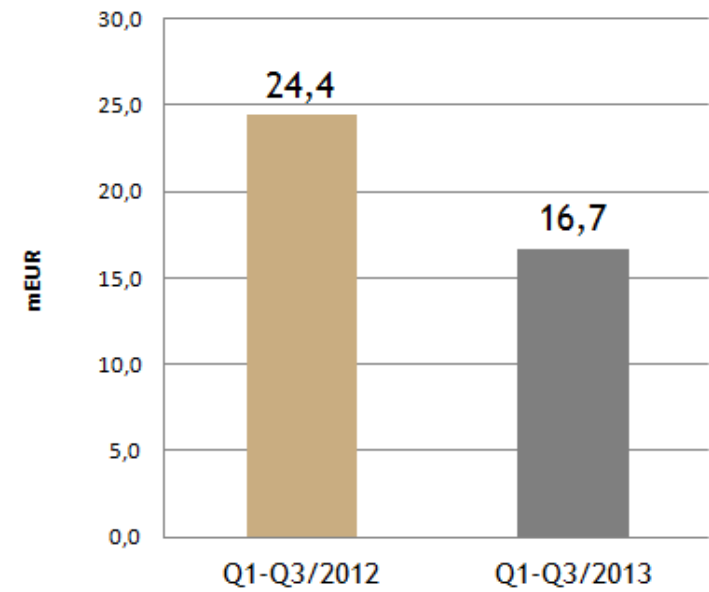
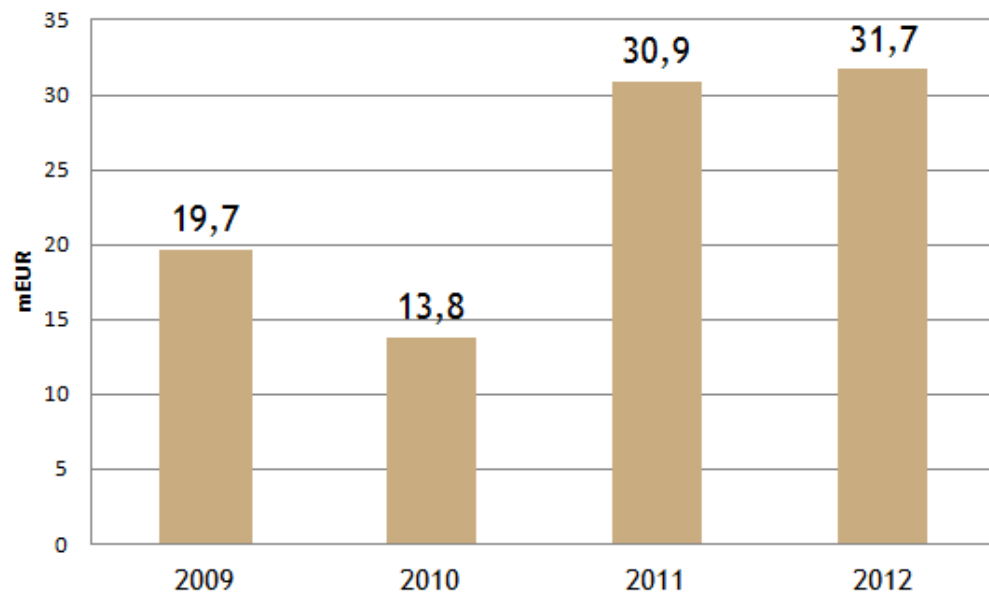


*) Represents HKScan's 50% share of Sokolów.

Group EBIT Development

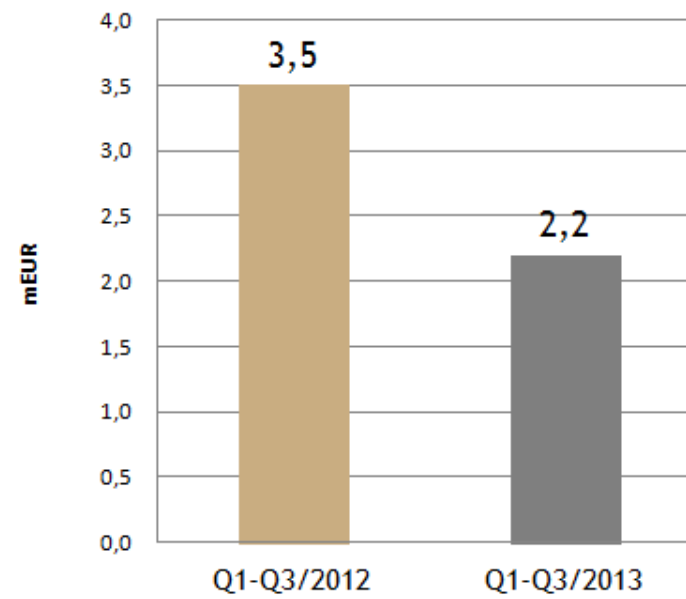
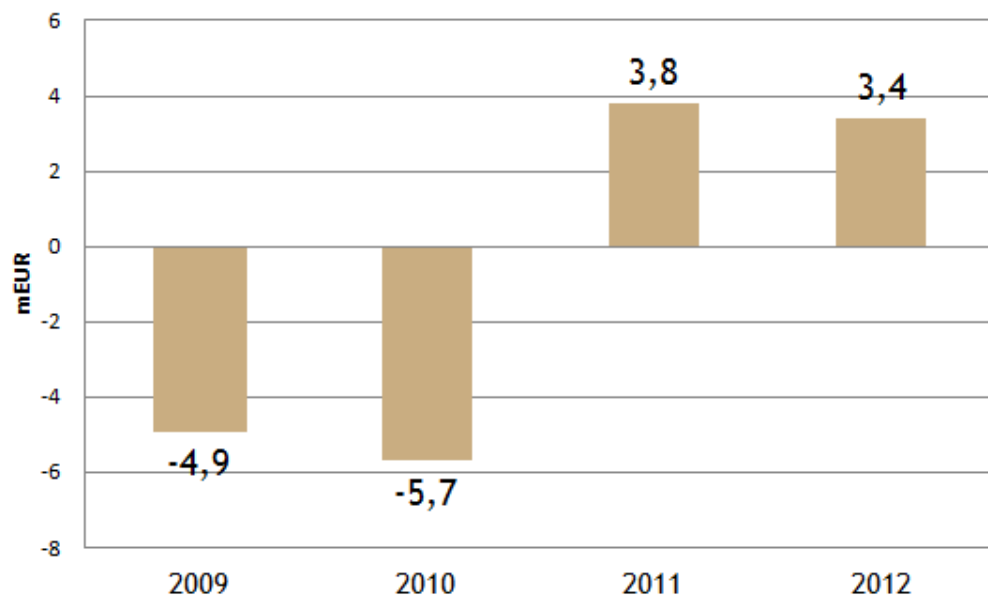


Group Net Financial Expenses

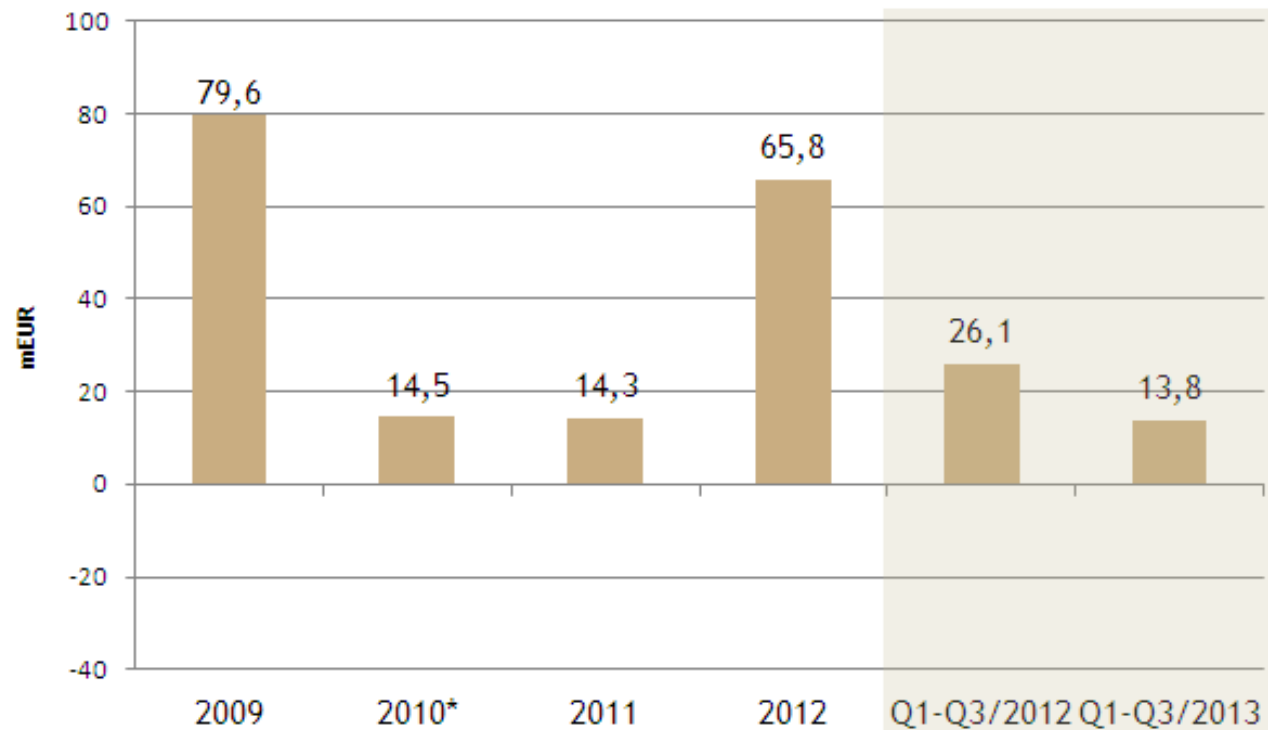


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Group Income Tax

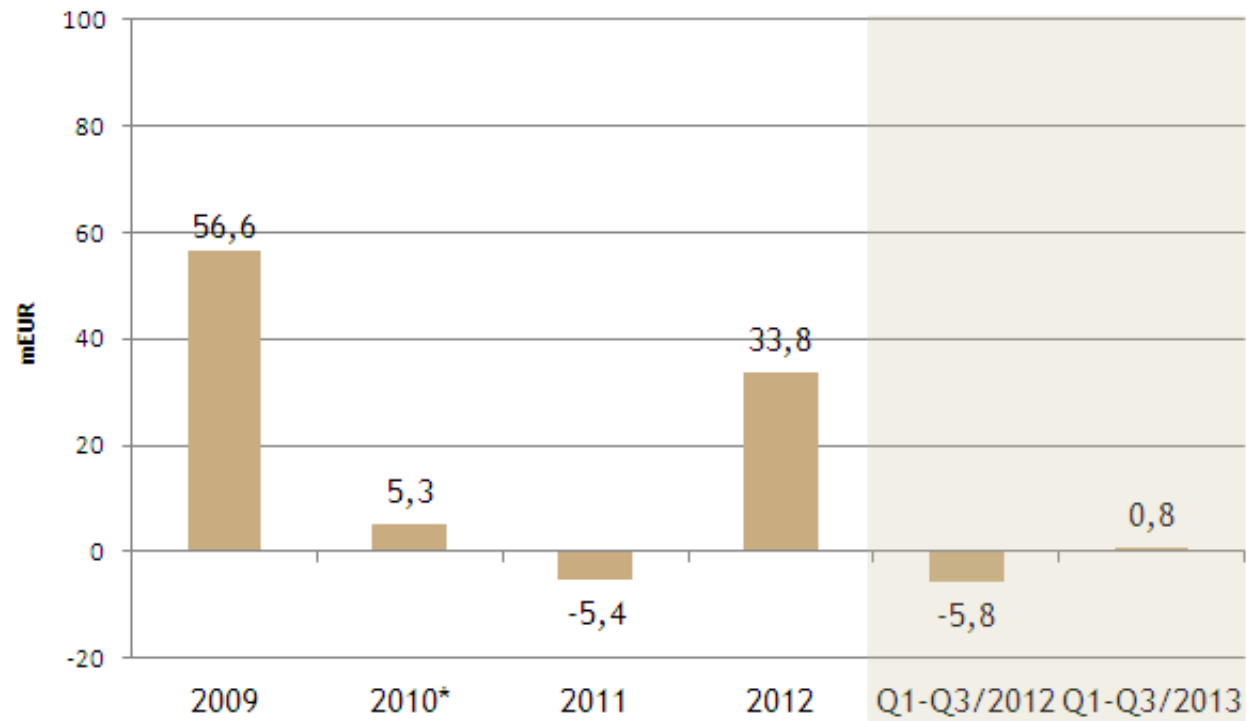


Group Cash Flow before Debt Service



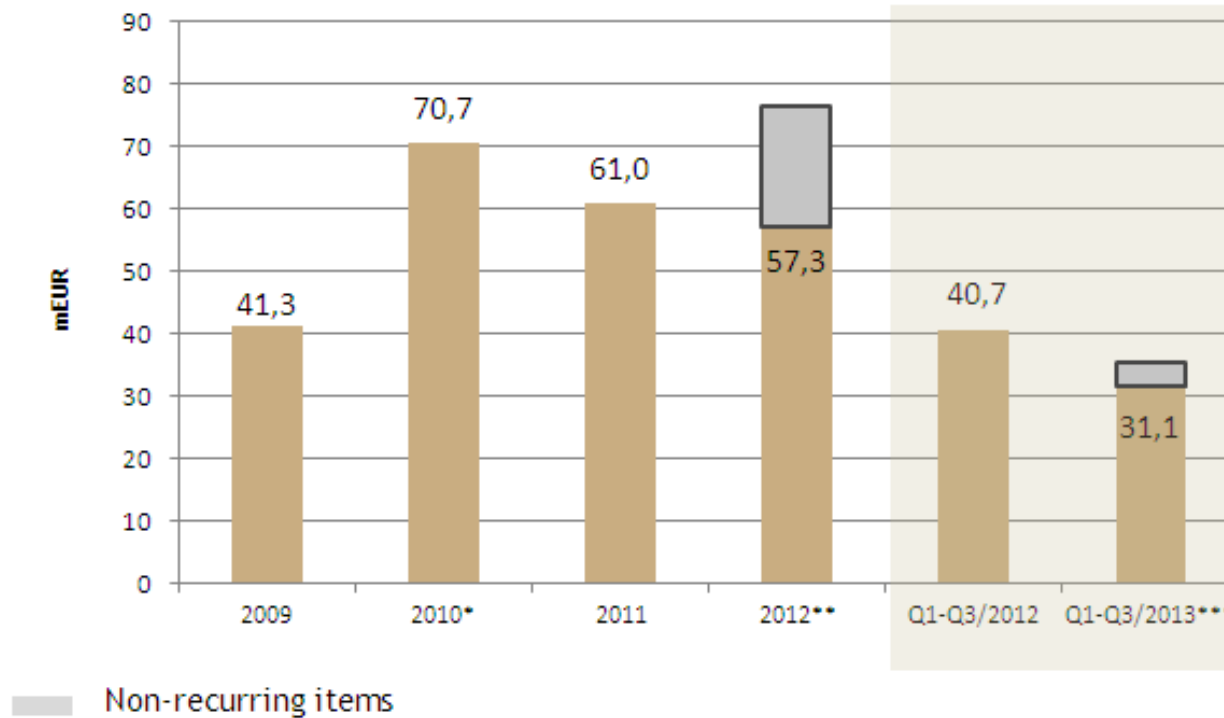
* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

Cash Flow before Financing Activities



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

Group Investments



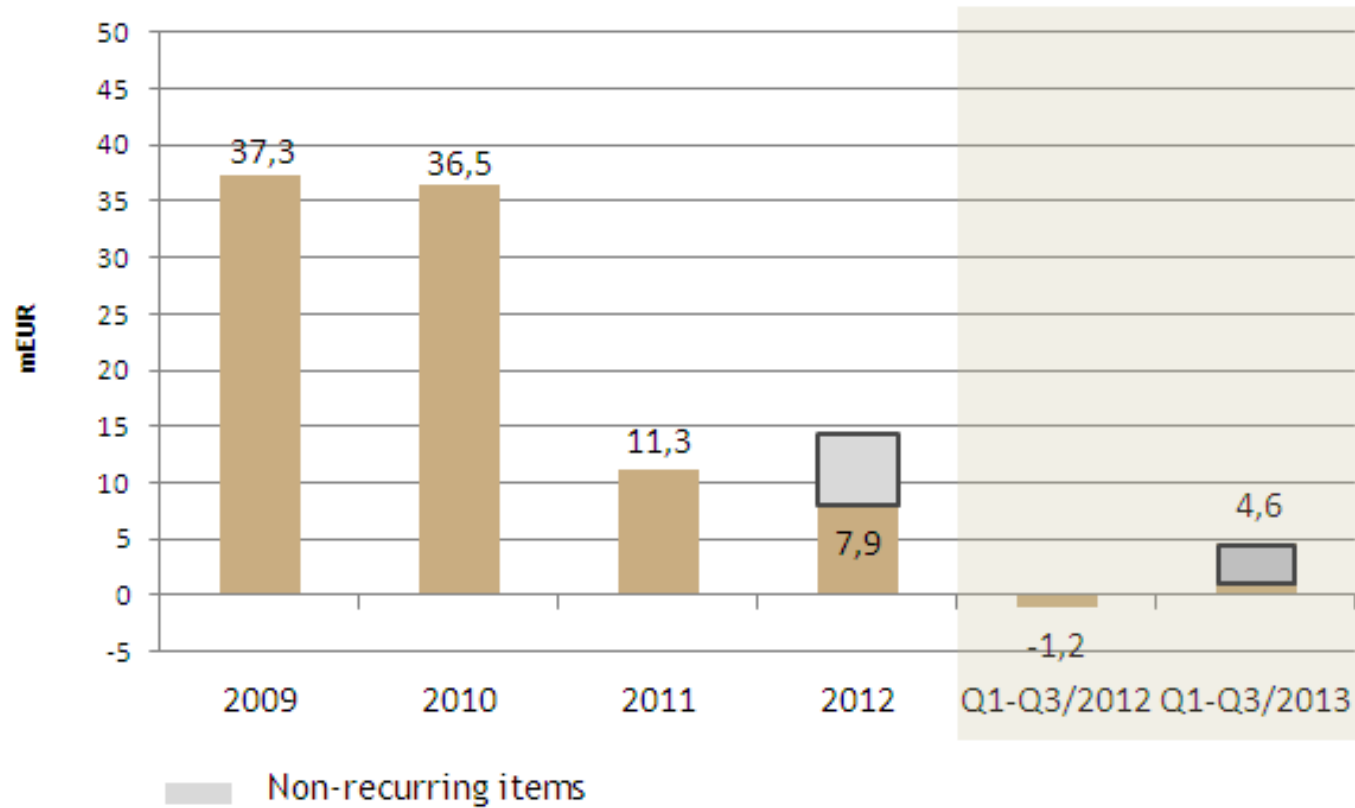
* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

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

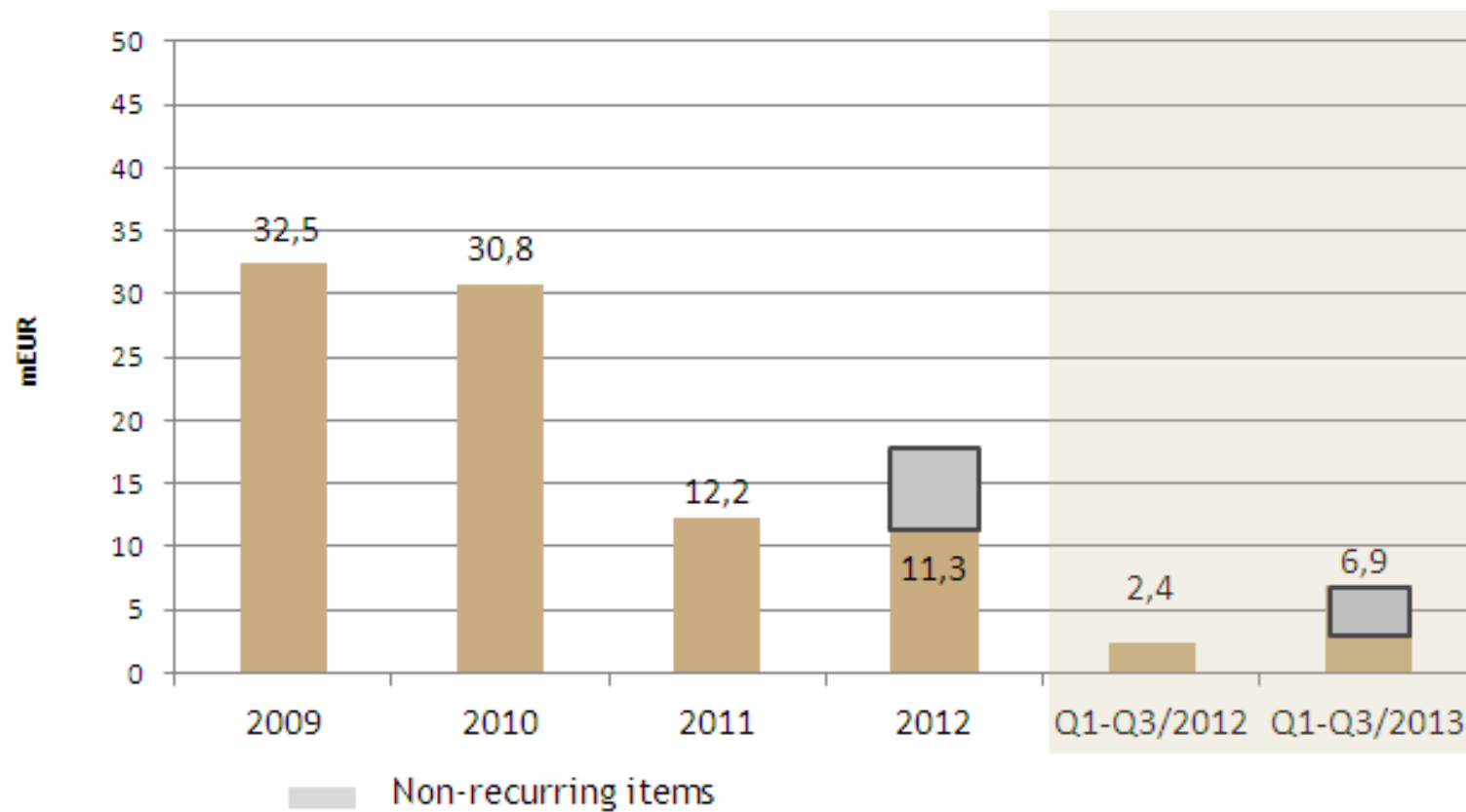
*** EUR 31.1 million excluding rebuild of the Vinderup plant EUR 3.9 million

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Profit before Taxes

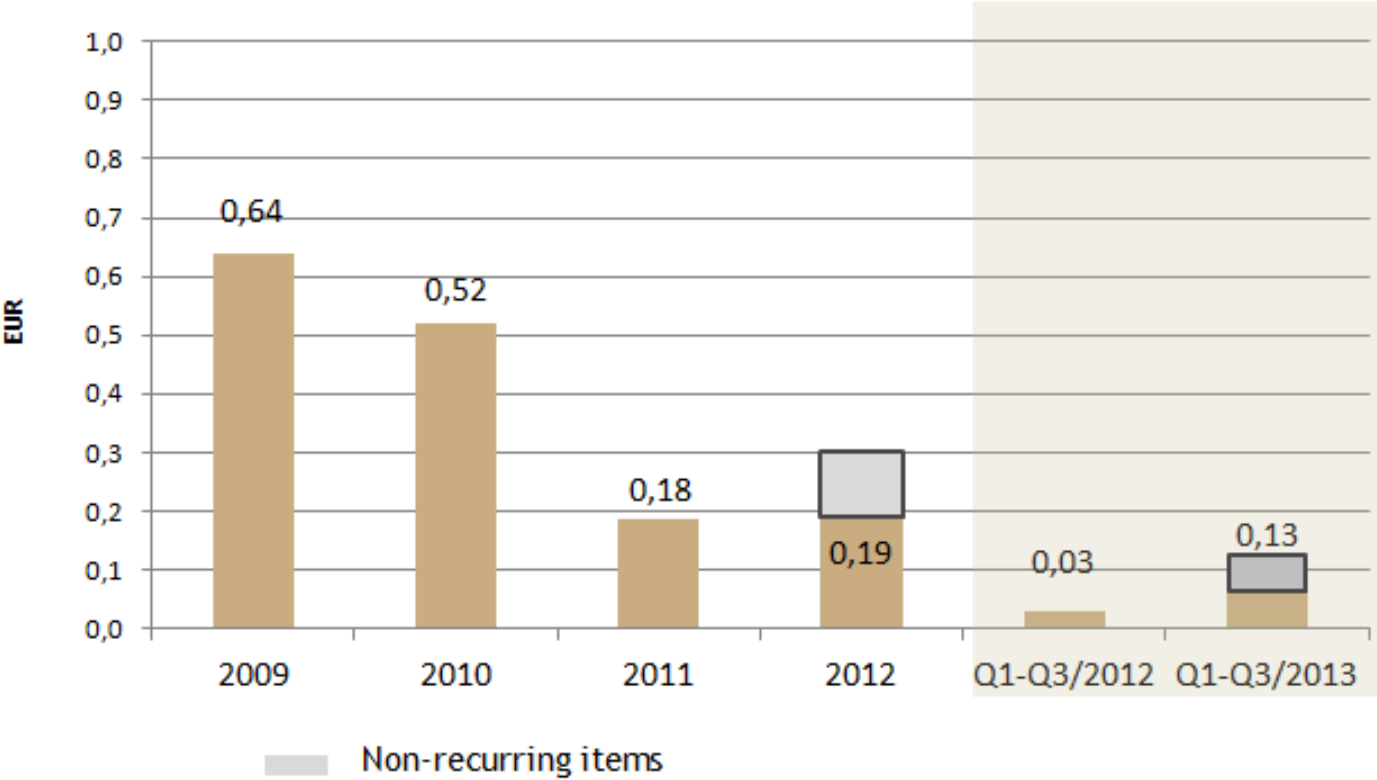


Profit for the Period

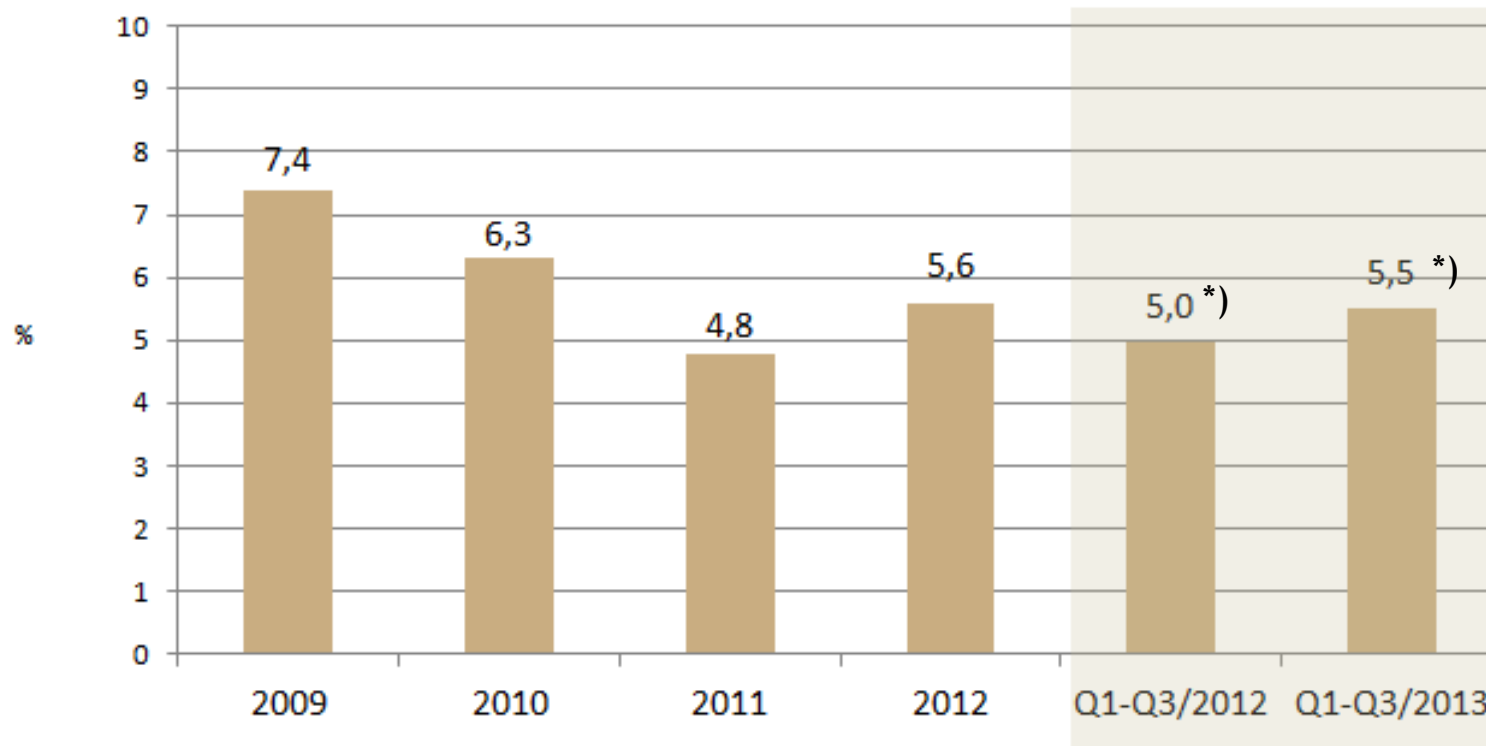


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Earnings per Share (EPS)



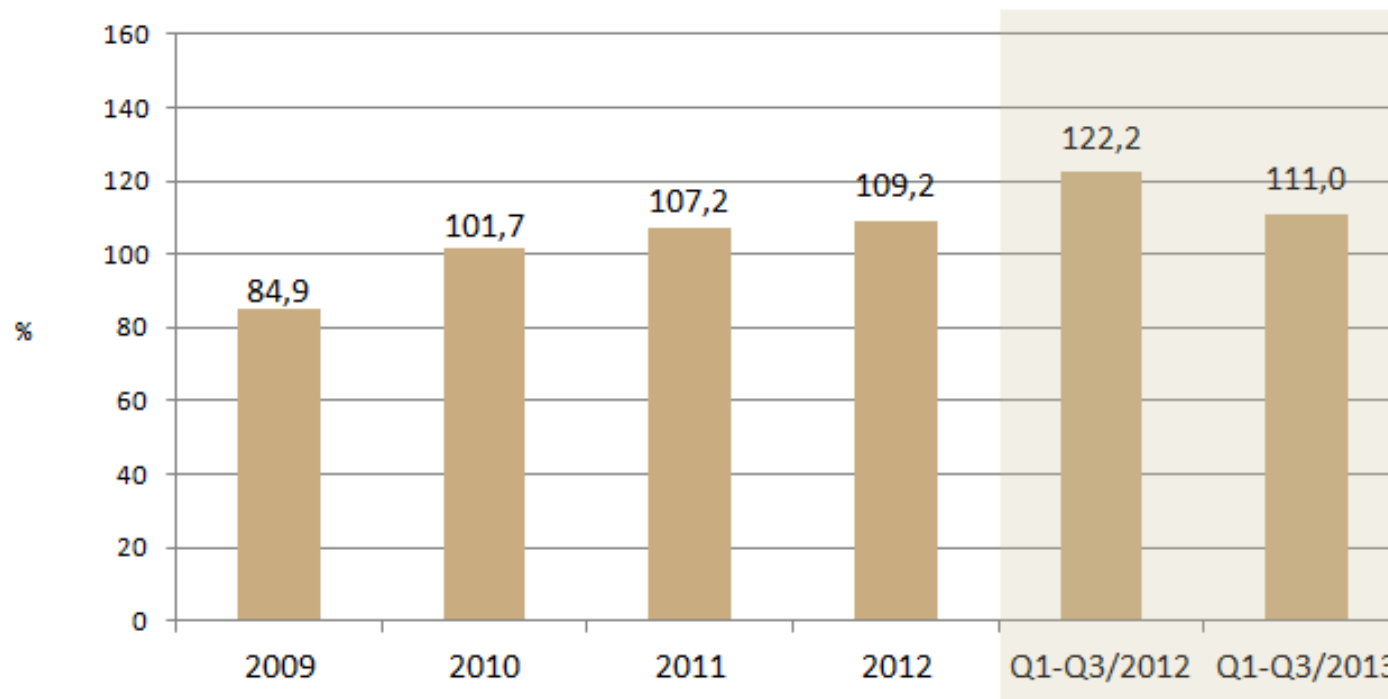
Return on Capital Employed (ROCE)



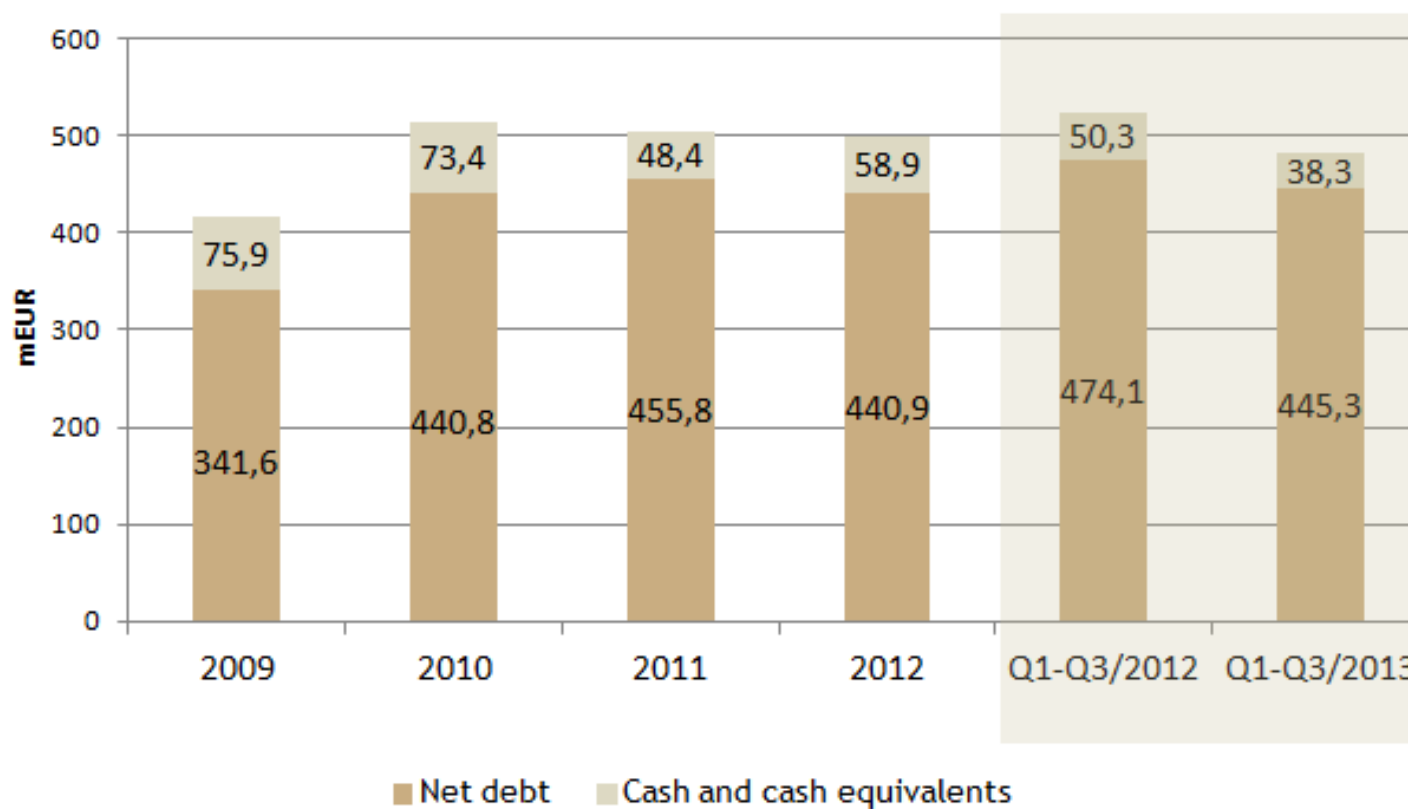
*) Last 12 months

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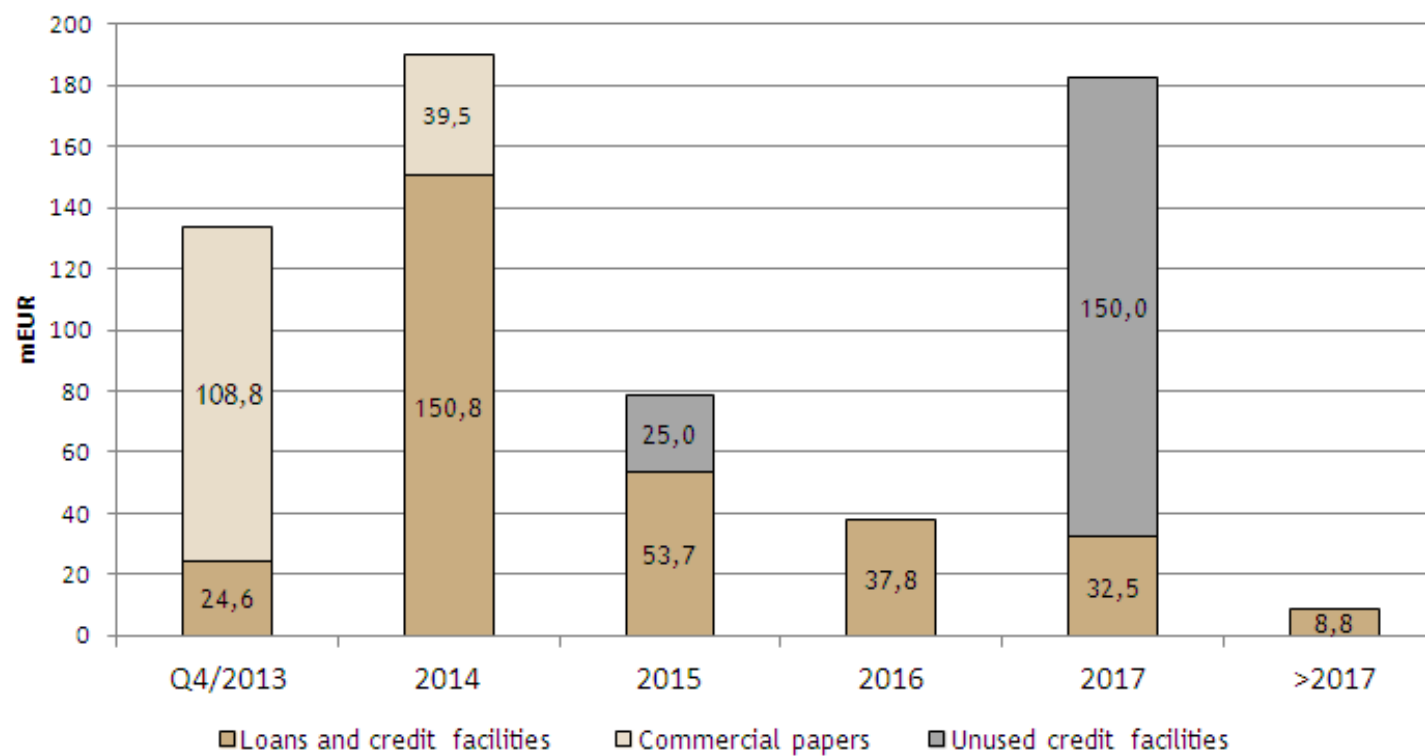
Net Gearing



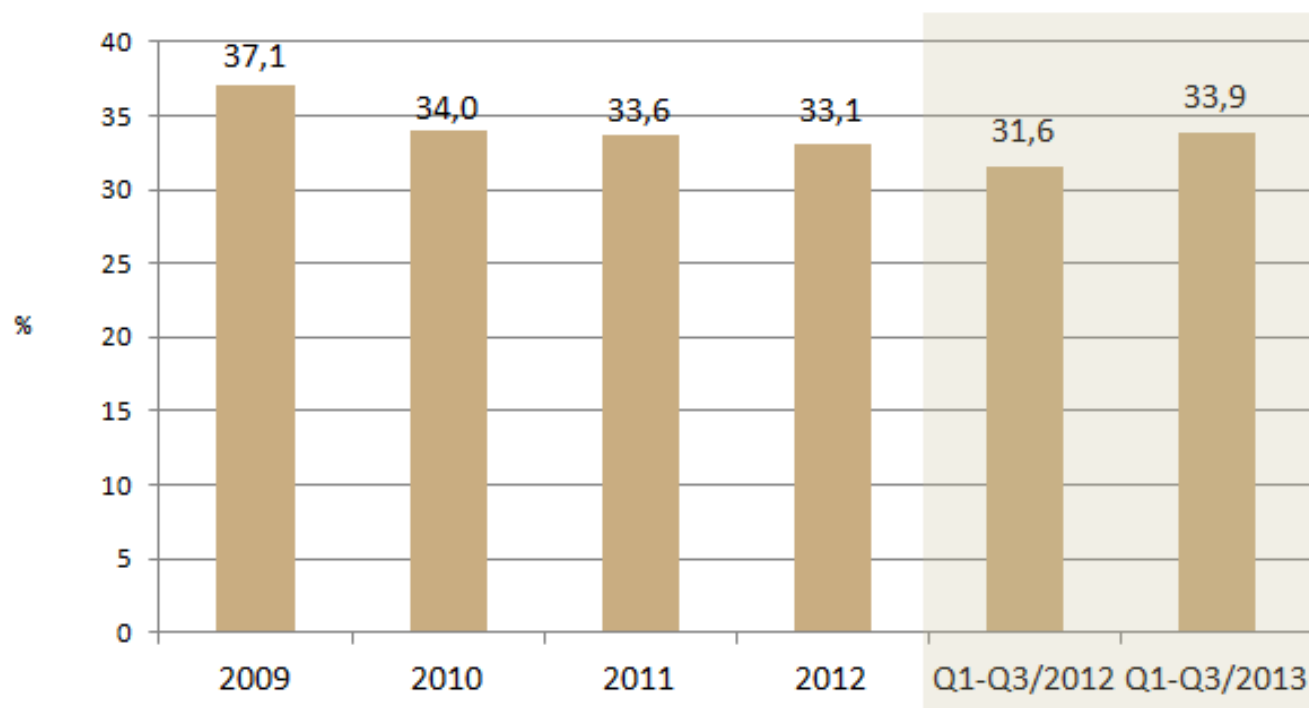
Net Debt



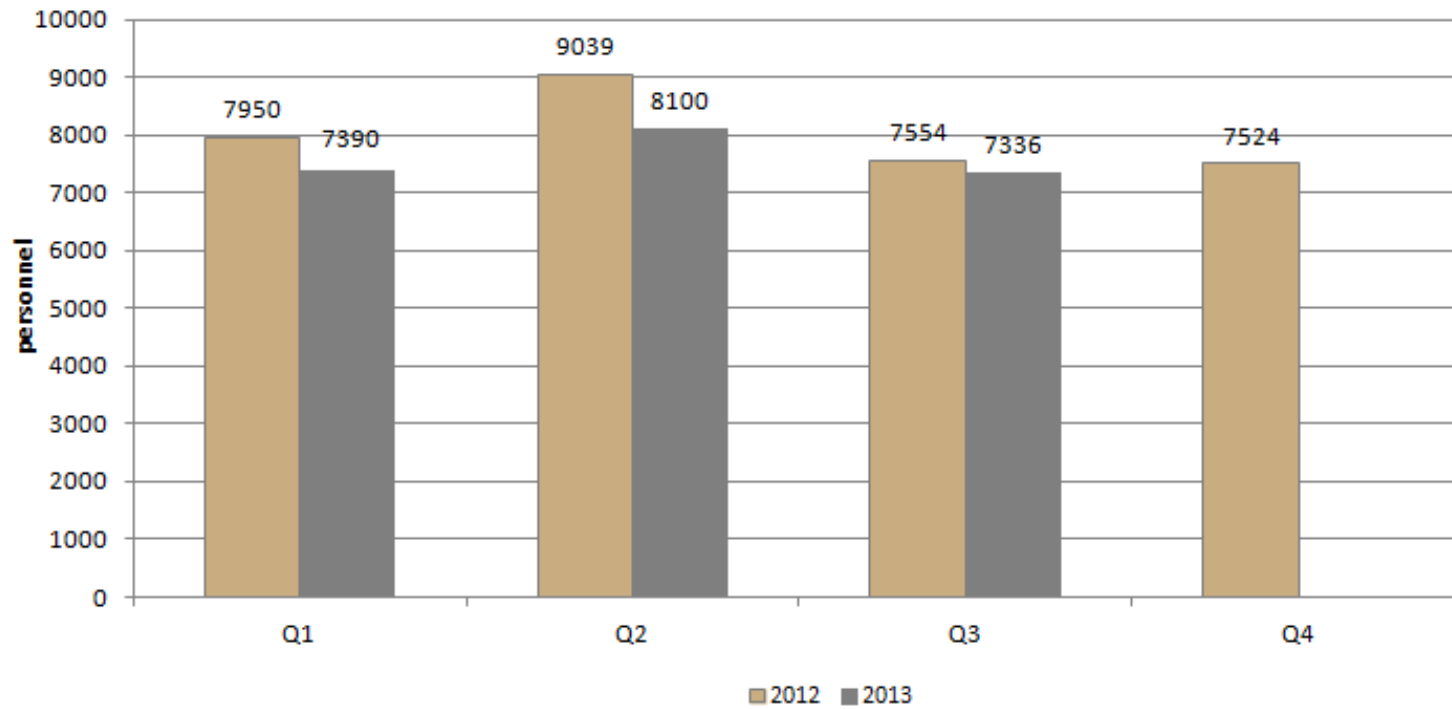
Maturity of the Group's Interest-bearing Debt



Equity Ratio



Group personnel at the end of period *)



*) Excluding Sokolów's employees



Key Figures

EUR million	Q3/2013	Q3/2012*)	Change	Q1-Q3/2013	Q1-Q3/2012*)	Change	2012*)
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EBIT excl. non-recurring items	11,0	15,4	-28,9 %	18,8	21,2	-11,0 %	36,7
- EBIT %	1,8	2,5		1,0	1,1		1,5
Profit before taxes	5,9	7,3	-19,8 %	1,1	-1,2	192,1 %	14,3
Profit for the review period	7,0	6,8	3,1 %	3,3	2,4	40,5 %	17,7
EPS, EUR	0,12	0,11	10,4 %	0,06	0,03	87,3 %	0,30
Cash flow before debt service	14,6	23,7	-38,6 %	13,8	26,1	-47,1 %	65,8
Cash flow before financing activities	8,9	11,5	-23,0 %	0,8	-5,8	114,4 %	33,8
ROCE before taxes, %**)				5,5	5,0	10,6 %	5,6
Net debt				445,3	474,1	-6,1 %	440,9
Net gearing, %				111,0	122,2	-9,2 %	109,2
Personnel at the end of the period***)				7 336	7 554	-2,9 %	7 524

*) Restated

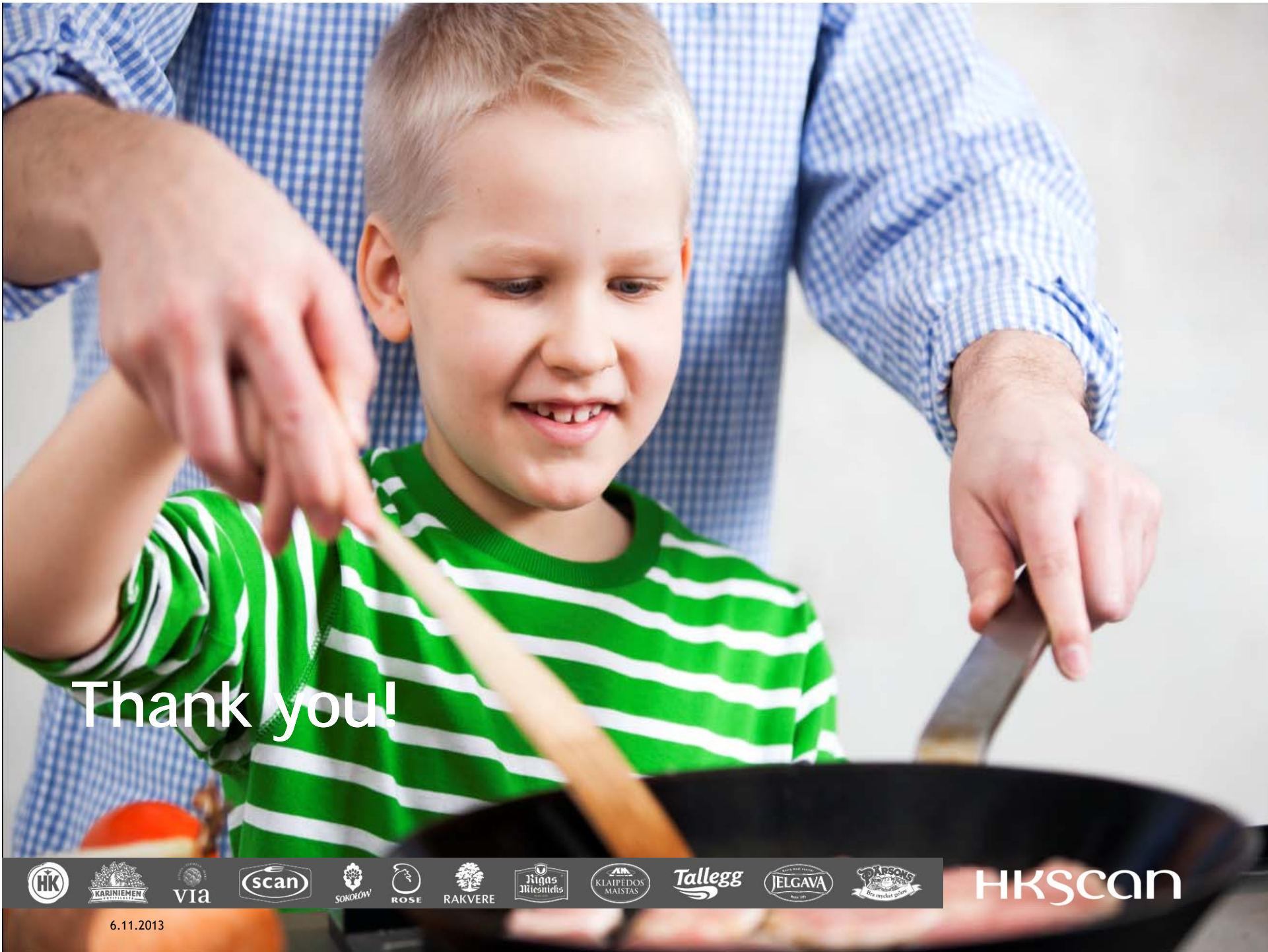
***) Q1-Q3/2013 and Q1-Q3/2012 last 12 months

****) Excluding Sokolów's employees

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Outlook 2013 (amended on 25 Sept.)

- The comparable EBIT for 2013, excluding non-recurring items, will fall short of last year.
- The outlook was deteriorated mainly due to longer-than-foreseen export challenges and continuing low price levels in export sales. In addition, consumption of lower-priced meat products has increased significantly relative to products made of higher-grade meat on all home markets, especially in Finland.
- *Previous outlook: EBIT was estimated to improve from 2012.*



Thank you!



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6.11.2013