



HKScan Group
Interim Report Q1-Q2/2013
Group overview

Hannu Kottonen, CEO

Investor and media briefing 9 August 2013



HKSCAN

HKScan Group

mEUR	Q2/2013			Q1-2013			2012 *)
	Q2/2013	Q2/2012 *)	Change	Q2/2013	Q2/2012 *)	Change	
Net sales	623,7	632,2	-1,3 %	1 214,5	1 228,5	-1,1 %	2 503,1
EBIT	5,8	5,9	-1,5 %	4,8	5,7	-17,2 %	43,1
- EBIT %	0,9	0,9		0,4	0,5		1,7
Profit/loss before taxes	1,1	-1,2	189,3 %	-4,8	-8,5	43,5 %	14,3
EPS, EUR	0,01	0,01	75,4 %	-0,07	-0,08	17,0 %	0,30
EBIT excl. non-recurring items	5,8	5,9	-1,5 %	7,9	5,7	37,0 %	36,7
- EBIT %	0,9	0,9		0,6	0,5		1,5

*) Restated

- Modest financial performance in Q2, but
 - Poland continues strongly and gradual Swedish recovery is visible
 - Lower net financing costs
- Group development programs are proceeding well, but lower sales margins partly deteriorated the impact
- Strategy review completed in June; focus was in several substrategies

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HKScan Group (cont.)

- Consumer demand in Europe during the first half of the year lower than pig and poultry production
 - Stock levels high and sales prices low, especially in exports
 - Barbeque season started later and at a lower level than usual due to weather
- Market share of private labels on the rise impacts supply chain management
- Pork stocks high in all Europe, structural shortage of beef continues
- Raw material prices of pork and poultry stabilised or somewhat down towards the end of Q2, beef prices stayed high

Market Area Finland



EUR million	Q2/2013	Q2/2012 *)	Change	Q1- Q2/2013	Q1- Q2/2012 *)	Change	2012 *)
Net sales	199,4	204,9	-2,7 %	393,5	396,1	-0,7 %	813,8
EBIT	0,5	2,7	-81,9 %	-0,8	5,4	-114,6 %	18,4
- EBIT %	0,2	1,3		-0,2	1,4		2,3
EBIT excl. non-recurring items	0,5	2,7	-81,9 %	2,3	5,4	-57,3 %	18,4
- EBIT %	0,2	1,3		0,6	1,4		2,3

*) Restated

- Net sales fell short of the previous year
 - Planned lower level of campaign and seasonal activities
 - Several production line transfers and investments scheduled for Q2-Q3
 - Overall sales volumes lower in Q2/2013 compared to Q2/2012
- Domestic price competition remained high
- Meat raw material surplus in Europe and globally → challenges in export
- Pork prices slightly down late July, beef and poultry prices remained high
- Restructuring and development programme continues in Finland

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Market Area Baltics



EUR million	Q2/2013	Q2/2012	Change	Q1- Q2/2013	Q1- Q2/2012	Change	2012
Net sales	43,8	46,8	-6,5 %	85,7	87,3	-1,9 %	176,7
EBIT	1,3	3,1	-59,8 %	2,1	3,8	-46,5 %	8,9
- EBIT %	2,9	6,7		2,4	4,4		5,1

- Surplus in the European meat supply → more competition and shrinking sales margins of unprocessed meat and commodities
- Sales of branded products and domestic demand relatively good in Q2
- Increased raw material costs in primary production → negative impact on profit
- Feed prices high, though soya prices continued slowly decreasing
- Efficiency and development projects:
 - Consolidation of poultry production at the Ranna plant continued
 - New Kiev Cutlet production line into use in Rakvere in June

Market Area Sweden



EUR million	Q2/2013	Q2/2012 *)	Change	Q1- Q2/2013	Q1- Q2/2012 *)	Change	2012 *)
Net sales	241,8	262,7	-8,0 %	470,7	506,3	-7,0 %	1 025,7
EBIT	2,0	-3,7	153,4 %	-0,6	-8,8	93,3 %	-5,9
- EBIT %	0,8	-1,4		-0,1	-1,7		-0,6
EBIT excl. non-recurring items	2,0	-3,7	153,4 %	-0,6	-8,8	93,3 %	1,5
- EBIT %	0,8	-1,4		-0,1	-1,7		0,1

*) Restated

- Improved performance in all product categories
- Decreased net sales due to discontinuing non-profitable sales and shortage of beef raw material; pork imports high
- Development programme continued with result improvements
- Branded products (e.g. Svensk Rapsgris®) developed further
- Sales of Pärsons cold cuts continued well
- New Pärsons fresh chicken products launched as planned
- Exclusive rights to NG Hampshire genetics (Scan Piggham brand)

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Market Area Denmark



EUR million	Q2/2013	Q2/2012	Change	Q1- Q2/2013	Q1- Q2/2012	Change	2012
Net sales	60,4	51,4	17,7 %	116,7	109,1	7,0 %	211,7
EBIT	0,0	1,5	-101,3 %	-0,1	1,7	-107,2 %	15,4
- EBIT %	0,0	2,8		-0,1	1,6		7,3
EBIT excl. non-recurring items	0,0	1,5	-101,3 %	-0,1	1,7	-107,2 %	1,5
- EBIT %	0,0	2,8		-0,1	1,6		0,7

- Sales volumes up during Q2
- Sales of fresh chicken in Sweden started
- Decreased stock levels in spite of challenges in export
- Price competition tough both in frozen and fresh poultry products
- Sourcing volumes and prices on a somewhat positive trend, but prices higher than in Continental Europe
- Insurance cases re. fire in Vinderup still in progress

Market Area Poland

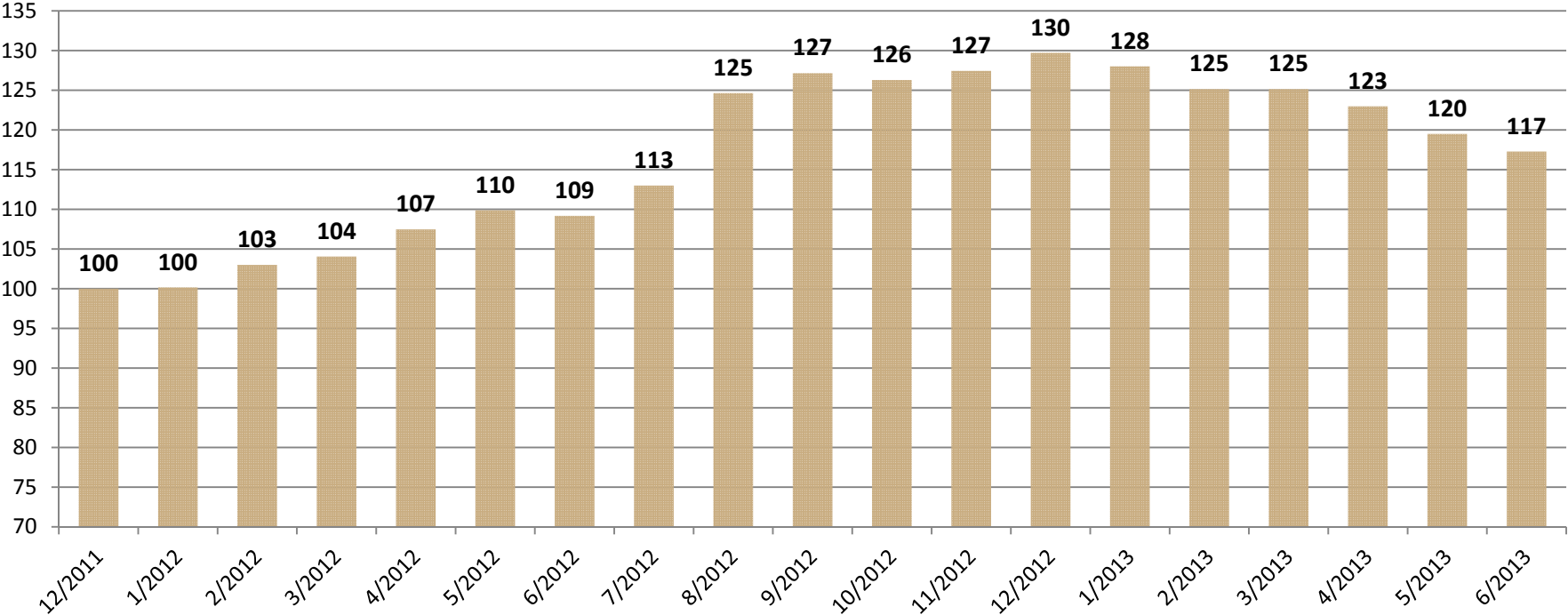


EUR million *)	Q2/2013	Q2/2012	Change	Q1- Q2/2013	Q1- Q2/2012	Change	2012
Net sales	96,0	86,9	10,5 %	181,5	167,3	8,5 %	343,7
EBIT	5,7	4,5	28,5 %	11,2	7,9	41,0 %	15,8
- EBIT %	6,0	5,1		6,1	4,7		4,6

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

- Excellent performance with very good margins
- Positive development attributable to
 - brand management and innovation
 - focusing on processed products' sales
 - low prices for meat raw material
- Weakening European economic activity has a general impact on Poland as well as on demand and purchase volumes

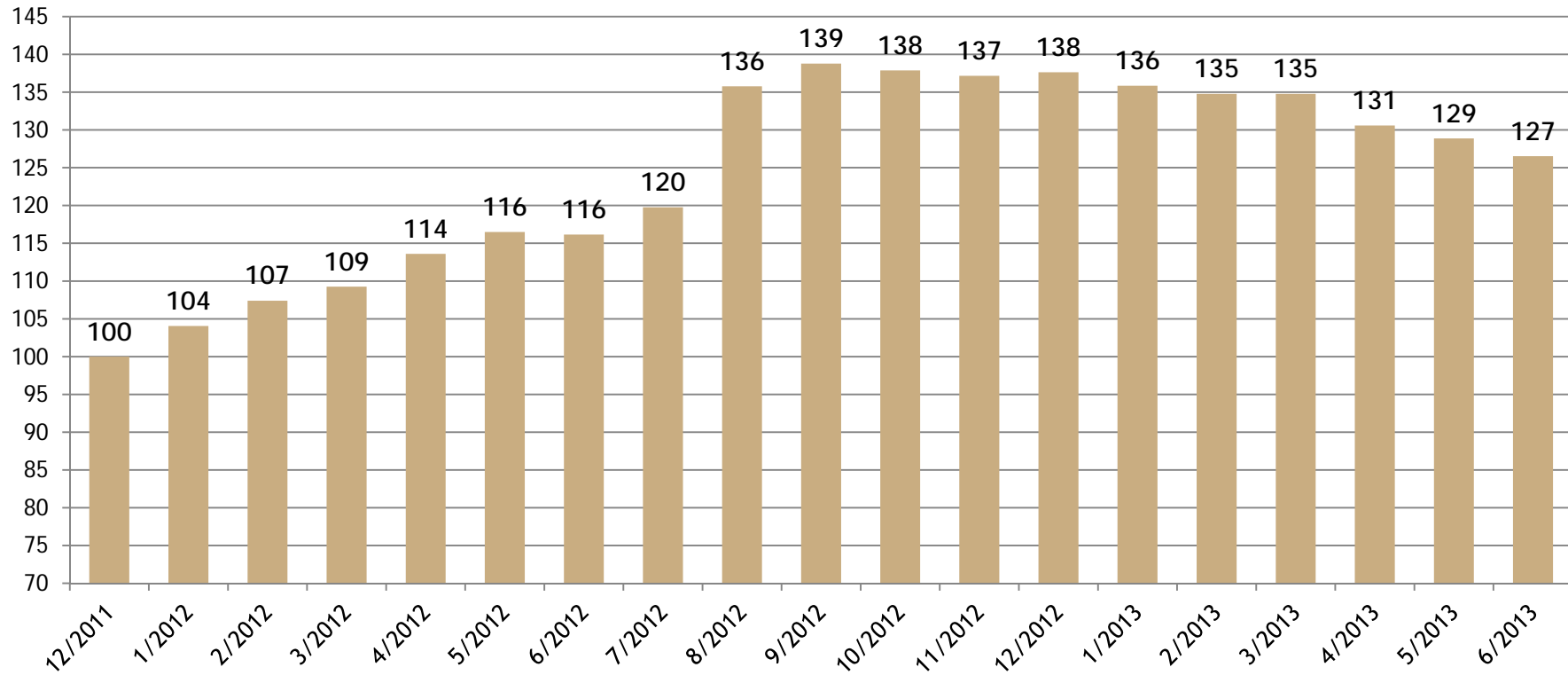
Feed Basket - Pork



Source: HKScan



Feed Basket - Poultry



Source: HKScan

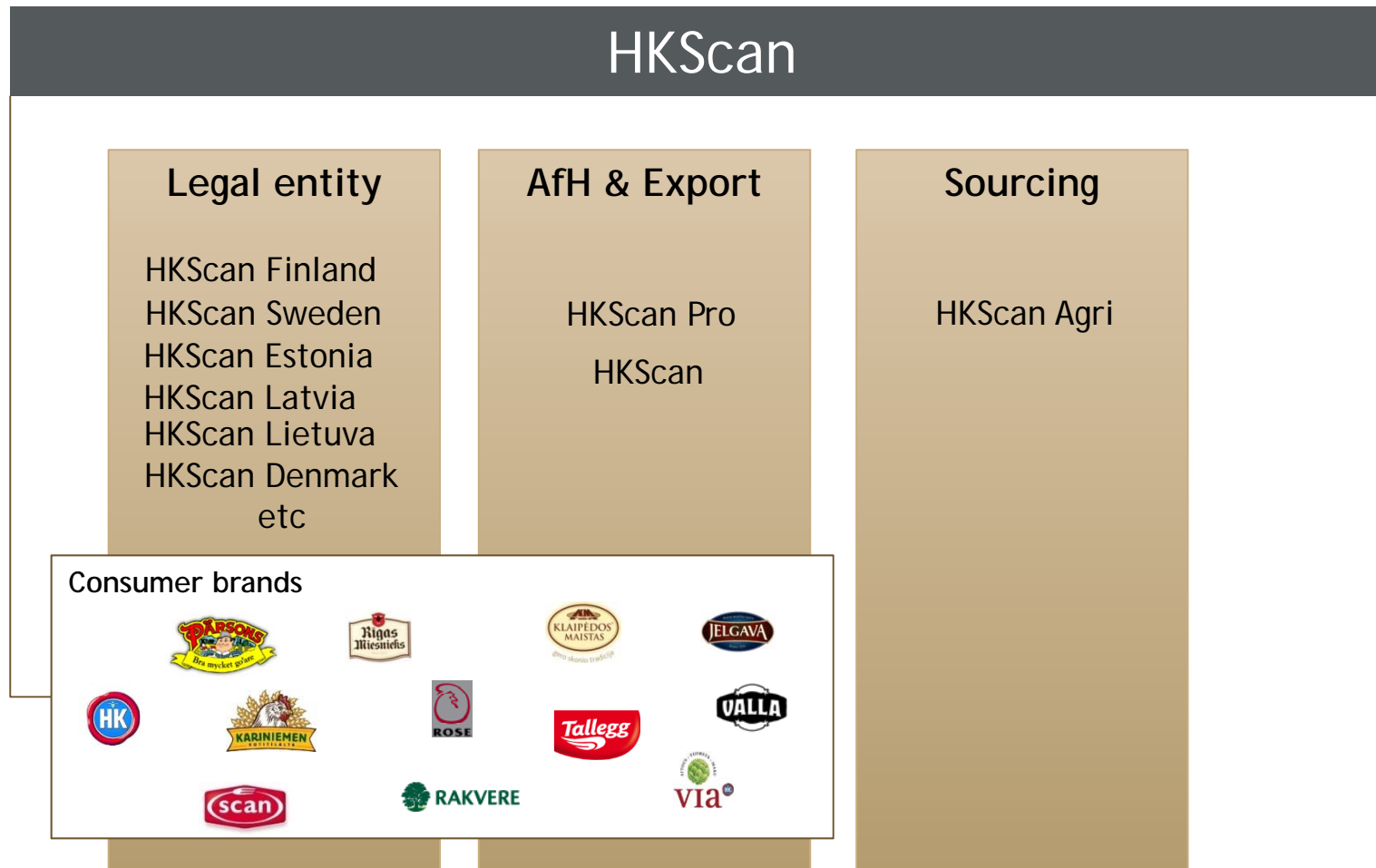
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HKScan sharpens its brand strategy

- Naming structure will be harmonised
 - Company names and brand names of the Away from Home will be harmonised
 - All Group functions linked to animal sourcing and producer services will be referred to collectively as HKScan Agri on all home markets.
- Key brands' country-of-origin promises to be reaffirmed
 - All HK and Kariniemen products in Finland and all Scan products in Sweden will be of domestic origin.
 - Definition work will continue with other brands.
- More meat to be sourced from HKScan's own contract producers
 - HKScan will increase the volume of sourcing from own slaughterhouses on its home markets.
 - The Group will also introduce a uniform HKScan brand for meat sourced from within the Group and produced on the home markets.

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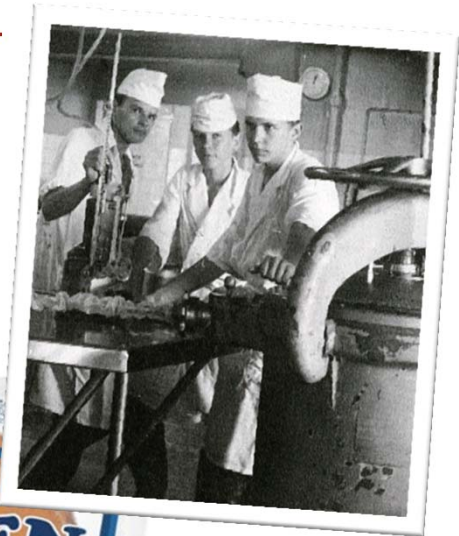
New brand hierarchy



Sausage production techniques from 1963.

Product classic: HK Sininen Lenkki®

- On the market 50 years - since 1963
- The most popular meat product and the ultimate market leader among ring sausages in Finland
- Annual production approx. 7 million kilos
- Only slight changes made in the recipe in 50 years: fat and salt somewhat reduced, non-lactose, non-gluten, however same spices
- Versatile raw material for all kind of cooking
- Versions e.g. Original, A Class, Light, Cheese, Big
- HK Blue is celebrated on the third Friday of August annually, the so called "National Ring Sausage Day".
- New book published in August 2013.



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HKScan Group
Interim Report Q1-Q2/2013
Financials

Tuomo Valkonen, CFO

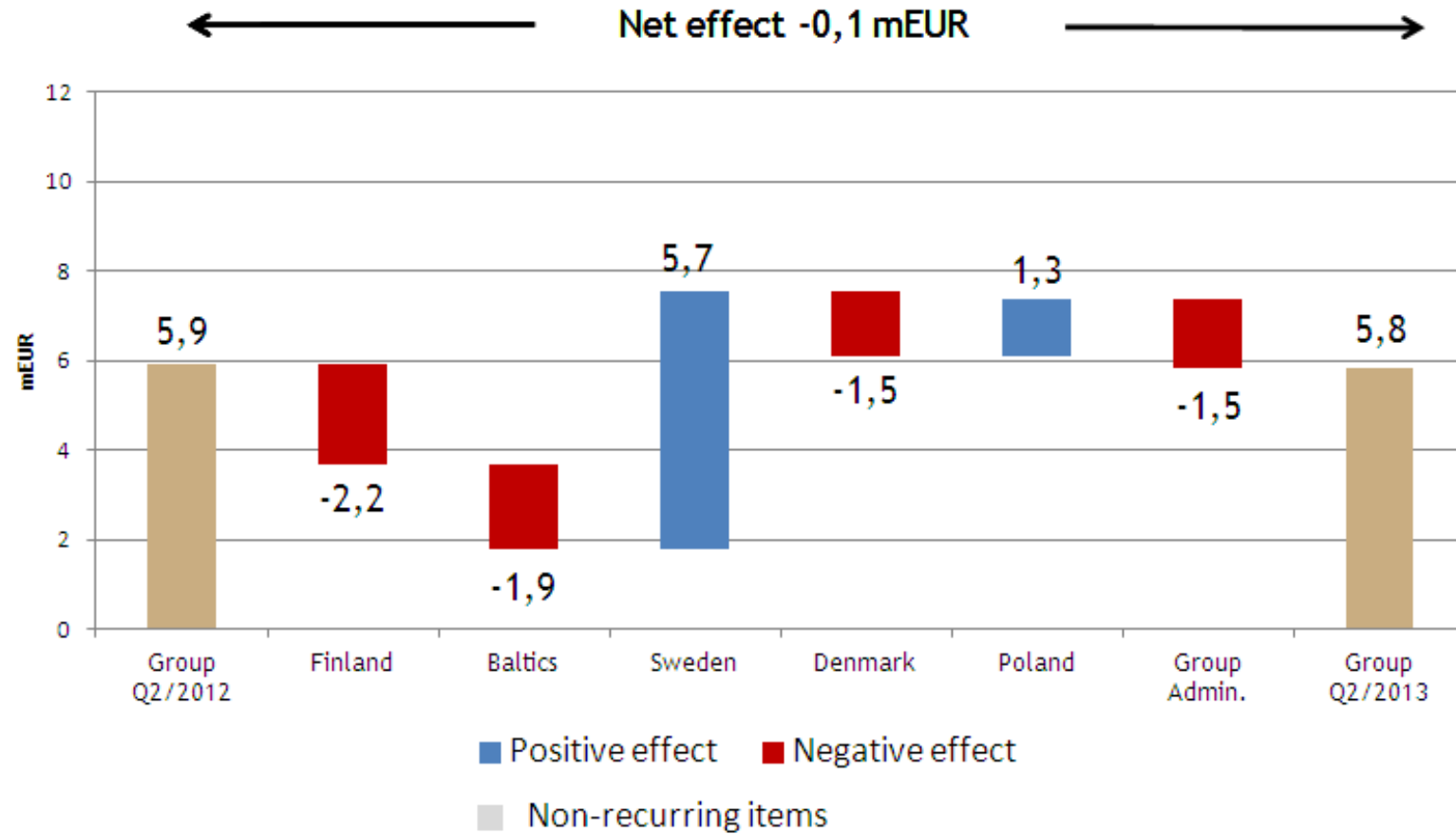
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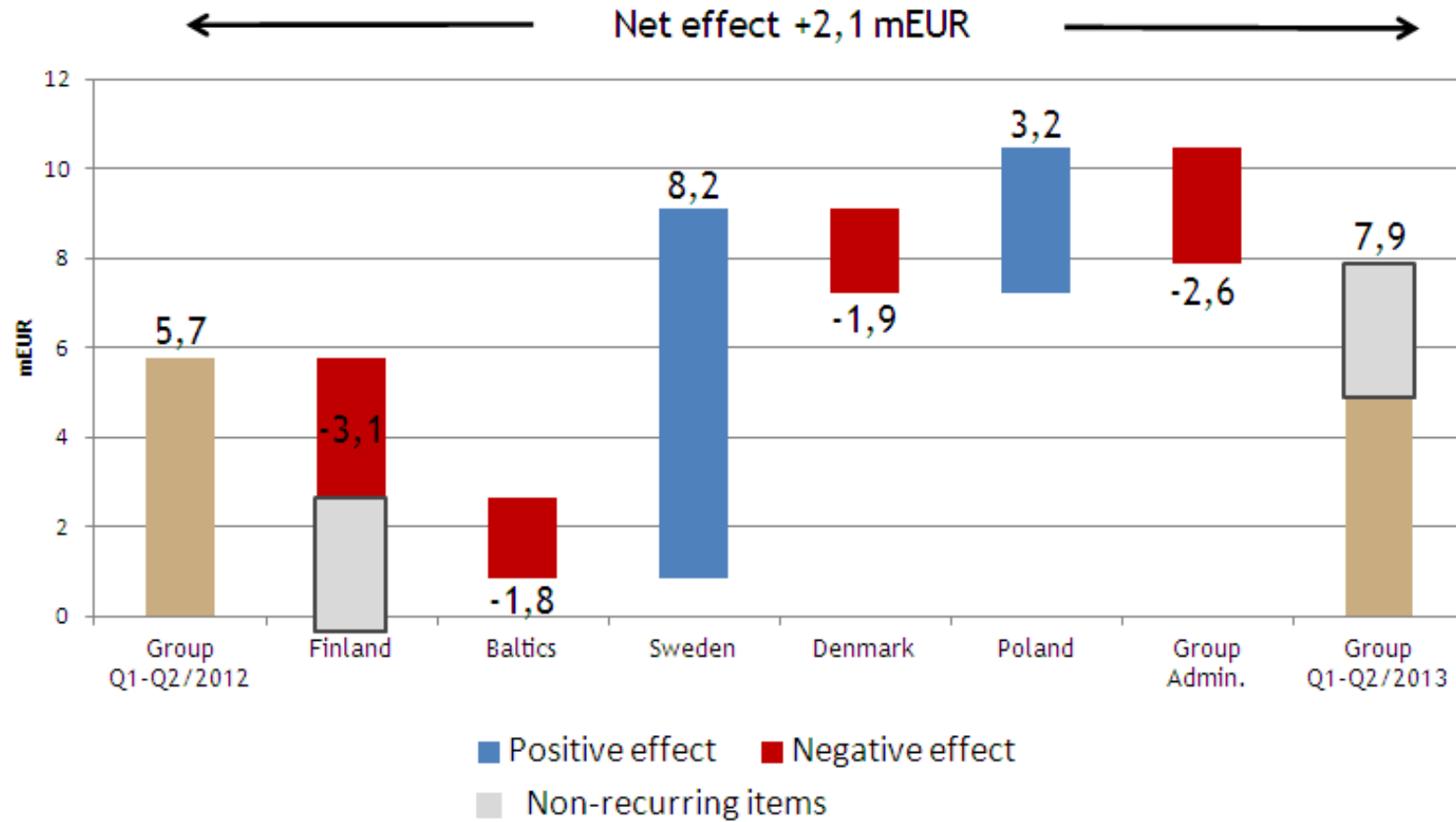
Group EBIT

Q2/2012 vs. Q2/2013



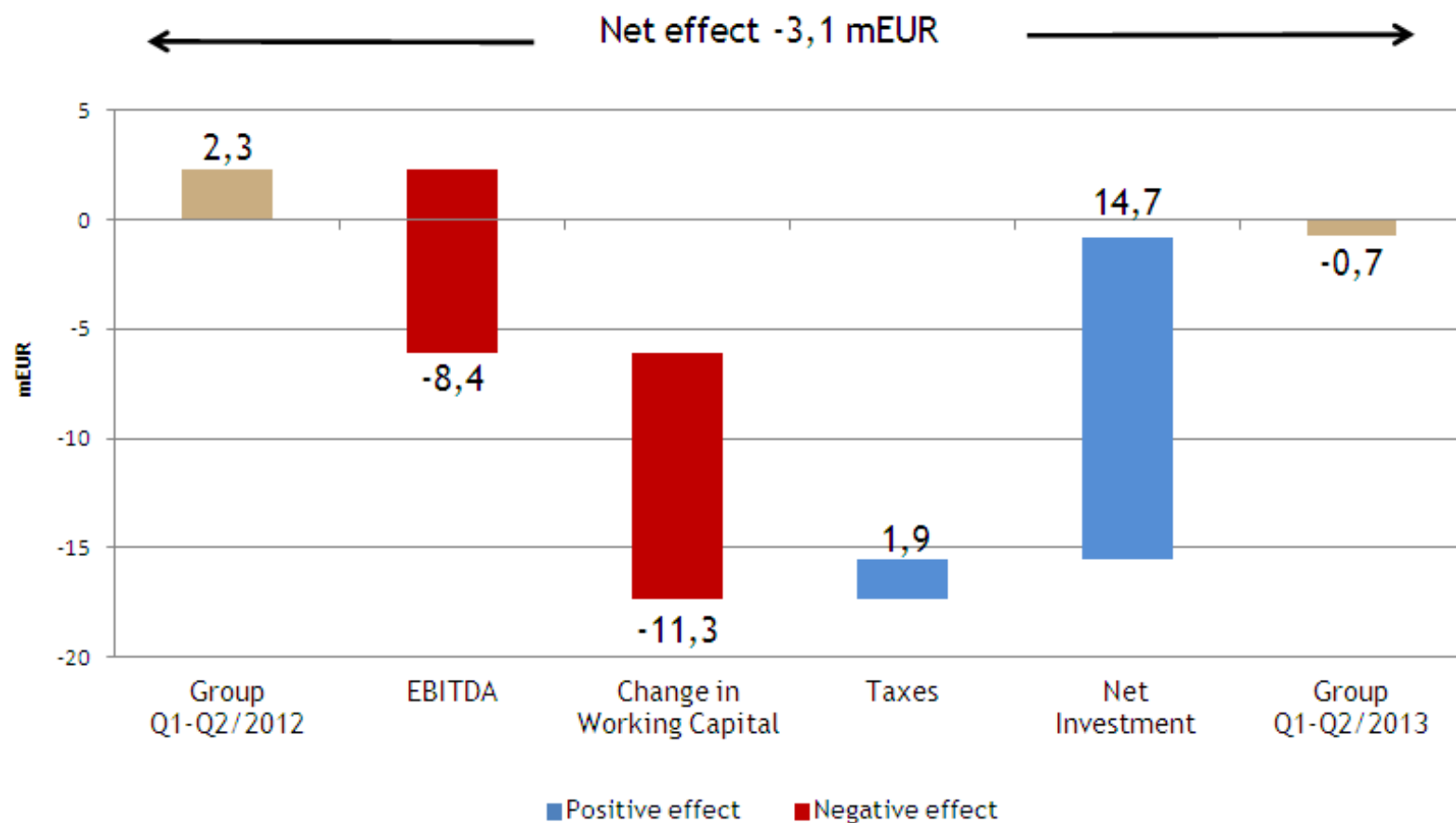
Group EBIT

Q1-Q2/2012 vs. Q1-Q2/2013



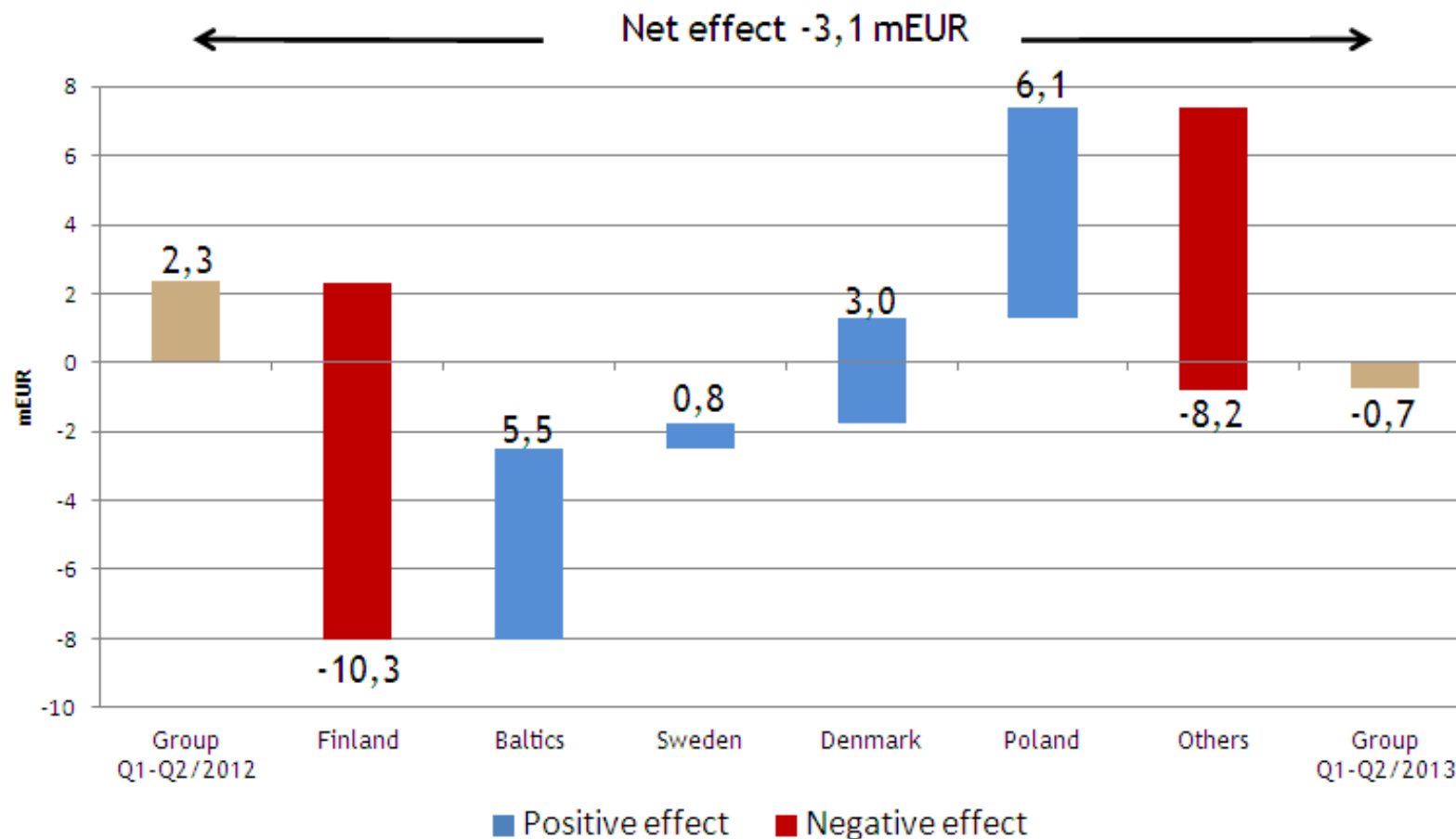
Group Cash Flow before Debt Service

Q1-Q2/2012 vs. Q1-Q2/2013

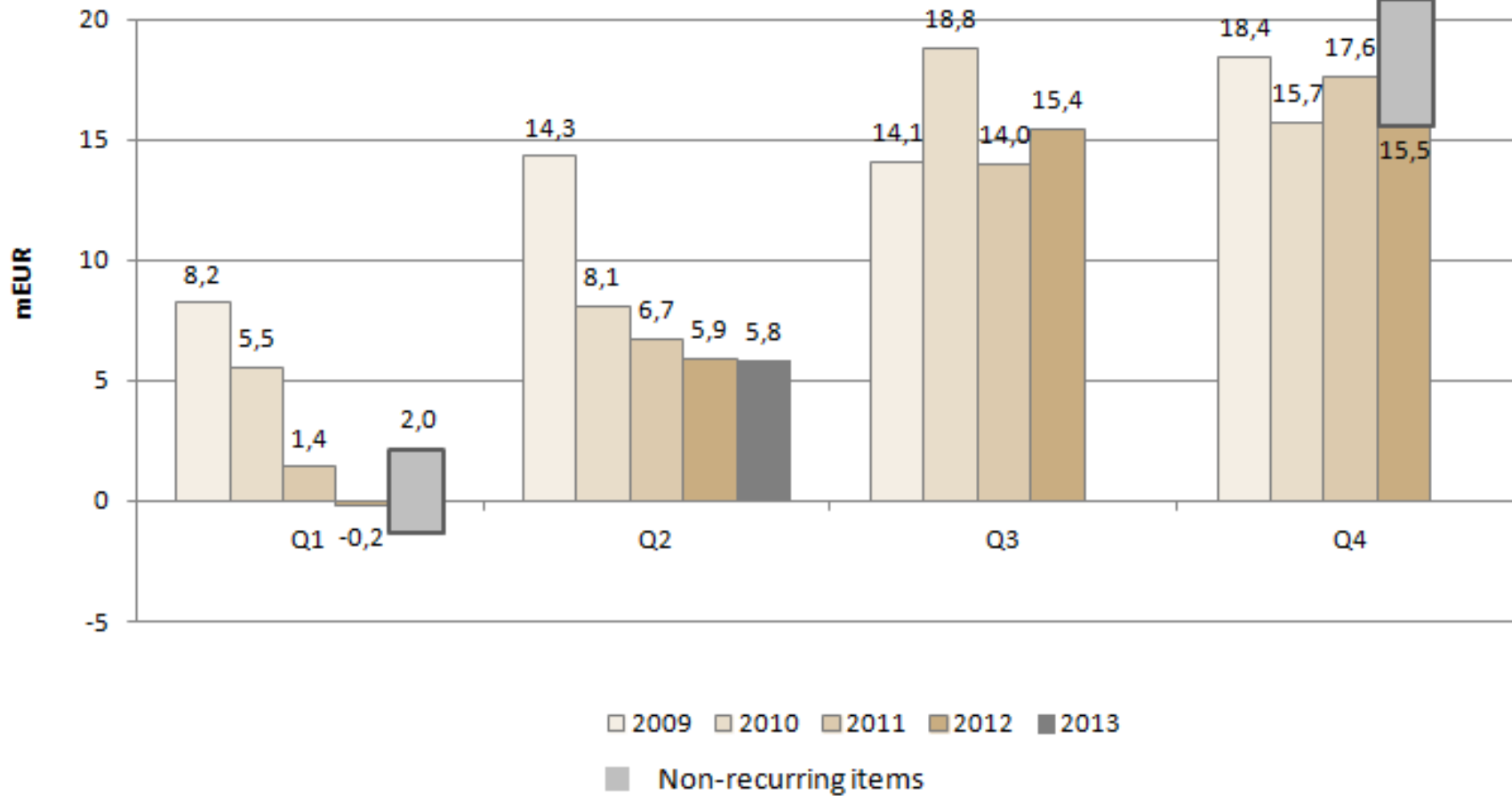


Group Cash Flow before Debt Service

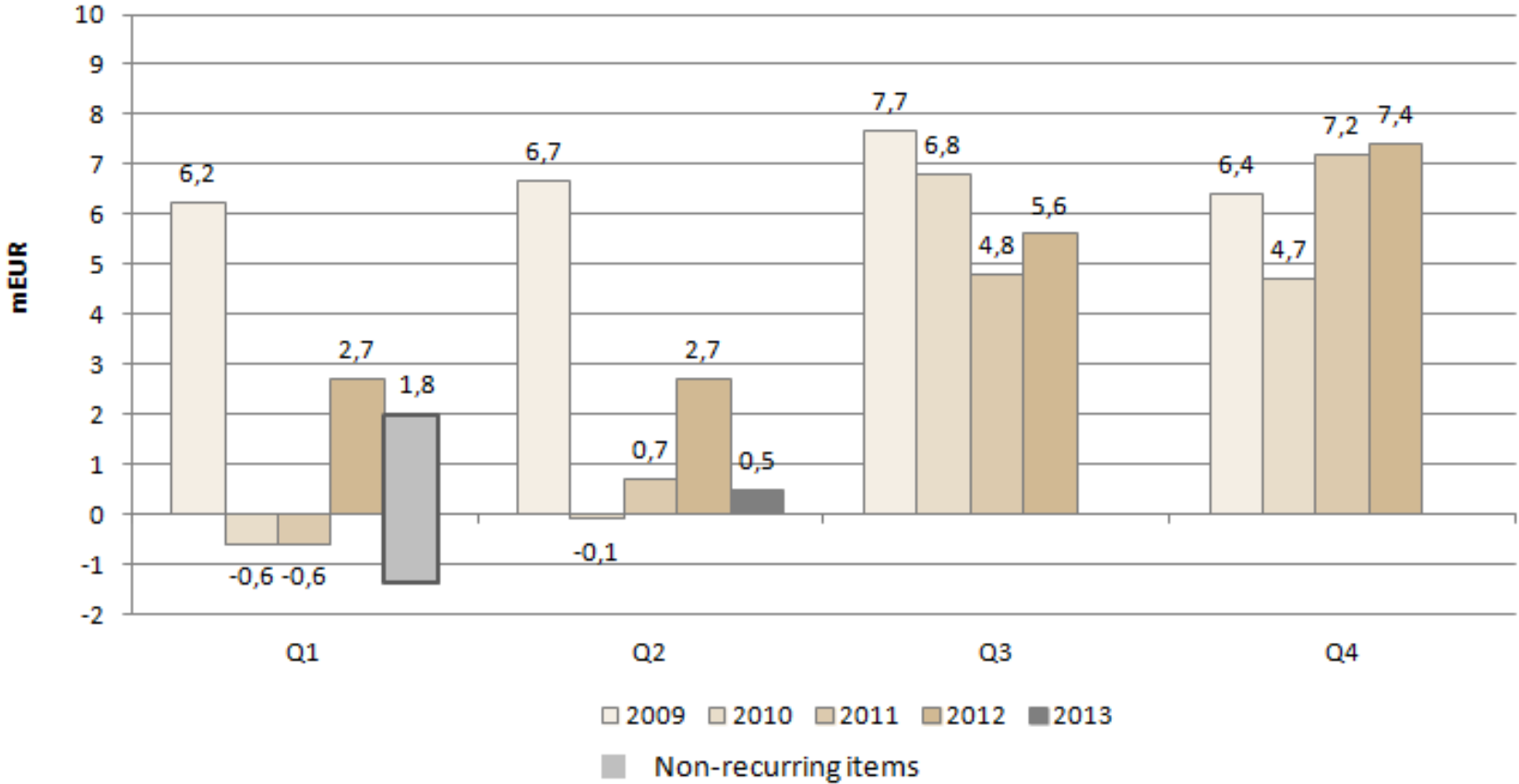
Q1-Q2/2012 vs. Q1-Q2/2013



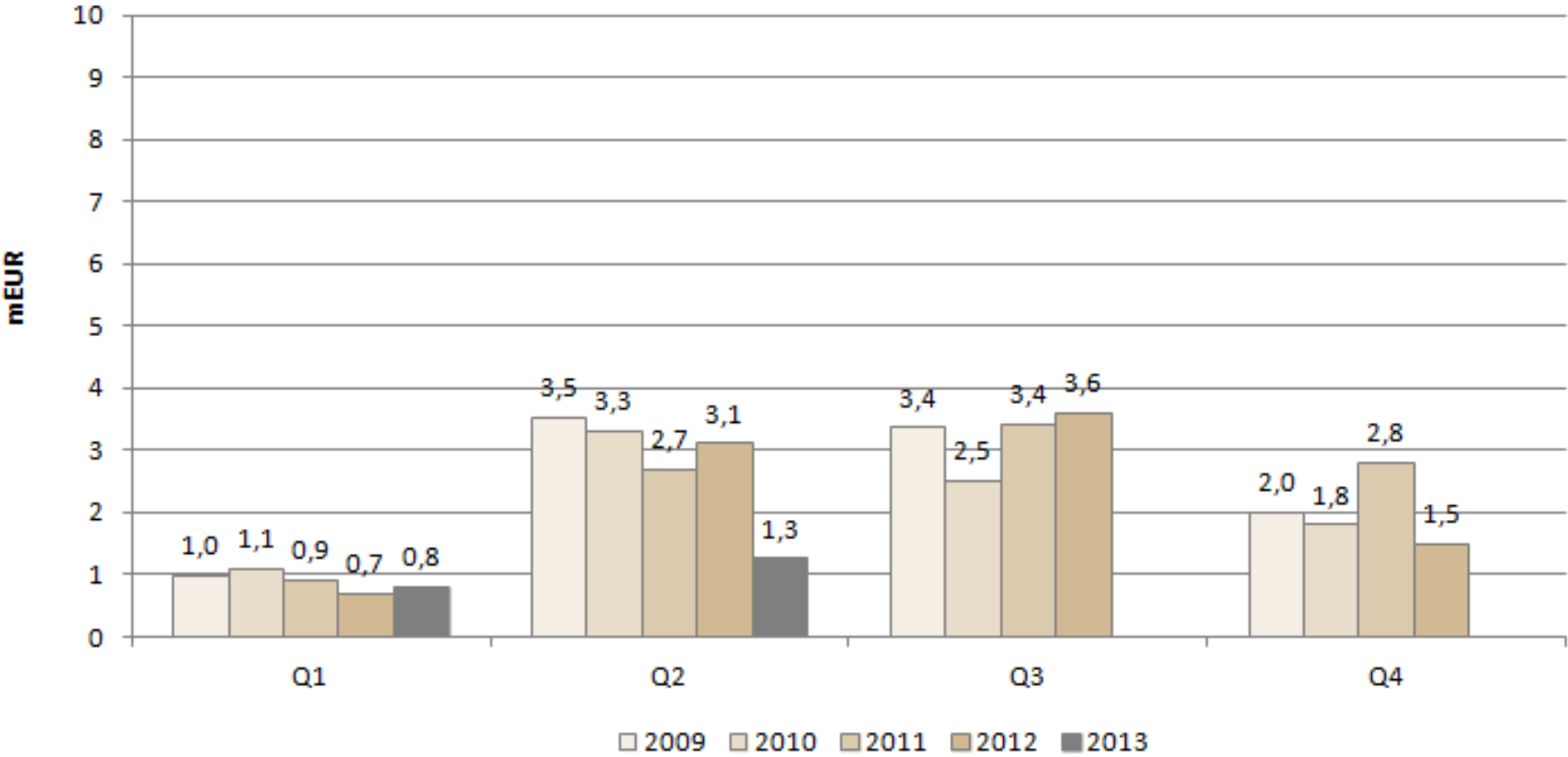
Group EBIT



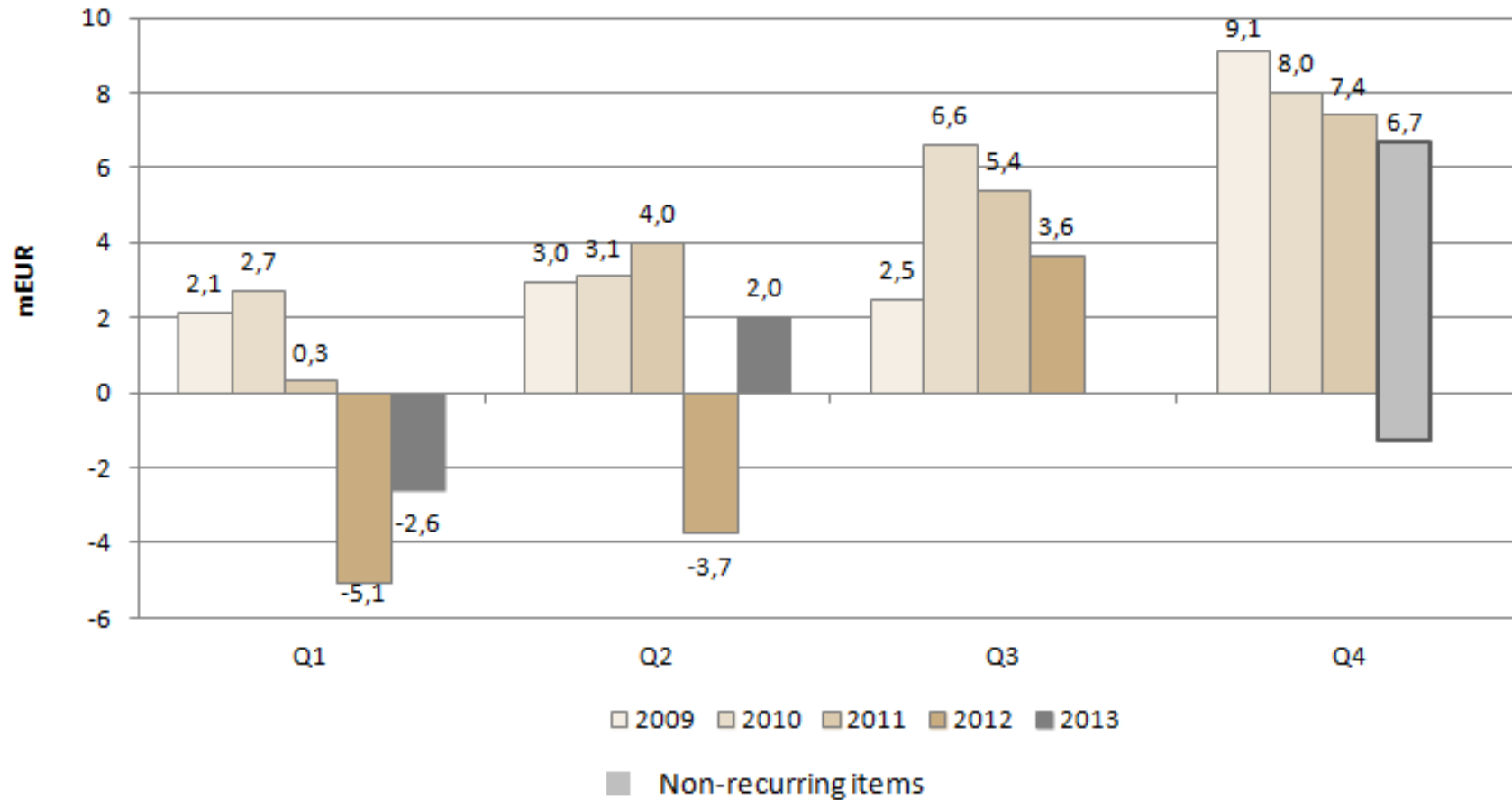
Finland EBIT



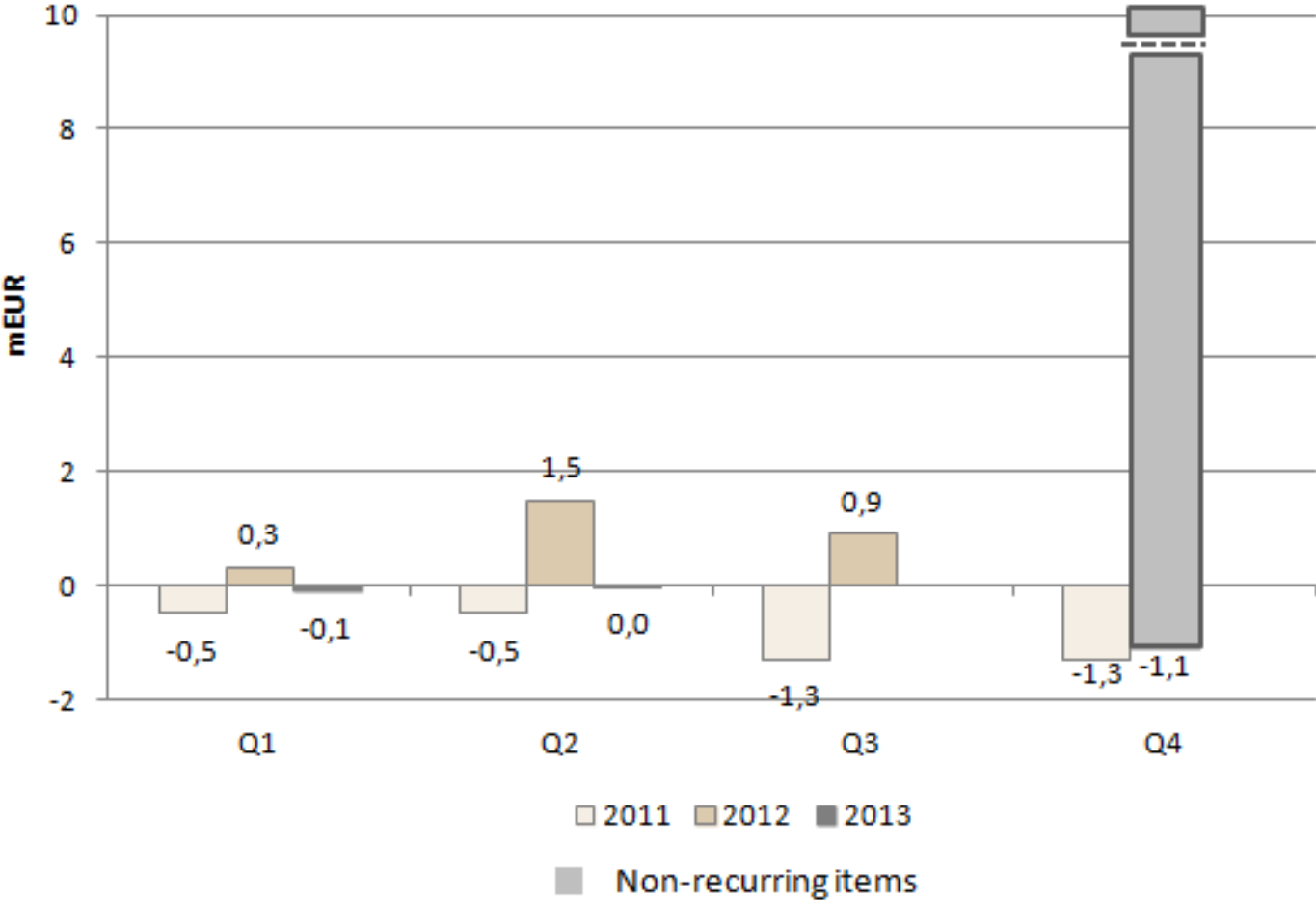
Baltics EBIT



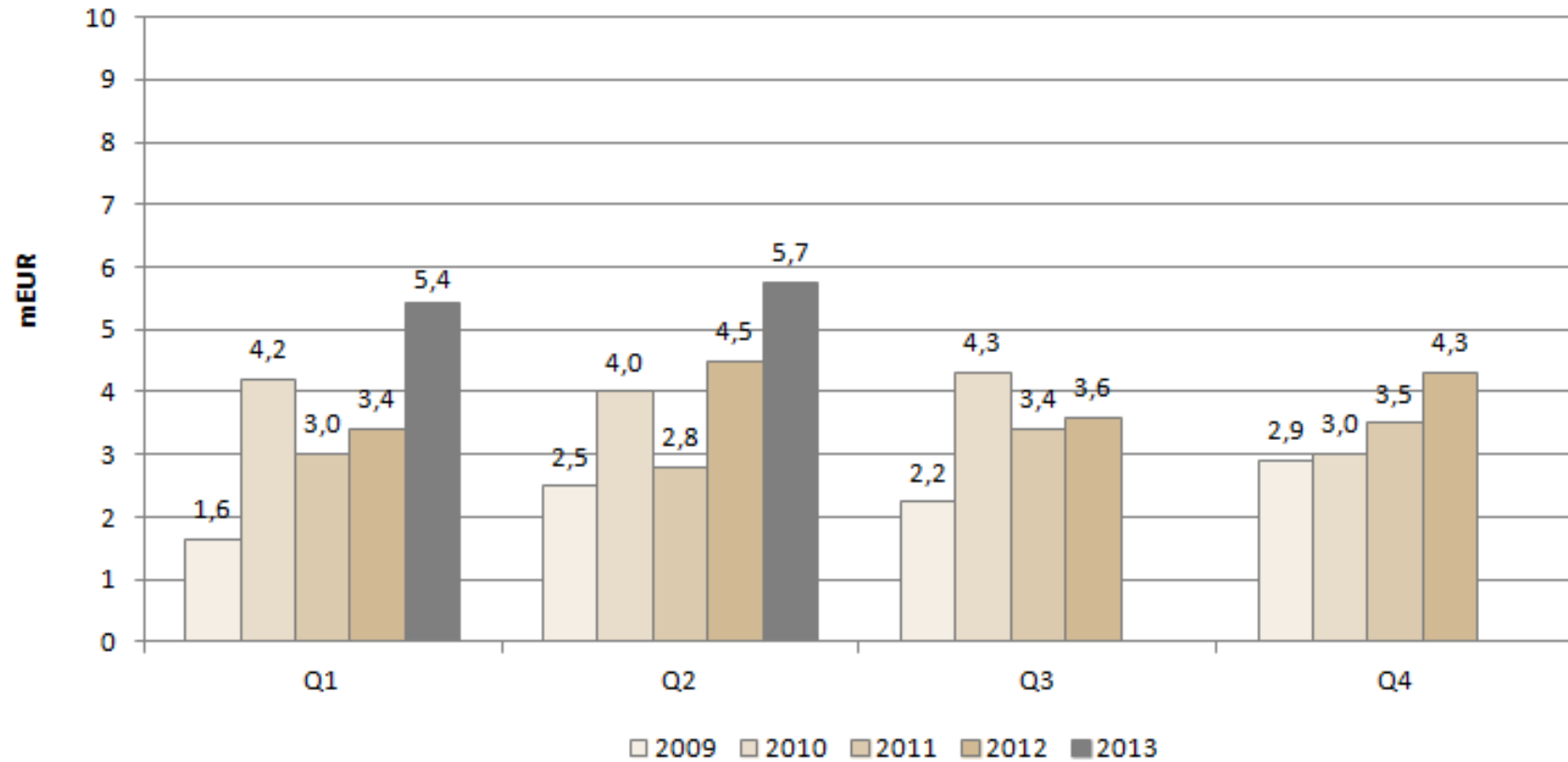
Sweden EBIT



Denmark EBIT

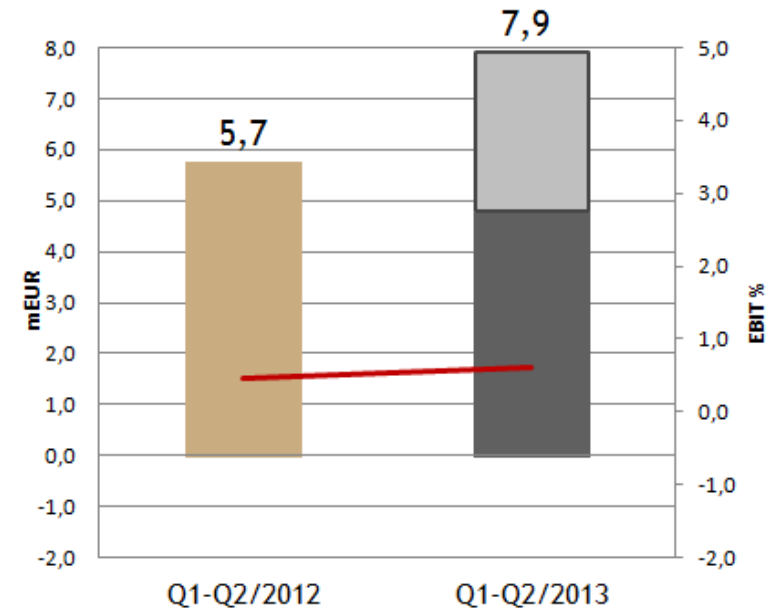
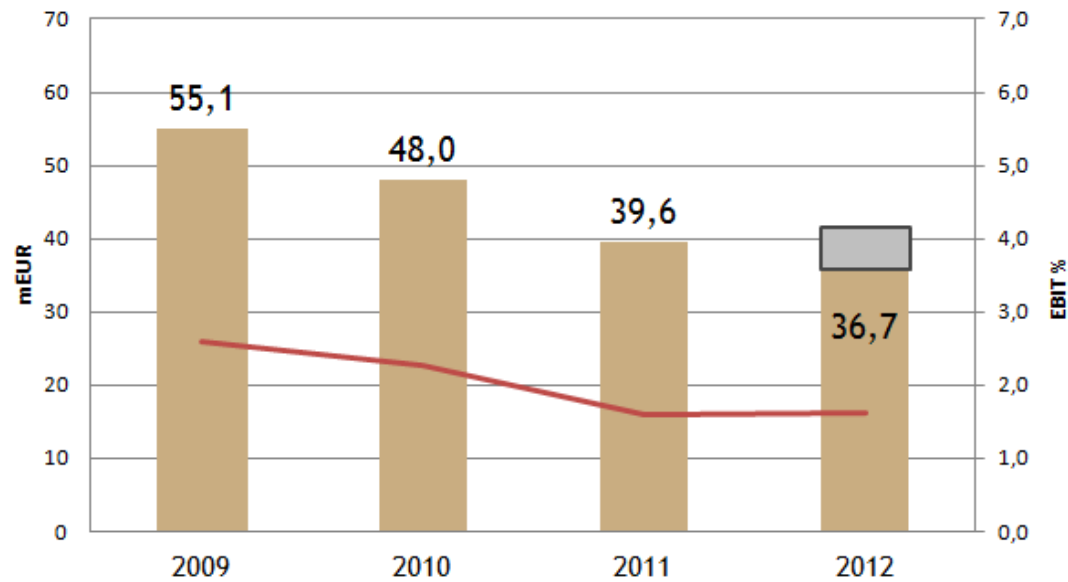


Poland EBIT *)



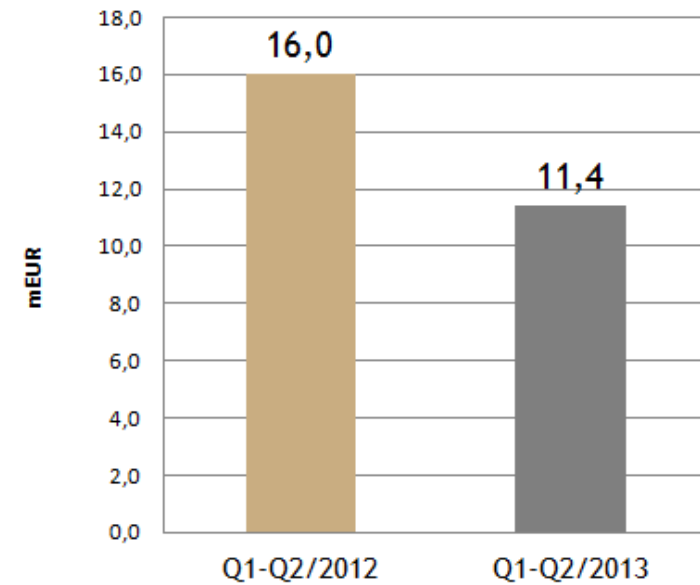
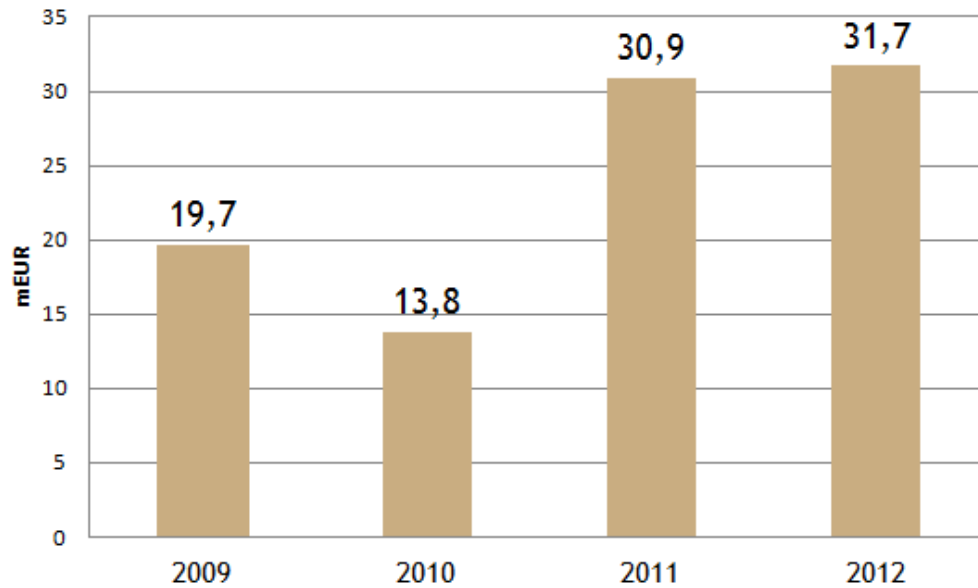
*) Represents HKScan's 50% share of Sokolów.

Group EBIT Development

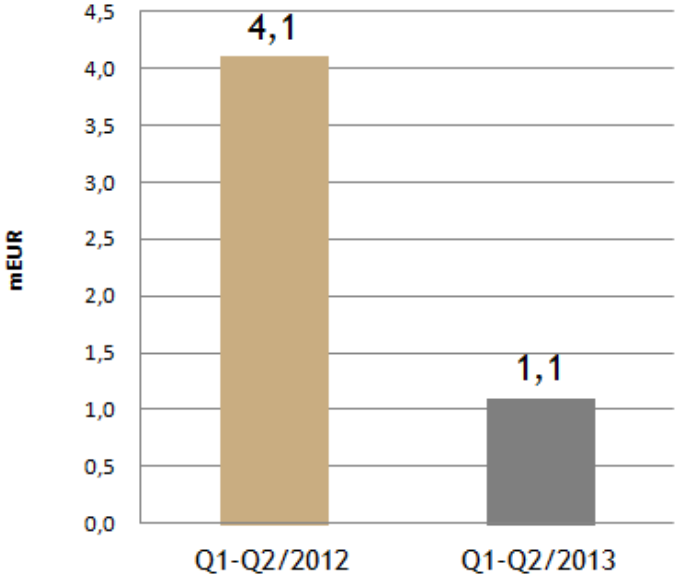
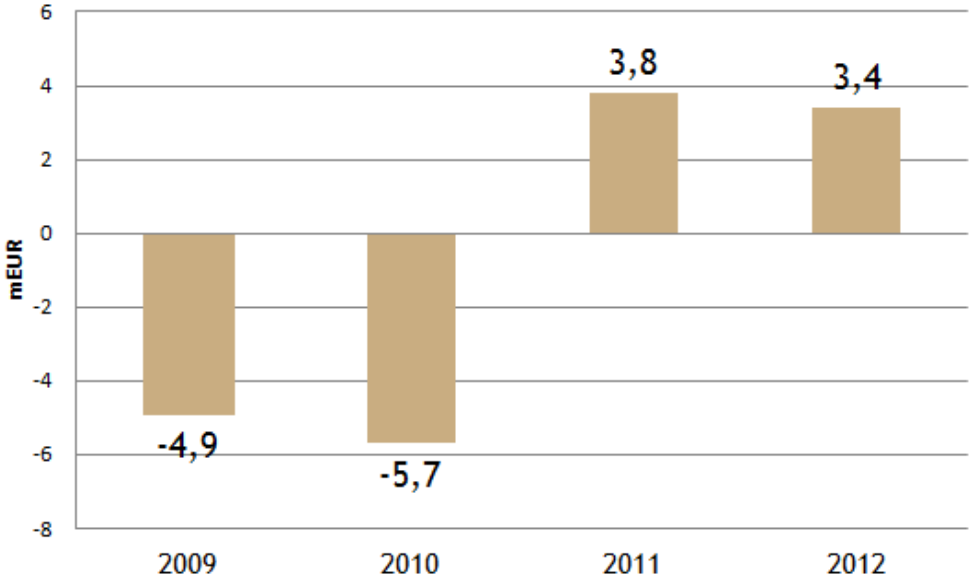


■ EBIT — EBIT%
■ Non-recurring items

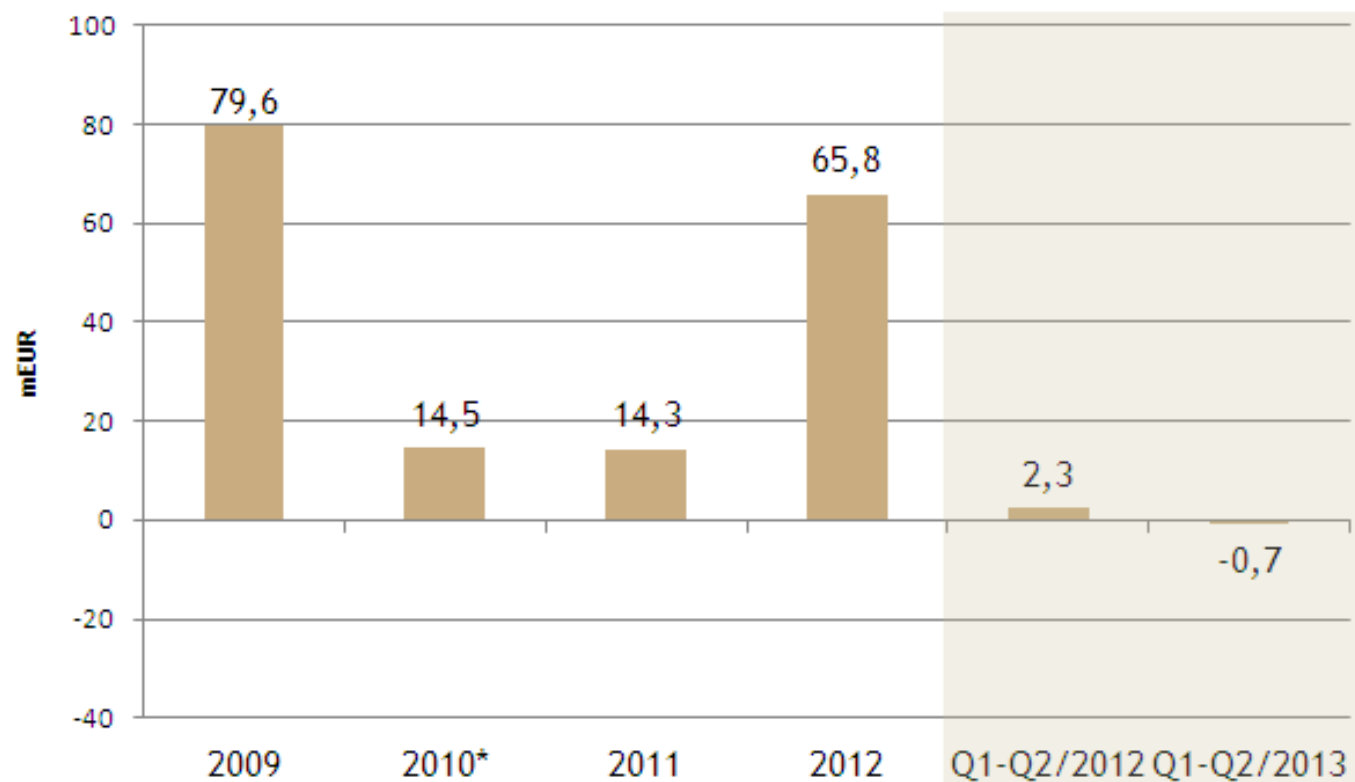
Group Net Financial Expenses



Group Income Tax

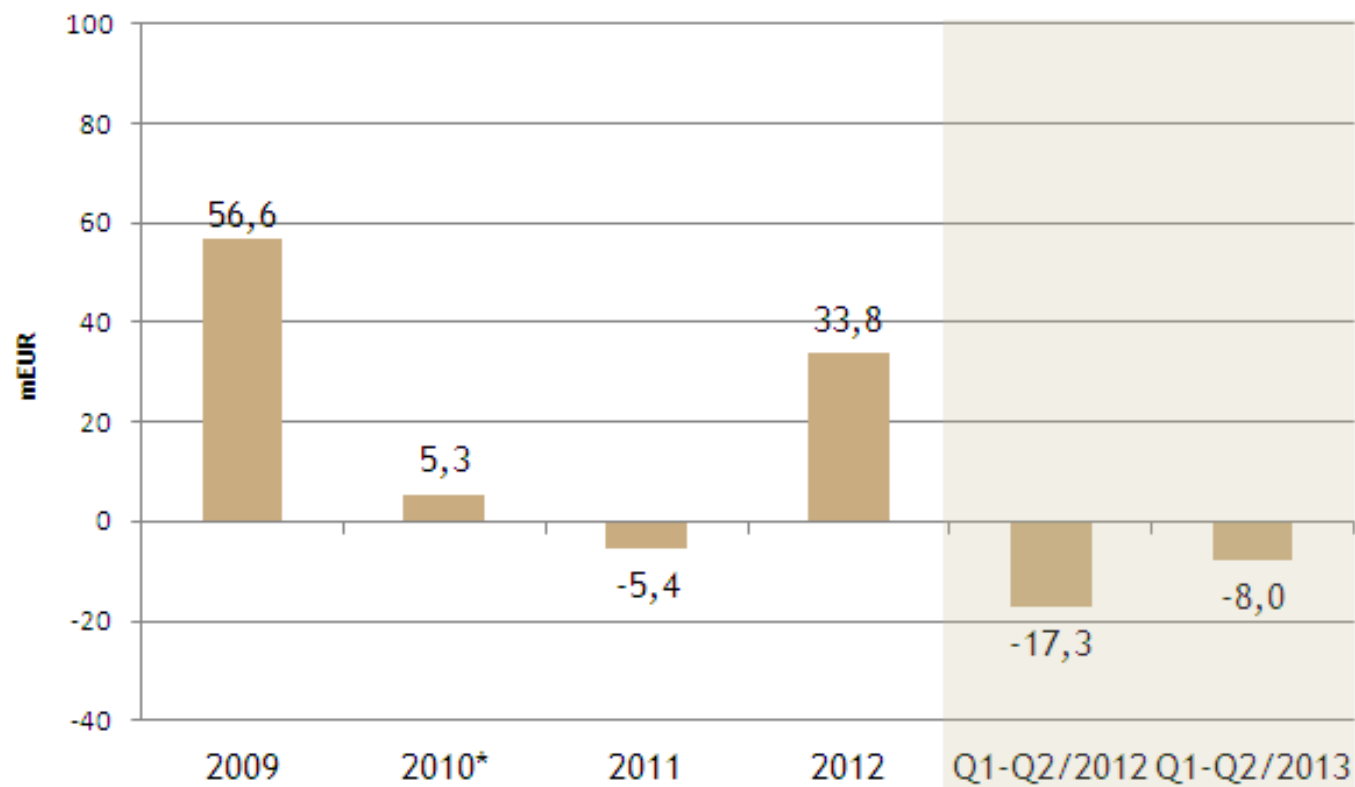


Group Cash Flow before Debt Service



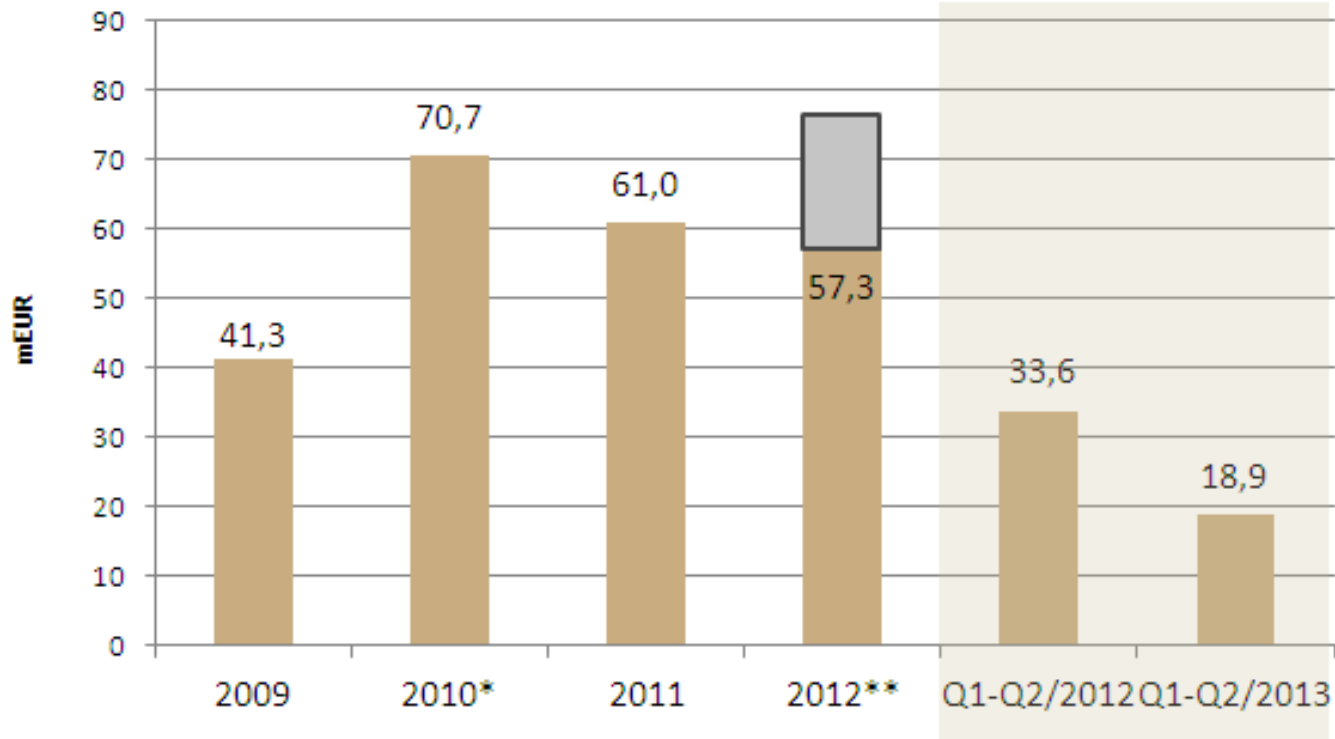
* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

Cash Flow before Financing Activities



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

Group Investments

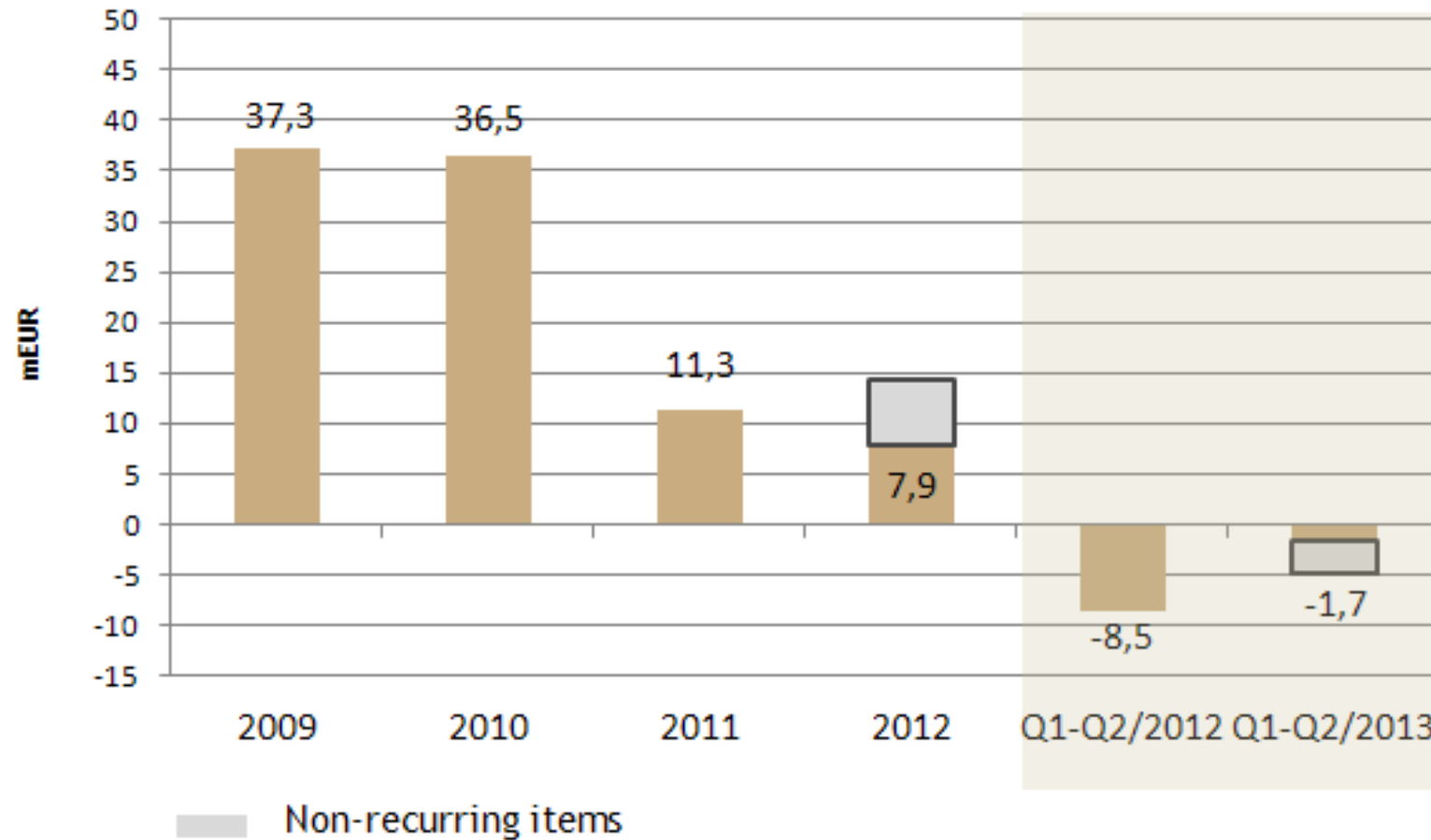


■ Non-recurring items

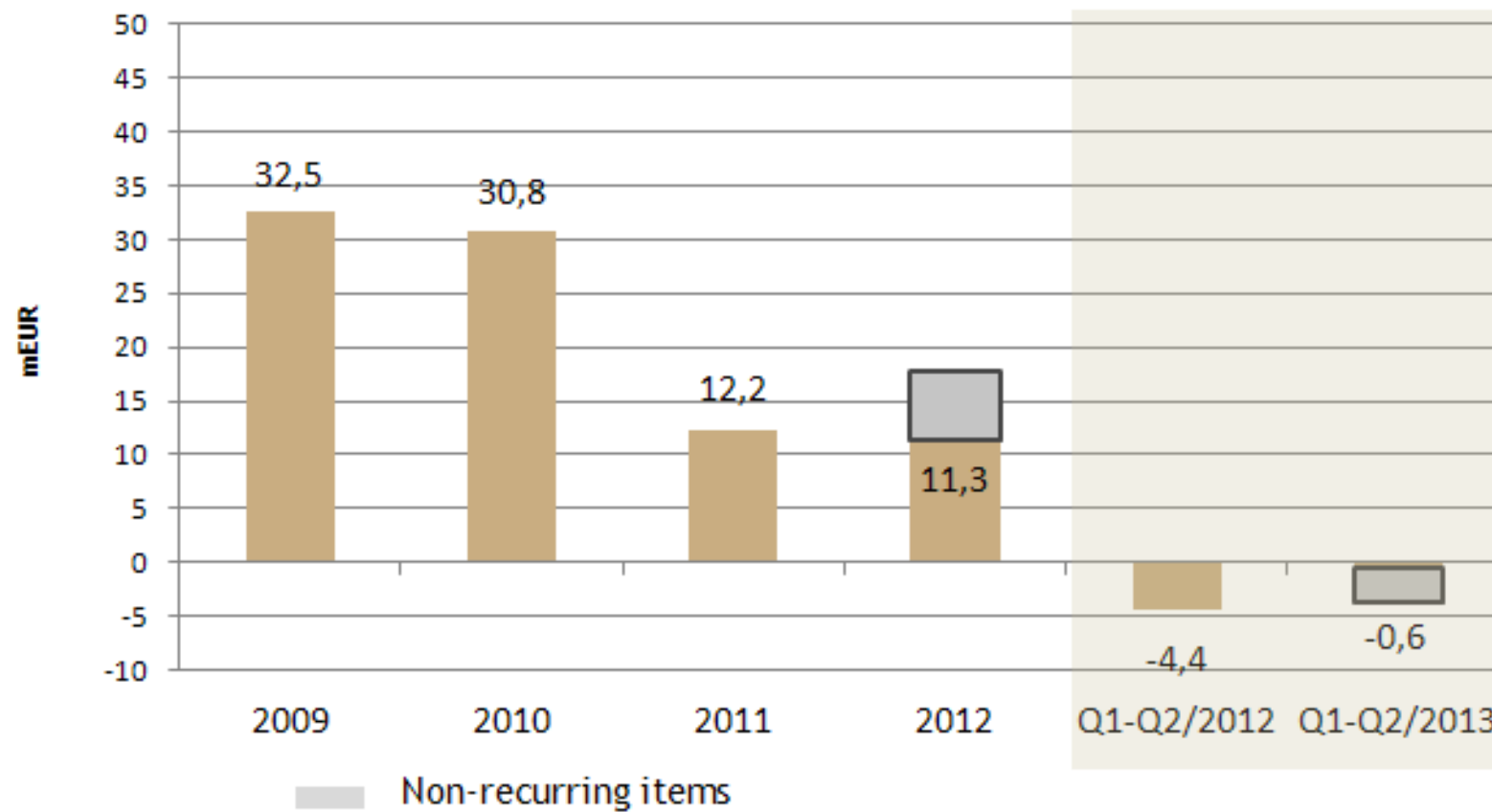
* Excluding acquisition price of Rose Poultry A/S, EUR 23.4 million

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

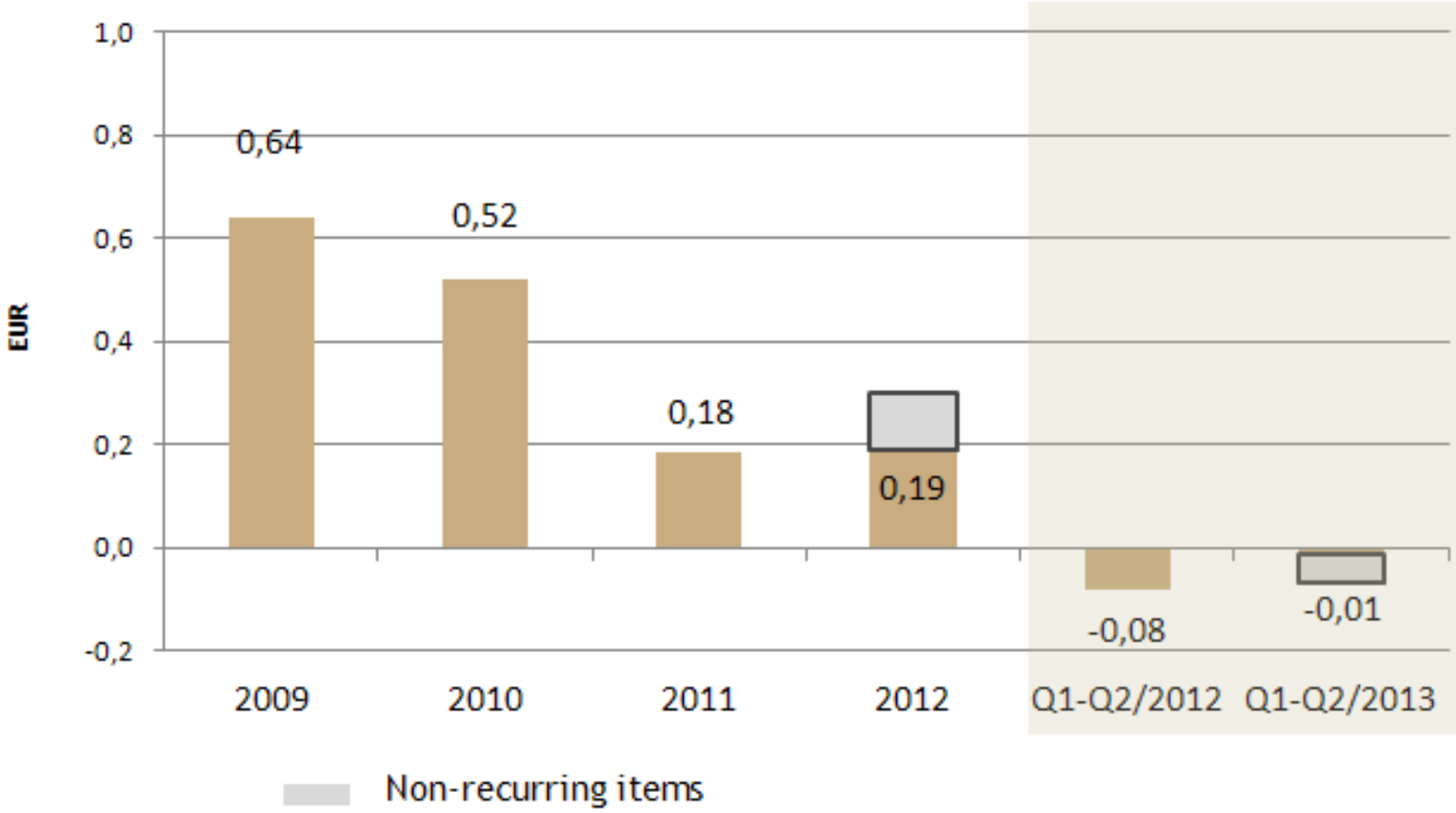
Profit before Taxes



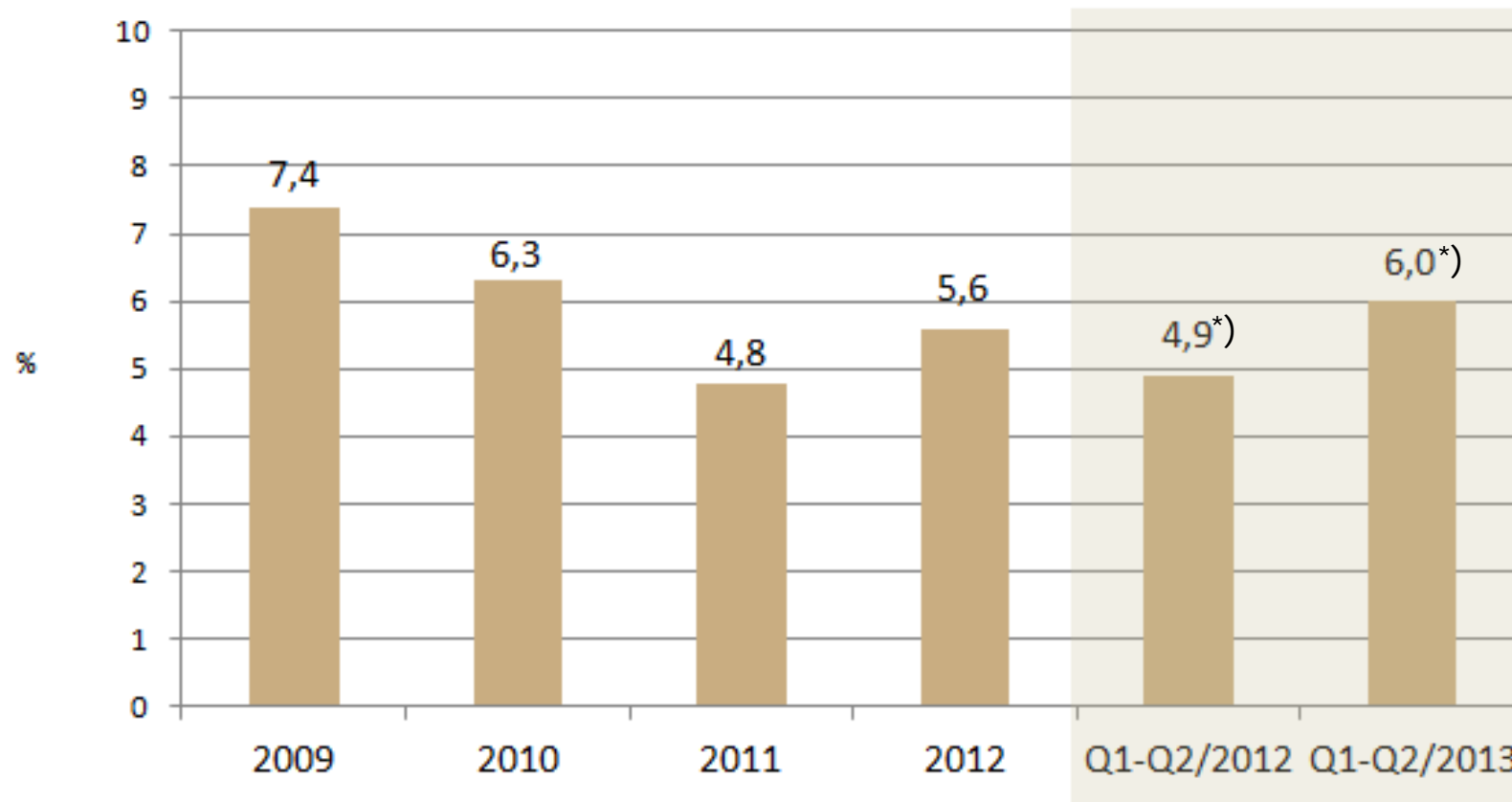
Profit for the Period



Earnings per Share (EPS)

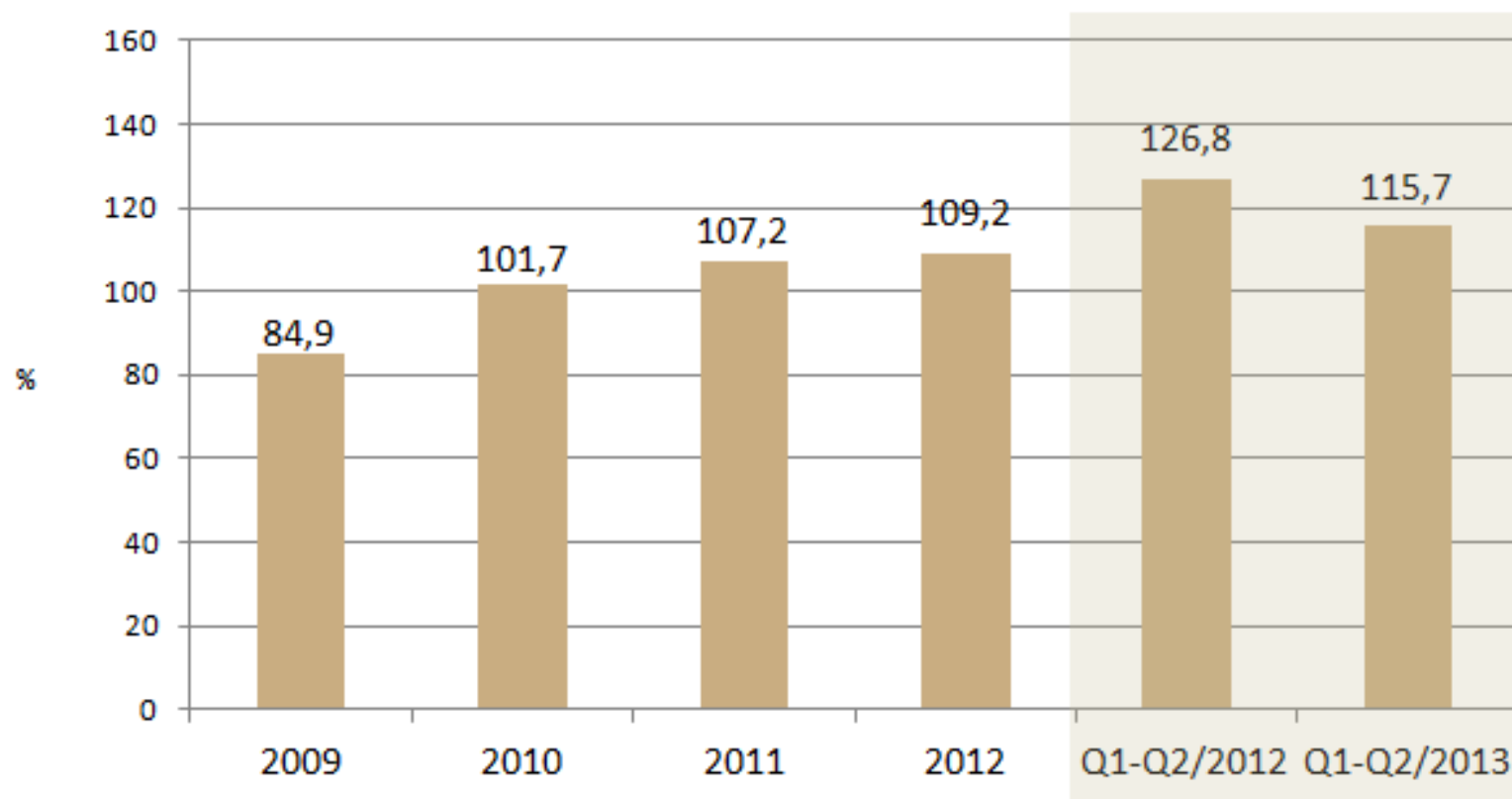


Return on Capital Employed (ROCE)

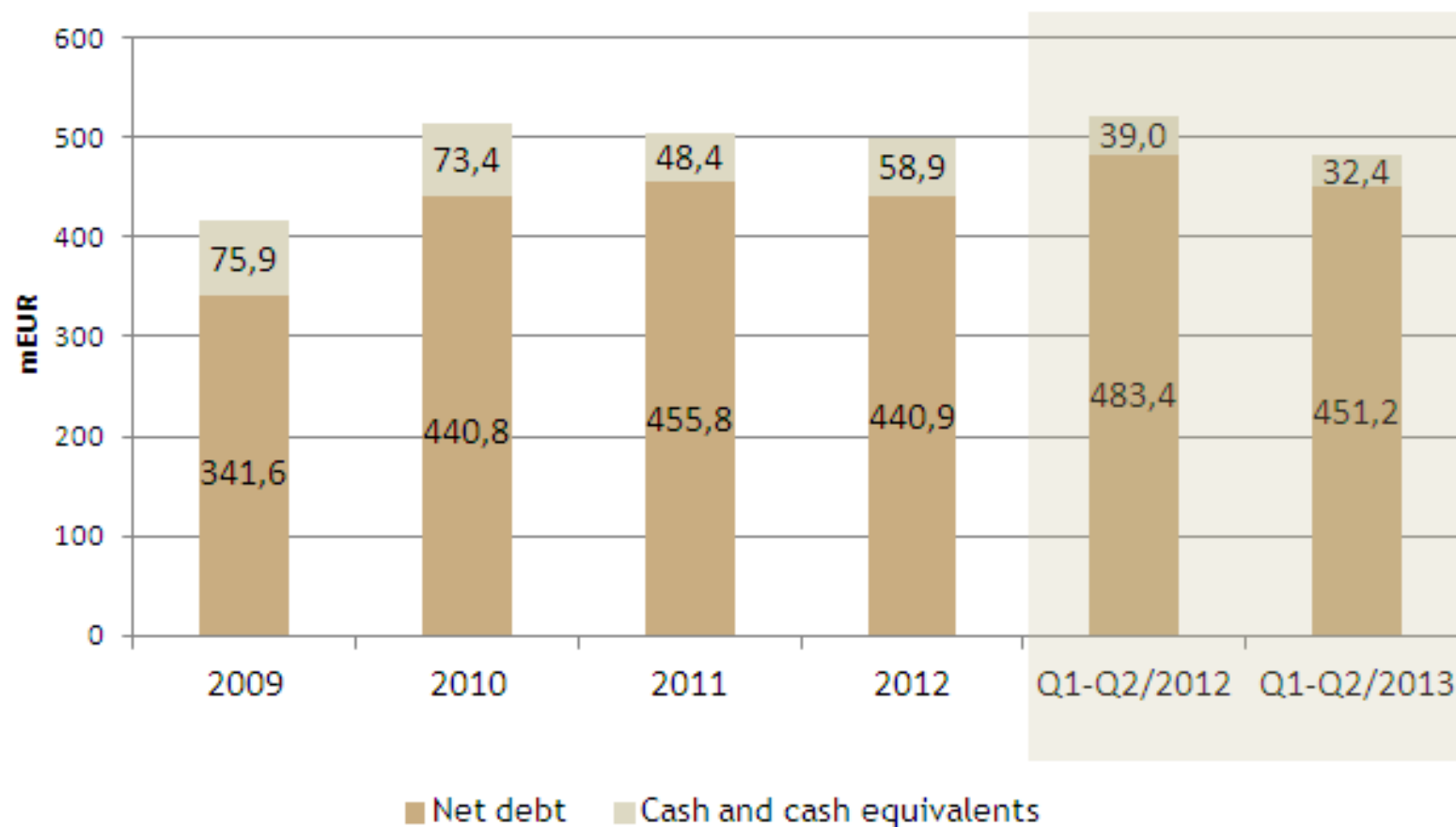


^{*)} Last 12 months

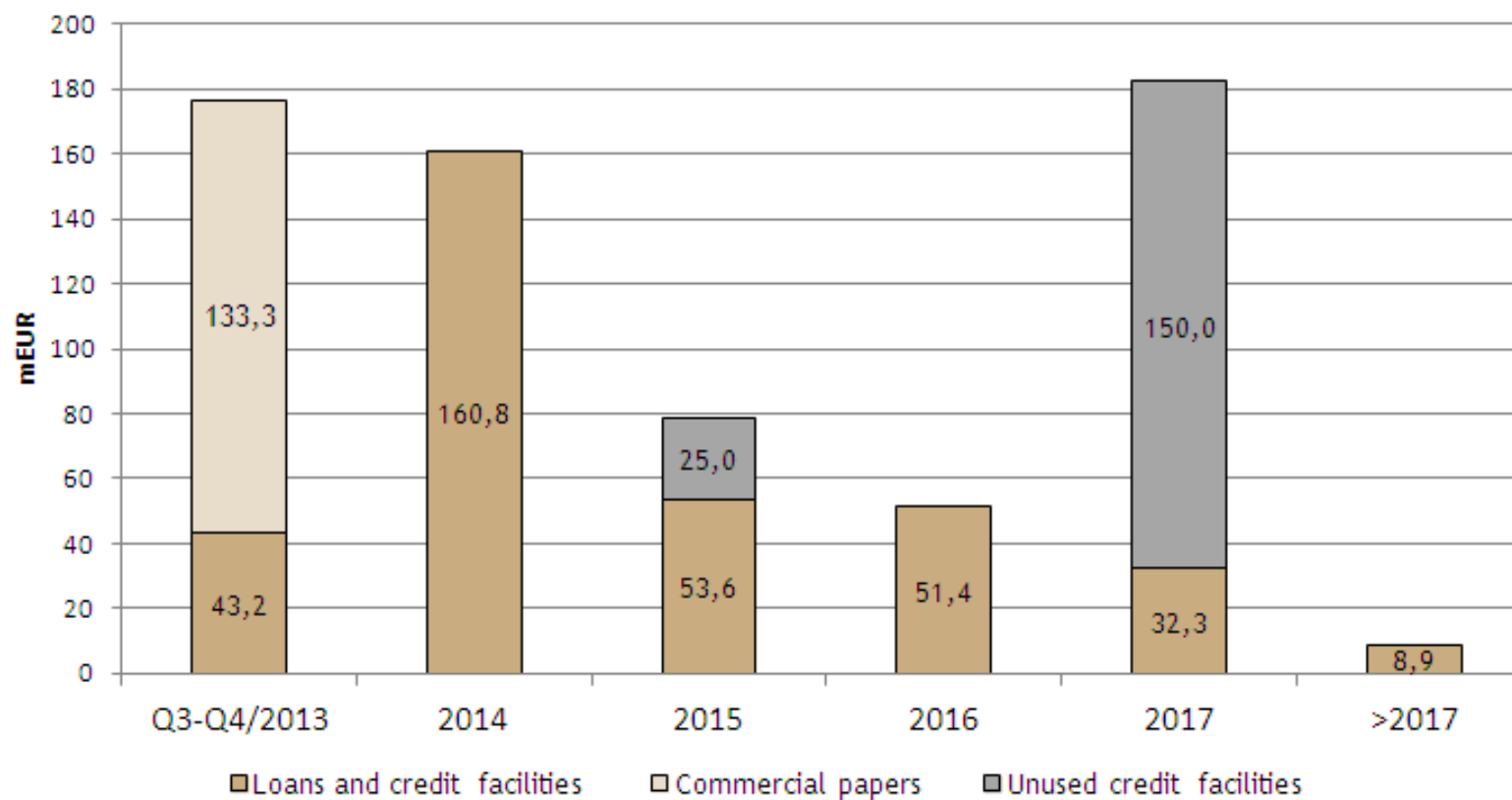
Net Gearing



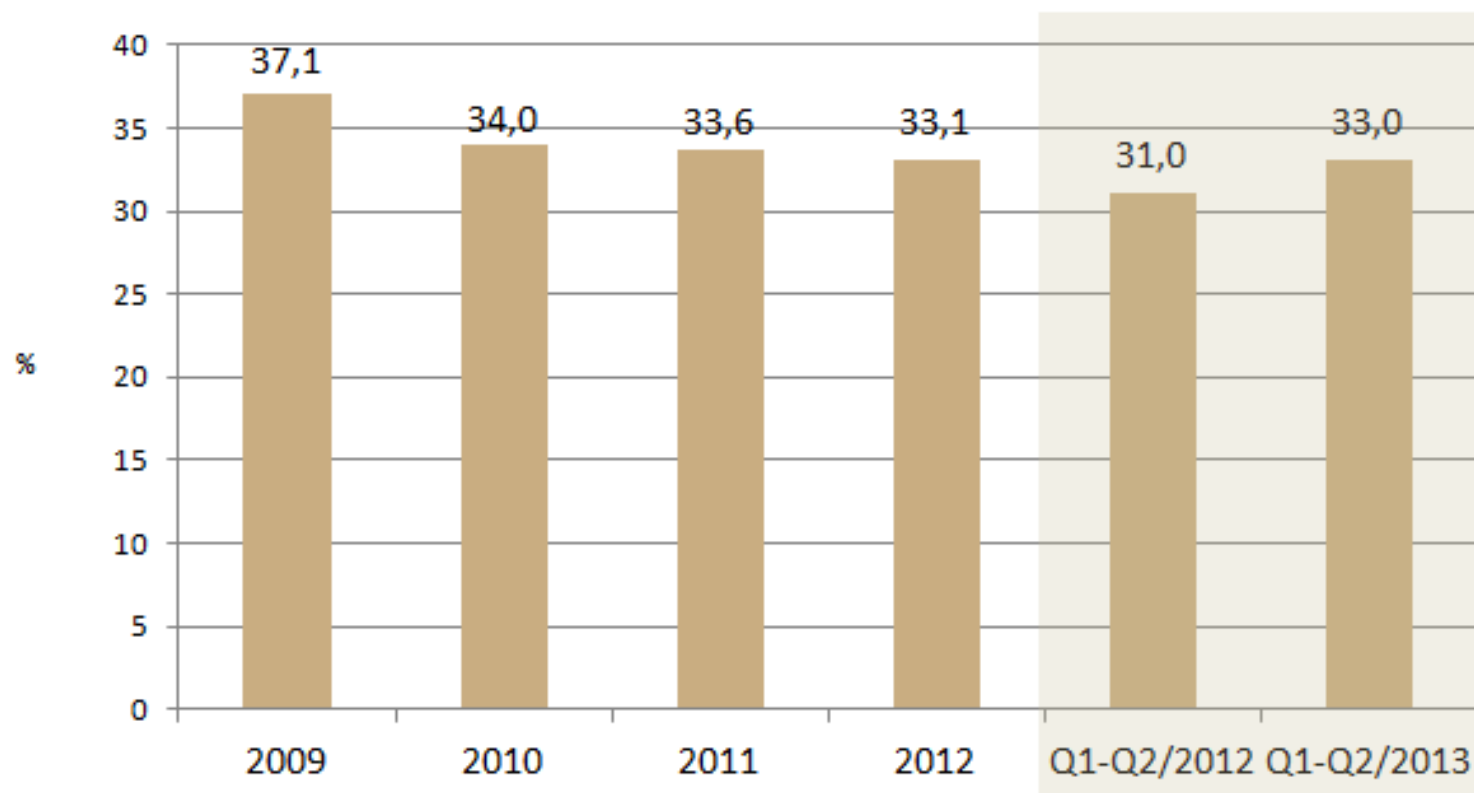
Net Debt



Maturity of the Group's Interest-bearing Debt



Equity Ratio



Key Figures

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- EBIT %	0,9	0,9		0,6	0,5		1,5
Profit before taxes	1,1	-1,2	189,3 %	-4,8	-8,5	43,5 %	14,3
Profit for the review period	0,0	0,4	-100,0 %	-3,7	-4,4	16,7 %	17,7
EPS, EUR	0,01	0,01	75,4 %	-0,07	-0,08	17,0 %	0,30
Cash flow before debt service	20,1	22,5	-10,6 %	-0,7	2,3	-131,6 %	65,8
Cash flow before financing activities	20,6	11,9	73,4 %	-8,0	-17,3	53,6 %	33,8
ROCE before taxes, %**)				6,0	4,9	22,4 %	5,6
Net debt				451,2	483,4	-6,7 %	440,9
Net gearing, %				115,7	126,8	-8,8 %	109,2
Personnel at the end of the period				8 100	9 039	-10,4 %	7 524

*) Restated

**) Q1-Q2/2013 and Q1-Q2/2012 last 12 months

Outlook 2013 (unchanged)

- Group EBIT for the entire year is estimated to improve from 2012.

Updated Financial Targets

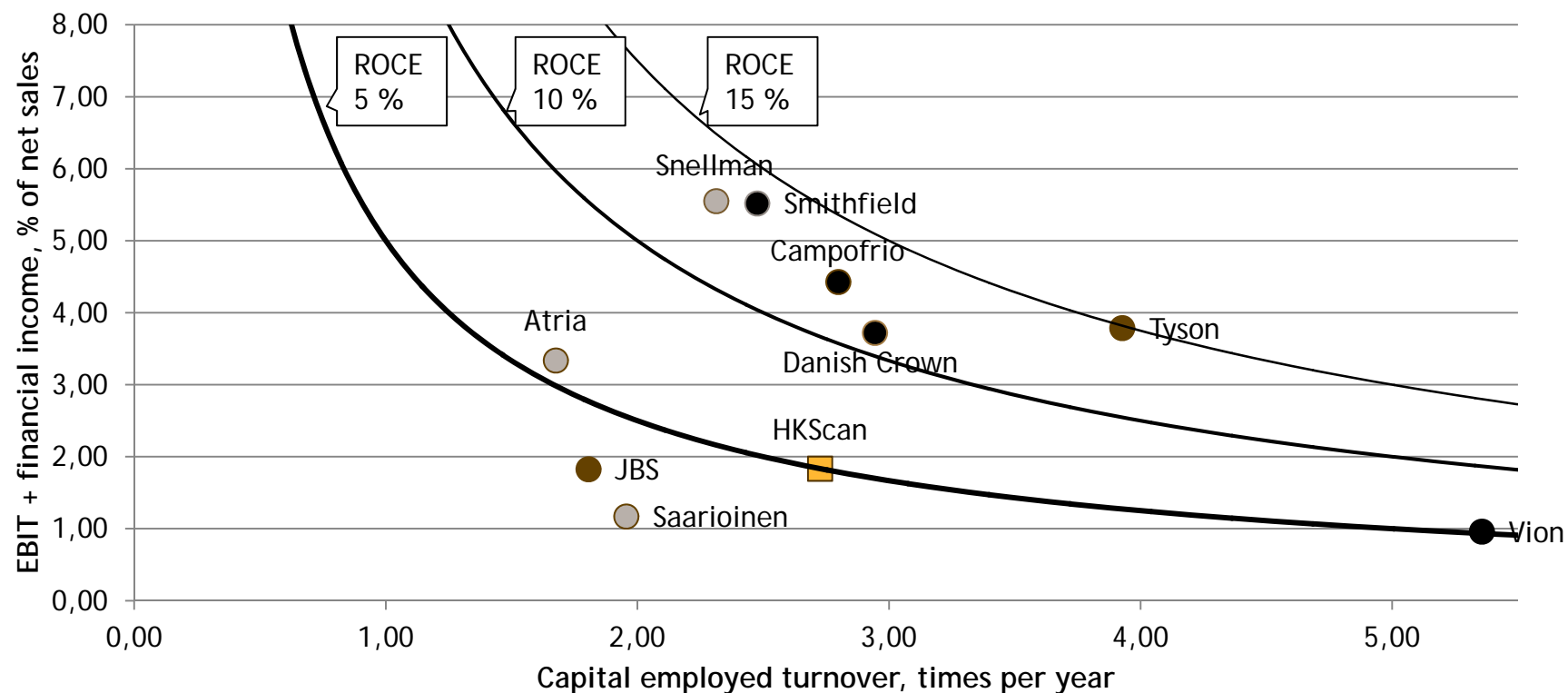
- EBIT (Operating Profit): more than 4%
- Return on Capital Employed: greater than 12%
- Net Gearing: less than 100%
- Dividend Policy (unchanged): at least 30% of Net Profit

Previous Targets:

- *EBIT (Operating Profit): more than 5%*
- *Return on Equity: greater than 15%*
- *Equity Ratio: more than 40%*
- *Dividend Policy : at least 30% of Net Profit*

Peer Group Benchmarking 2012

HKScan and peer group capital employed turnover and EBIT + financial income %



- Finnish-based peer
- International peer
- HKScan



Equivalent curves for ROCE 5 %, 10 %, and 15 %.
The same ROCE % can be achieved with different combinations of Capital employed turnover and EBIT + financial income

Source: HKScan

HKScan

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

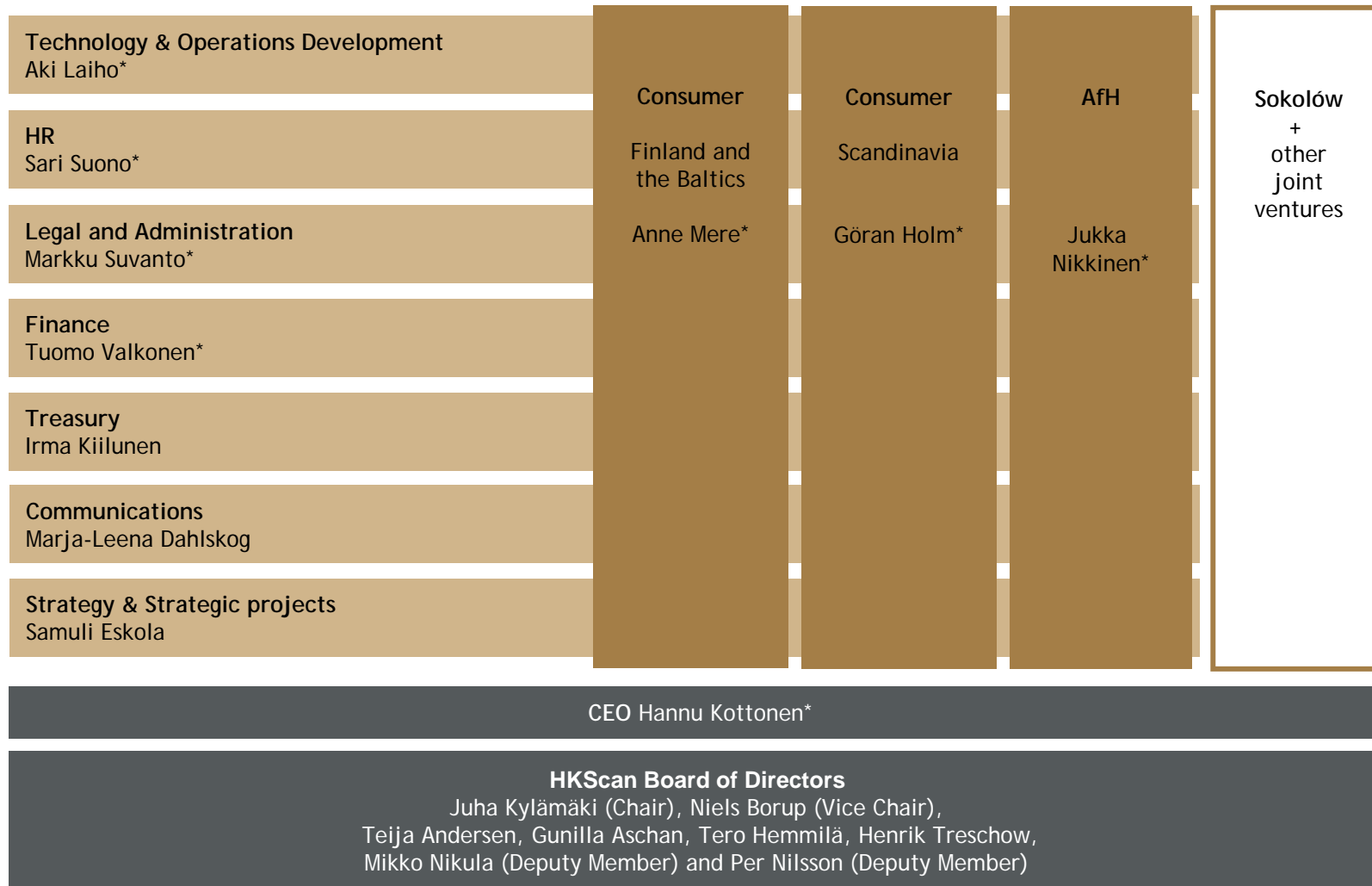
Mission and Values

Meat and More

Success, Teamwork, Trust, Responsibility, Respect

HKScan

HKScan Operating Model

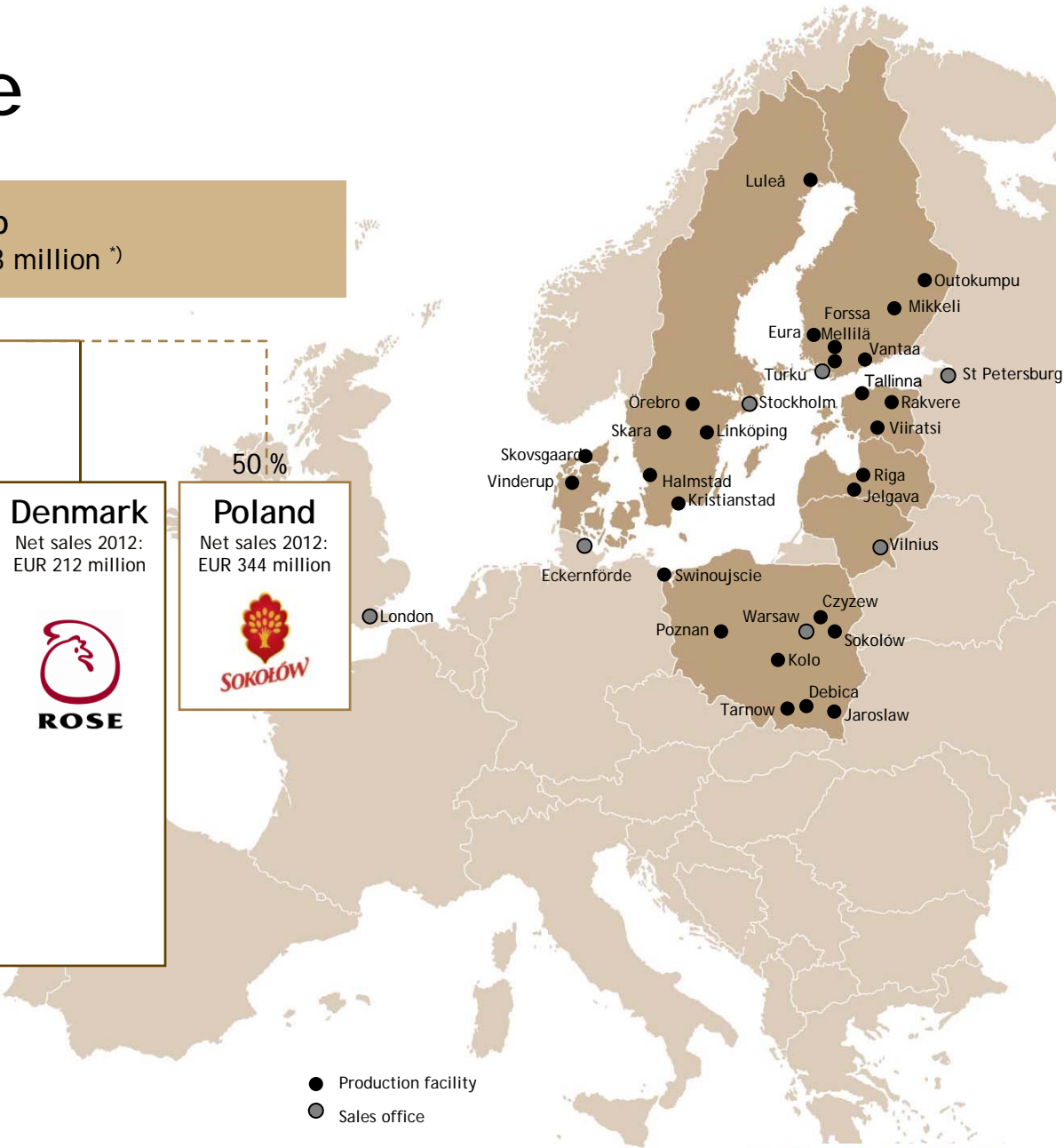


* Management Team member

HKScan

Group structure

HKScan Group
 Net sales 2012: EUR 2 503 million *)



*) restated

● Production facility
 ● Sales office





HKScan 100 years