ANNUAL REPORT 2012

HKScan

Cover: Six-year-old Maria
enjoys cooking in Mikkeli (Finland)

Contents

HKScan
100 years 1913–2013

1910s to 1920s


m. b. t.

Lounais-Suomen Osuusteurastamo

r. l.

ottaa nyt vastaan myöskin **sikoja, vasikoita, juottovasikoita** ja **lampaita** samassa järjestyksessä, missä ilmoitus teurastamolle tehdään. **Maitovasikoita** vastaanotetaan toistaiseksi joka päivä.

A U.50

1913 About twenty livestock farmers from the south-west of Finland found LSO cooperative.

1930s to 1940s

1936 The cooperative slaughterhouses establish TLK as their central firm.

1938 LSO's new bacon slaughterhouse in Turku speeds up exports.

1949 Helsingin Kauppiaat is founded by Erkki Salonoja. The production of sausages is relocated to the industrial quarters in Sörnäinen, Helsinki in 1955. HK is to become the biggest sausage plant in the Nordic countries.

1950s to 1960s

1963 HK Sininen Lenkki®, a ring-bologna, enters the market.

1968 The casingless Popsi frankfurters start their success story.

1970s

1971 The cooperative slaughterhouse from the south of Finland merges with LSO.

1975 Forssa becomes a centre for LSO's slaughtering operations.

1976 HK Kabanossi® starts the new age of barbecue.

1980s

1981 Osuustukkukauppa OTK sells its meat industry to TLK and the cooperative slaughterhouses.

1983 The largest poultry slaughterhouse in the Nordic countries, Broilertalo's production facility is completed in Säkylä, Finland.

1985 TLK and the cooperative slaughterhouses acquire S Group's meat industry.

1988 HKScan's form sees its beginnings. LSO incorporates its industry and marketing under the name LSO Food.

1990s

1991 The meat industry's major restructuring begins. Central firm TLK is dissolved. Helsingin Kauppiaat and HK brand are transferred to LSO.

1991 The new production facility of Helsingin Kauppiaat, HK Ruokatalo is completed in Vantaa, Finland.

1993 LSO buys the poultry business of Kariniemi, and combines it with Broilertalo. The largest poultry company in Finland will have its headquarters in Eura.

1997 LSO Food changes its name to the more consumer-friendly HK Ruokatalo.

1998 Internationalisation begins at Rakvere Lihakombinaat, which is the largest meat producer in Estonia and the Baltic countries.

2000s

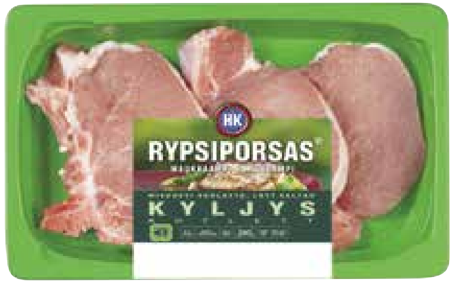
2001 Estonia's largest producer of poultry meat and eggs, Tallegg, joins HK Ruokatalo.

2004–2006 The Polish Sokołów entirely under HK Ruokatalo's and Danish Crown's ownership.

2007 Acquisition of the Swedish Scan AB. Group's net sales nearly doubled. The name is changed to HKScan.

2010s

2010 HKScan buys Rose Poultry, the biggest company in the Danish poultry industry.



2011 HK Rypsiporsas® (rapeseed pork) is launched.

2012 HK Ruokatalo earns The National Institute for Health and Welfare's annual national health recognition award. This was based on the significant reduction of salt and saturated fat in products.

2013 The food industry expert turns 100. The history book, released on the 100th anniversary, is studied by Hannu Kottonen, HKScan's CEO; Jari Koskinen, Minister of Agriculture and Forestry, and Veikko Kemppi, Managing Director of LSO Cooperative.

Towards a more united HKScan Group

The personnel and management of HKScan worked determinedly during 2012 to build a more profitable and united Group. The dedicated work helped create solid foundations for future operations.

Building a strong foundation

The development and restructuring work in the Group launched during the year was carried out in line with the strategy updated in August. To support this process, a new operating model was implemented and new senior management appointments were made accordingly.

The amended strategy concentrates on improving profitability. This will be achieved by building up brand value and demand and by improving operational efficiency as well as actively managing the dynamics that affect our future business operations. The capital structure and Group reporting will be developed further.

The deployment of the strategy and the operating model progressed systematically in all business units and support functions. Towards the end of the year, the strategic goals were translated into concrete action plans. This work will continue in 2013.

Our aim is to create unified ways of working in all our home markets and to utilise Group synergies, both at the customer interface and internally. A new, international Away from Home business (AfH) was established specifically to develop our customer service and business operations as well as the offering. The Group-level functions were also strengthened by forming, for example, a new Technology & Operations Development (T&OD) function which covers a wide range of responsibilities.

Concrete actions bring better result

The Group's overall result for 2012 was lower than expected, although the cash flow strengthened. After the second quarter, business suffered from the rapid price increase for feed in all home markets. The increased raw-material costs were gradually reflected in the sales prices. The early part of the year was particularly challenging in Sweden. However, the trend was turned for the better by the end of the year. The fire at the Vinderup plant in Denmark unavoidably took a toll on the business, regardless of the successful reconstruction programme.

In the spring, we launched an extensive development programme lasting till the end of 2013, and we proceeded with its implementation as planned. The objective is an annual profit improvement of more than 20 million euros and significant reductions in capital employed. As part of the programme, plans for the restructuring of operations in Sweden were announced, aimed at an improvement of annual profit by 10 million euros. The changes will be implemented by mid-2013. Measures to improve productivity and profitability continued also in Finland. Streamlining of the Group's legal structure commenced.

Tasty moments with food awarded for responsibility

Among the key success factors for HKScan Group are its strong brands and the innovative development of its product offering. In addition to the taste, quality and responsible production of the food, consumers appreciate products that help them adopt a healthier lifestyle. HKScan participates actively in research and development projects in the industry and invests in high-quality, nutritionally balanced products in its product development. HK Ruokatalo received the 2012 National Health Award for the long-term product development work that the company has undertaken in recent years to reduce the amount of salt and saturated fat in its products.

HK Rypsiporsas® continued its commercial success in Finland. The similar concept introduced in Sweden, Svensk Rapsgris®, was launched in both AfH and retail markets. In Estonia, the new Lihakas product range was successfully launched. Lihakas rye-breaded pork roast won the first prize in the "Best Estonian Food Product 2012" competition. The company's products also received an Estonian food industry award for "Best food for health" for the second year running.

We know the origin of our raw materials

As today's consumer purchasing decisions depend to an increasing degree on the origin of a product and its raw materials as well as the sustainability of its production process, HKScan's position as a responsible actor within the European meat and food industry is strengthening further. HKScan knows its contract suppliers and partners and therefore also the origin of its products.

During the year under review, we strengthened our cooperation with our meat suppliers. The new cooperation model for primary meat production, which is geared towards improving the competitiveness of primary production, was introduced in Finland and Sweden. The model will be implemented this year. In Finland, HKScan has also been involved in the Responsible Pork Production project, which commenced in the year under review. We have also appointed and trained personnel in our slaughterhouses to oversee animal welfare, as required by new EU regulations. Research and projects related to animal welfare, which we are conducting in all our market areas, are progressing as planned.

Tastes along one hundred years

This year, the HKScan Group and its biggest owner, LSO, are celebrating their 100th anniversary, a grand occasion that will be acknowledged in sales, marketing and communications in Finland.

It is a great honour to be at the helm of a company with such an impressive history. While this history obliges us to continue the traditions which are highly valued by our stakeholders, it also obliges us to modernise the company and its ways of working. Strong roots form a solid basis for laying new foundations to better withstand the increasingly challenging and international competitive environment, which also help HKScan to respond to the expectations of customers and consumers today and in the next hundred years.

Thank you for your cooperation

I would like to warmly thank the employees, customers, partners and the owners of HKScan for the outstanding and dedicated cooperation to meet our shared objectives. I would also like to thank consumers for the dialogue and choices you make. They are an indication that people genuinely appreciate responsibility that spans the entire life cycle of a food product – from field to dining table.

Vantaa, 1 March 2013

President and CEO, HKScan Corporation

Hannu Kottonen
President and CEO, HKScan Corporation

HKScan's strategy

"The HKScan strategy was further clarified during 2012. Strategic goals at the Group level were implemented as business- and support function-specific action plans," says Hannu Kottonen, President and CEO of the Group.

Our strategic goal is to deliver profitable performance.
"HKScan will improve its performance through more efficient and transparent Group-level business functions, know-how, management and communication. We will increase our profitability by developing our brands and offering and by giving up operations which are unprofitable. We will focus on our home markets and will establish a competitive edge through a determined execution of the strategy," says Kottonen.

According to him, the implementation of the HKScan strategy is enabled by:

- **systematic development of brand value and demand**
- **improving operational efficiency**
- **managing actively future business dynamics**
- **active monitoring of the capital structure and financial performance.**

Key financial targets

- **EBIT:** over 5 per cent of net sales
- **Return on equity:** over 15 per cent
- **Equity ratio:** over 40 per cent
- **Dividend distribution:** at least 30 per cent of net earnings

Leevi, 7 years old
Home cook from Turku (Finland)

In 2013, HKScan will evaluate the Group's vision, mission and values in relation to the Group's current business environment, and they will be updated when necessary.

Our **vision** is to be Meat Industry Shaper.

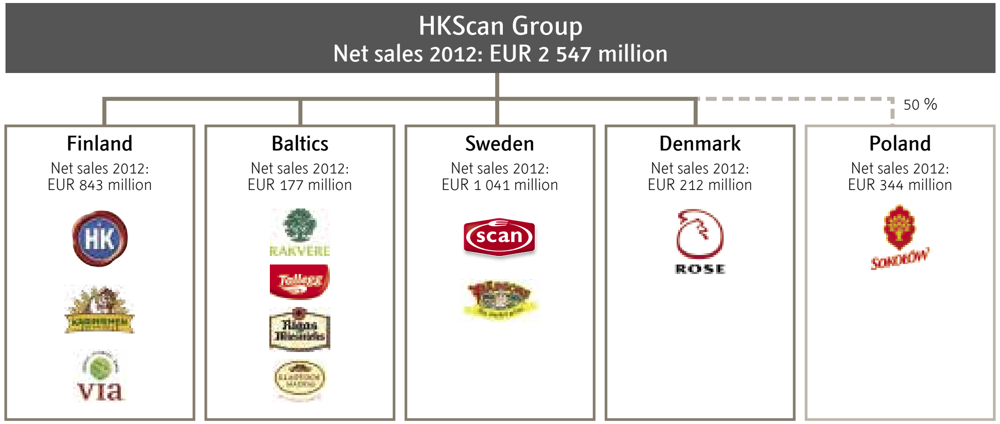
Our **mission** is described by the slogan "Meat and More". HKScan is more than the Group's high-quality and responsible products. Our task is to provide brand value, services, innovation, expertise and partnership for all our stakeholders throughout the value chain, from producers to consumers and owners. The operations of HKScan increase the added value of the entire meat and food industry. Therefore, our responsibly manufactured products and professional services are more than the sum of their parts – meat and more.

Values: HKScan employees' daily work is guided by the Group values: will to be successful and work as a team, and an atmosphere of trust, responsibility and respect.

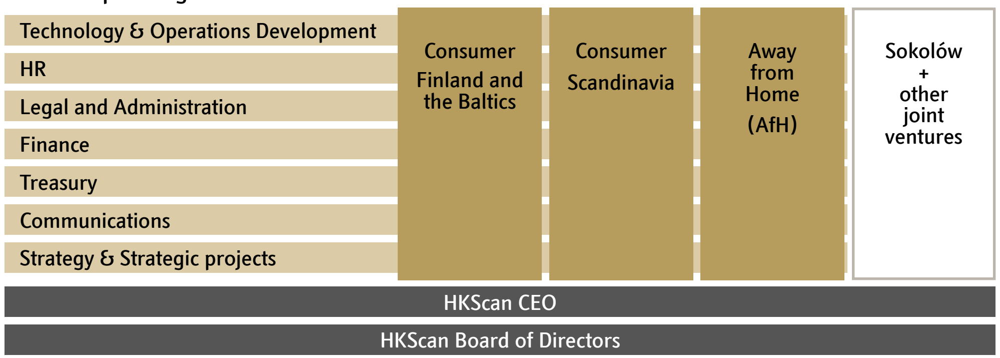
HKScan Group

HKScan is one of the leading food companies in Northern Europe, with home markets in Finland, Sweden, Denmark, the Baltic countries and Poland. HKScan manufactures, sells and markets pork and beef, poultry products, processed meats and convenience foods under strong brand names. Its customers are the retail, food service, industrial and export sectors. In 2012, it had net sales of EUR 2.5 billion and some 11 000 employees.

Group structure



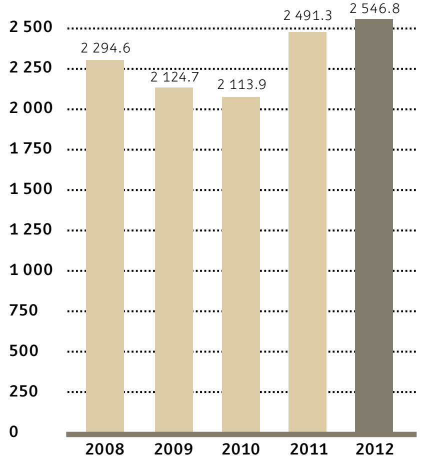
HKScan operating model



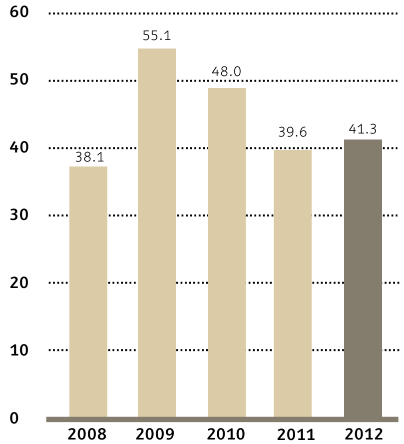
As part of the clarified strategy in 2012, HKScan renewed the Group's management and operating model to harmonise, streamline and improve the efficiency of internal ways of working and culture. The new operating model eliminates overlap and clarifies and accelerates key processes important for customers and consumers. This will improve the efficiency of operations and make information more readily available for decision-making. The new operating model will be implemented step by step in 2013.

Year 2012 in brief

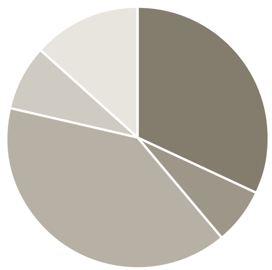
Net sales 2008-2012
(EUR million)



EBIT 2008-2012
(EUR million)



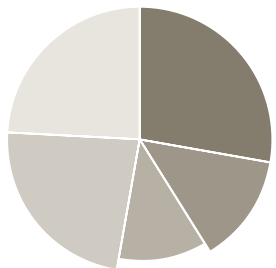
Breakdown of net sales 2012*)
(EUR million) EUR 2 546.8 million



Finland	842.6
The Baltics	176.7
Sweden	1 040.6
Denmark	211.7
Poland [1)]	343.7

*) Internal net sales included.
[1)] Indicates HKScan's share (50%) of the figures of Sokolów Group.

Breakdown of EBIT 2012*)
(EUR million) EUR 41.3 million



Finland	18.4
The Baltics	8.9
Sweden	-7.6
Denmark	15.4
Poland [1)]	15.8

*) Group administration costs excluded.
[1)] Indicates HKScan's share (50%) of the figures of Sokolów Group.

Finland	**2012**	**2011**
Net sales, EUR million	842.6	812.4
EBIT, EUR million	18.4	12.1
EBIT margin, %	2.2	1.5
Personnel at year end	2 592	2 568

> *"Profitability in Finland improved compared to 2011."*

The Baltics	**2012**	**2011**
Net sales, EUR million	176.7	173.3
EBIT, EUR million	8.9	9.8
EBIT margin, %	5.1	5.6
Personnel at year end	1 700	1 803

> *"Business developed steadily in the Baltics."*

Sweden	**2012**	**2011**
Net sales, EUR million	1 040.6	1 045.7
EBIT, EUR million	-7.6	17.2
EBIT margin, %	-0.7	1.6
EBIT excluding non-recurring costs, EUR million	-0.2	17.2
EBIT margin, %	0.0	1.6
Personnel at year end	2 339	2 704

> *"The Swedish business balanced towards year end."*

Denmark	**2012**	**2011**
Net sales, EUR million	211.7	228.1
EBIT, EUR million	15.4	-3.7
EBIT margin, %	7.3	-1.6
EBIT excluding non-recurring items, EUR million	1.5	-3.7
EBIT margin, %	0.7	-1.6
Personnel at yearend	844	807

> *"In Denmark, the reconstruction programme following the fire in June was implemented successfully at the Vinderup plant."*

Poland *)	**2012**	**2011**
Net sales, EUR million	343.7	298.9
EBIT, EUR million	15.8	12.7
Profit margin, %	4.6	4.2
Personnel at year end **)	6 491	6 175

*) The figures indicate HKScan's share (50%) of Sokolów Group's figures.

**) Refers to the total amount of personnel of the Sokolów Group.

> *"Clear improvement in Poland compared to the previous year."*

Wilhelm Rosenlew
Growing Limousin cattle in Sauvo (Finland)

Eija Lahtinen
Beef producer in Kokemäki (Finland)

Corporate responsibility 2012

As a Northern European meat processing company, HKScan acknowledges its responsibility and complies with and exceeds the requirements laid out in law and by the authorities and actively aims to influence the development of its field of operation. HKScan actively participates in research and development projects and acts to increase the transparency of its operating chain as well as the confidence of its stakeholders in all the stages of that chain.

The year 2012 saw HKScan focus on securing continuous sustainable business operations through measures that would improve profitability. By adopting a new operating model and development programme, the Group is aiming at profitable business, which creates the foundation for responsible operations and brings added value to the Group and its stakeholders. Carefully planned reorganisation strives to secure an outcome that is environmentally, financially and socially responsible. Emphasis has been placed on change management and communication, in particular.

An example of enhanced stakeholder communications is the cooperation model designed for primary production to improve dialogue, information flow and the profitability of the entire value chain. The company has participated in several joint projects with its stakeholders and received positive public attention for its efforts to promote sustainable development, such as the National Health Award by THL (National Institute for Health and Welfare) in Finland and the participation in climate work through the Haga Initiativet company network in Sweden.

The new HKScan Code of Conduct was approved by the Board of Directors meaning a significant step forward in the Group's corporate responsibility. To be implemented during 2013, the Code of Conduct will serve as the basis for all other HKScan policies and guidelines.

Social responsibility

The focus in HKScan's product development is on high-quality products with balanced nutritional value. In 2012, the company also expanded the provision of healthier products, such as the Rypsiporsas® and Svensk Rapsgris® ranges and healthy lifestyle. Employee's well-being at work has been supported through carrying out development programmes in all market areas.

A majority of the Group's production facilities have ISO 22000 or FSSC 22000 certified product safety systems or the British BRC or German-French IFS certification. Most of the production plants in Finland, Sweden and the Baltics have a quality assurance system in place which complies with the ISO 9001 standard. The Group expects similar high quality from its suppliers.

Animal welfare

The health and welfare of production animals form the foundation for the ethical operations and profitability of the entire meat production chain. HKScan monitors the welfare of production animals and develops methods to measure and verify it. In 2012, personnel in slaughterhouses were appointed and trained to oversee animal welfare, as required by new EU regulations. Research and development projects to enhance animal welfare progressed in all market areas.

Environment

It is a principle at HKScan to make sure that our operations burden the environment as little as possible. The company's aim is to improve energy and water efficiency in its operations, as well as to reduce the amount of waste and emissions into water bodies and air and to enhance recycling. The use of environmentally friendly and recyclable materials is increasing in stages. The production also provides raw materials for biogas, which HKScan uses efficiently in, for example, feed production. Most of the plants have an environmental management system in compliance with the ISO 14001 standard. The plant in Swinoujscie, Poland received the ISO 14001 certificate in 2012.

HKScan strives to meet the expectations of its stakeholders in Finland, Sweden, the Baltics and Denmark in 2012 by measures presented on the following page. A more detailed description of our corporate responsibility will be available on our website at www.hkscan.com.

Responsibility measures 2012

Tasty, safe and healthy products

In Finland, the launch of HK Rypsiporsas® continued successfully and the National Institute for Health and Welfare (THL) granted the 2012 National Health Award to HK Ruokatalo for reducing the amount of salt and saturated fat in its products. It is estimated that the amount of saturated fat has been reduced by 175 000 kg and salt by 48 000 kg compared to 2007.

In Sweden, the Svensk Rapsgris® products were successfully launched; in the products the quality of the fat has been improved, meeting nutritional recommendations.

Progress was also made in the Baltics and Denmark in reducing salt content, an issue that has received attention throughout the market areas.

Continued reduction of the amount of additives used in the products. For example, the levels of monosodium glutamate in the products were reduced, particularly in Finland and the Baltics.

Product labels were updated with more important information to consumers in all the market areas.

Product safety certification in compliance with the ISO 22 000, FSSC 22 000, BRC or IFS standards continued at a majority of the production plants.

Wellbeing of employees

The HR and management focused particularly on the restructuring of the organisation and supporting change management.

The work of the European Works Council (EWC) and its cooperation with the staff continued in a constructive atmosphere.

Staff training and coaching, in leadership skills as well as in ways of working in production and occupational safety, continued in all market areas.

In Sweden, the management training programme continued, as did a joint research project within the field aiming at an improved working environment for butchers and meat cutters.

In Denmark, participation in a national health project has brought with it various health campaigns and thorough health checks for all employees.

In Finland, a programme for early support for ageing employees, aimed at prolonging their careers, has been deployed.

In the Baltics, a motivational programme for the staff, including various benefits, now covers the entire area, contributing to employees' wellbeing at work.

Shared value for business and society

HKScan developed a new cooperation model for primary production and the new cooperation groups will start convening in 2013.

The Group participated in several joint initiatives and research projects within its industry and helped promote through its operations the use of local food and healthy lifestyle choices.

In the AfH business in Finland, the food service company Sodexo selected HK as its partnering supplier of sustainably as its partnering supplier of sustainably produced meat. Sodexo and HK ran a joint campaign on Finnish-produced pork in Sodexo restaurants during autumn 2012.

In Sweden, HKScan promoted Swedish food and food culture in collaboration with the Chef of the Year competition.

In Finland, HK Ruokatalo has served as the nutrition partner to the Finnish Olympic team since 2008.

In Estonia, the "Eating in the Estonian Way" brand promise was communicated to emphasise the value of local cuisine.

In Denmark, domestic chicken was promoted through both food services and the retail trade.

Environment

A majority of the operations comply with the ISO 14011 standard in terms of environmental management. The plant in Swinoujscie, Poland received the ISO 14001 certificate in 2012.

Environmental working groups continue their work at production plants towards improved energy and water efficiency and reduced waste production. Reducing the use of packaging material is progressing in stages in all market areas.

In Sweden, HKScan was accepted as a member of the Haga Initiativet company network, which focuses on climate work. The aim is to reduce CO_2 emissions by 50% by 2020. HKScan Sweden has also participated in a national project on climate certification of food. Life cycle assessments were carried out on Mamma Scans meatballs and Falukorv sausage. The amount of landfill waste has been minimized.

In Finland, carbon footprint calculations were conducted as part of the Foodprint project on HK Kabanossi® sausages and Kariniemen cooked tenderloin. In Finland, HKScan also participated in joint environmental responsibility projects with other industry operators targeting climate communication and reducing food waste, for example.

In Denmark, HKScan has launched new products using organic chicken, which require organic feed in breeding and high welfare standards.

In Estonia, reforms in pork production and processing have brought significant energy savings, which began to show results in 2012.

Animal welfare

Personnel in slaughterhouses was appointed and trained to oversee animal welfare, as required by new EU regulations.

Special attention was paid to the prevention of animal diseases in all market areas.

Research into alternative methods for neutering boars continued. In Sweden, a method was developed for detecting and measuring odours in boar carcasses on the slaughter line. In Finland and the Baltics, tests and evaluations continued of the feasibility of chemical castration as an alternative to the surgical method.

In Finland, HKScan is participating in a project in which a national quality assurance system for the meat production chain is being devised in compliance with the ISO 9001 standard. Animal welfare is one of the most important aspects of the project. Participation in the development of a national animal welfare monitoring system continued in 2012, with special focus on beef production.

In Denmark, the traceability and quality assurance system for the production chain of broilers is continuously being developed for improved animal welfare.

Matti and Sirkku Isolauri
Growing Rypsiporsas® (Rapeseed Pork) pigs in Vehmaa (Finland)

Heidi Hyvärinen
Food worker at the boneless chicken packaging unit in Eura (Finland)

HKScan personnel in 2012

Number of personnel

Excluding the Sokolów Group in Poland, HKScan Group had an average of 7 763 (8 287) employees in 2012. The number of employees increased in Finland because the previously outsourced cutting functions were transferred back to the company. The number of employees in the Baltics, Sweden and Denmark decreased due to the ongoing efficiency programmes.

Average number of personnel by market area:

	2012	2011
Finland	2 794	2 750
Baltics	1 742	1 881
Sweden	2 428	2 789
Denmark	799	867
Total	7 763	8 287

In addition, the Sokolów Group had an average of 6 310 (6 191) employees.

Division of personnel by market area at year end:

	31 December 2012	31 December 2011
Finland	2 592	2 568
Baltics	1 700	1 803
Sweden	2 339	2 704
Denmark	844	807
Total	7 475	7 882

In addition, the Sokolów Group had a total of 6 491 (6 175) employees at year end.

Changes in the organisation structure

The organisation structure of HKScan has been changed to comply with the new operating model. During the year under review, the HR function and the Group's management have paid particular attention to the reorganisation as well as the clarification of roles and responsibilities, and to change management.

The new organisation of the Group's senior management was introduced in August. The Away from Home (AfH) Business function and the Group-level Technology and Operations Development (T&OD) function were established according to the new operating model.

The Swedish organisation was changed to comply with the new operating model from the autumn. The rationalisation of the legal structure also continued in Sweden, as well as the merging of commercial, production and logistics organisations which support the business.

In Finland, the Järvi-Suomen Portti organisation was merged into HK Ruokatalo Oy. The streamlining of the legal structure commenced. The reorganisation of the structure and functions has also continued in 2013.

The Baltic organisation was also adjusted to meet the new operating model, and the operations of the Baltic companies were streamlined under one unified management. The sales, logistics and customer service operations were merged and reorganised in Estonia.

In Denmark, resources were centralised for recovering from the fire at the Vinderup plant. The HR function worked actively with the employees whose employment was terminated, and the function participated in the reviewing and planning of re-employment opportunities.

The HR function was the first to adopt the Group's new operating model

Because the employees, competence, leadership and the corporate culture are the basis for the Group's success, a decision was made to begin the establishment of the Group's new operating model from the HR function.

Key HR tasks in the HKScan Group are to create common principles and ways of working to have an impact on the corporate culture, on trust and fair leadership throughout the Group and its business areas. HR also has a central role in the company's change management.

During the year under review, joint HR targets and metrics were specified for the Group. In addition, joint HR processes were created and the responsibilities, tasks and job descriptions of the HR function were clarified. The goal is to increase synergy, cooperation and dialogue, to share best practices and to be transparent and provide job rotation opportunities.

Employee wellbeing steps taken by HKScan

During the year under review, HR training focused on leadership and on the development of better working methods and industrial safety.

In Sweden, the management training scheme continued, as well as the project, spanning the entire sector, to improve the working environment of butchers and carvers.

In Denmark, participating in the national health project has enabled health campaigns and health checks for the entire staff.

In Finland, the early-support operating model, which focuses on continuing longer at work, was developed further.

In the Baltics, the personnel incentive scheme now covers the entire operating area and has also improved wellbeing at work.

The European Works Council

The HKScan Group's European Works Council (EWC) continued its operations in 2012. Its operating and working methods are based on EU-wide contracts on HR cooperation between European multinationals.

The EWC promotes dialogue between Group management and personnel representatives.

The EWC is a discussion-oriented cooperation body between the management and employees in matters which are significant and with a scope that crosses national borders.

The EWC convenes twice per year in a country included in the operating area of HKScan. In 2012, the EWC convened in Sweden and Finland.

Anni and Taina Jalava
Growing chicken in Eura (Finland)

The new Technology and Operations Development function

The goal of the functions centralised at the Group level is to implement joint processes, tools and working methods in all operating areas of HKScan. The organisation of Technology and Operations Development (T&OD) is a new Group-level function, established in autumn 2012. It operates in close cooperation with different business areas of the Group.

Key figures of animal purchasing	2012
Number of contract producers	15 700
Animal sourcing, EUR million	1 400
Animal sourcing, million kg	460

The responsibilities of Technology and Operations Development are Animal Sourcing and Producer Services, Sourcing of Material and Services, management of the Group-level Supply Chain, and processes related to new product development, technology, quality and sustainable development in all home markets of the Group. In addition, the former country-specific ICT functions have been compiled into a single Business Process Solutions organisation as a part of the Technology and Operations Development.

Group-wide Animal Sourcing and Producer Services

Animal Sourcing and Producer Services is one of the most central Group-wide functions at HKScan. The organisation is responsible for effective animal sourcing and close cooperation between meat producers and other stakeholders in the primary production.

The integrated Animal Sourcing and Producer Service organisation provides the entire Group with relevant information and competence. At the same time, producer cooperation is strengthened, and the feed business and producer services are developed in all home markets. The goal is to also simplify the methods, contracts, processes and systems. The steps intend to improve the competitiveness of primary production while promoting future business development.

The operations of the Animal Sourcing and Producer Service organisation have been launched by taking the new producer cooperation model to different countries of the Group, and by strengthening producer services and harmonising animal sourcing procedures. The introduction of the new producer cooperation model will continue in 2013 especially in Finland, but also in Sweden.

The goal of primary production's working groups is to improve the competitiveness of meat production and procurement, monitor profitability and ensure the continuity of meat production on farms which utilise best practices and actively develop their operations.

Sourcing of Materials and Services

The function is responsible for all Group-wide purchasing of material and services, excluding animals and meat raw material. It is also responsible for quality and sustainability matters related to HKScan's subcontractors.

Supply Chain Management

Supply Chain Management is responsible for the planning processes of the Group-wide supply chain, their support tools and logistics, and its development. The meat procurement team included in the organisation is also responsible for meat procurement and the management and development of contract manufacturer relations.

Innovation and Technology

The Innovation and Technology function comprises, among other things, the Group's innovation process management and an optimal utilisation and development of the Group's technology. The function also includes product quality and safety coordination and development, as well as the management of different themes related to sustainability in the company.

The goal of the joint organisation is to streamline the Group's research and product development methods into a Group-level innovation and NPD (New Product Development) process to result in long-term product development ideas to enable profitable business growth. This also strengthens the cooperation network with external research institutes, for example.

In 2012, the Group's research and development operations were mainly related to the development of new products in a time span of 12 or 24 months, and to the modernisation of products already on the market.

Business Process Solutions

Business Process Solutions is responsible for continuous process development and Group-wide management of HKScan's information and communication technology and infrastructure.

Annina Sintonen
Working as a sausage packaging employee in Vantaa (Finland)

Arto Pajukko
Working for HK Pro in Vantaa (Finland)

Away from Home (AfH) – Group-level B2B across borders

In autumn 2012, HKScan created the new Away from Home (AfH) business, which comprises the food service business in all HKScan's home markets and export and import business functions. In 2012, the net sales of the AfH business was about EUR 400 million.

AfH units	Customer type
AfH Food Service:	**Public sector**
AfH Finland	- Schools
AfH Sweden	- Municipalities and government
AfH Denmark	- Defence forces
AfH Baltics	- Hospitals
	- Elderly homes
	Private sector
	- HoReCa
	- Fast food
	- Catering / staff restaurants
	- Service stations
	- Industry
	- Entertainment and sports
HKScan Export	The Group's export customers
Annerstedt Flodin	A channel for high-quality import meat, retail and food service customers in Sweden

HKScan's AfH serves food service customers in the company's home markets and international customers by exporting HKScan meat and products to more than 40 countries and importing high-quality beef to the Swedish market. The Group has a sales company in the UK, a joint venture in Germany with the Danish-based Tican, and a representative office in St. Petersburg, Russia. The goal of the sales companies is to sell a more extensive product range and added-value products in these markets.

Group-level AfH business extensively utilises the Group's know-how across borders in product manufacturing and development as well as in the utilisation of different service concepts. Most customers of AfH are multinational operators, to whom HKScan can offer a very wide product range. The AfH business also includes the Makkarabaari and Scan Gatukök snackbar concepts.

Food Service

Customers of the AfH food service business include private-sector restaurants, fast food and catering companies, staff restaurants and wholesale operators. AfH provides an extensive, customer-oriented and continuously developing basic range of meat and processed meat products, and added-value products in the sector. In addition, food service has a strong focus on added-value products and ready-made products which make customer operations easier. AfH food service business is run by the Finnish, Swedish, Danish and Baltic organisations. AfH also sells HK, Kariniemen, Scan, Rakvere and Tallegg (all familiar from the consumer market) products to its customers.

Export

HKScan's Group-level exports serve its international customers in more than 40 countries. The export products, i.e. pork, beef, poultry and meat, are produced in all HKScan operating countries: Finland, Sweden, Denmark and the Baltic countries. In 2012, the export directed mainly to Russia, Germany, the UK, Japan, the Middle East and Hong Kong. The export customers are mainly industrial customers. Products which are not typically consumed in the Nordic Countries and by-products are an integral part of the export product range. Examples include trotters, chicken toes and by-products, such as hides.

Annerstedt Flodin

Annerstedt Flodin imports high-quality beef and lamb mainly to the Swedish market from Uruguay, Australia and New Zealand.

Cornelia Larsson

Working at the Scan Gatukök Grilleken in Hjärnap, Skåne (Sweden)

Juhani Tavasti
Growing Charolais cattle in Halikko (Finland)

In Finland National Health Award 2012 to HK Ruokatalo

In Finland, HKScan manufactures and markets pork, beef and poultry, meat products and convenience food. HK and Kariniemen are the main product brands of HKScan in Finland. Other brands are Via and Portti. Tamminen and Kivikylän in turn are the brands of the associates.

Finland	2012	%	2011	%
Net sales, EUR million	842.6	32.2	812.4	31.8
EBIT, EUR million	18.4	36.2	12.1	25.2
EBIT margin, %	2.2		1.5	
Employees at year end	2 592		2 568	

Key product launches: HK Rypsiporsas® nuggets and fried meat, and HK Sininen Lenkki® A Class and Kariniemen Kananpojan oven box.

2012 National Health Award for HK Ruokatalo in November.

Key investments: Most investments in Finland focused on the conventional maintenance and repair of production lines.

The National Institute for Health and Welfare (THL) of Finland granted the 2012 National Health Award to HK Ruokatalo for its nationally significant promotion of public health. HK Ruokatalo received the prize thanks to the work it has done to bring down the levels of salt and saturated fat in its products.

HK Ruokatalo has been focusing on nutritional matters for several years. The company launched a nutritional strategy in 2007, defining specific nutritional criteria for, for example, product development. The strategy is based on Finnish nutrition recommendations and information on nutrient intake of Finns. From the public health perspective, the most common nutritional problems are the excessive use of salt and saturated fat. Since meat and meat products are a significant source of both, HK decided to take action to remedy the situation.

Less salt and saturated fat

The reduction of salt in HK's products began step by step. Each product group – meat, meat products, poultry and convenience foods – were analysed. The typical reduction in salt content for a product was 0.1–0.2 percentage points, with the most significant single reduction being in the seasoning mixes used in poultry products, in which the reduction was 20% on average. As HK Ruokatalo products are used by a large number of Finns, this means that in 2012 the intake of salt was reduced by more than 45 000 kg by eating HK products compared to the 2007 level.

The aim to reduce the amount of saturated fat in meat and meat products led HK Ruokatalo to one of the greatest innovations in the meat processing industry, resulting in the new product HK Rypsiporsas® pork fed on rapeseed oil. In line with HK Ruokatalo's nutritional strategy, which is based on the idea of making tasty and healthy everyday food products rather than introducing small series of specialised or functional foods, the company decided to focus its development efforts on the composition of the raw materials instead of enhancing the end product. Now that Rypsiporsas® is used as a raw material in more than 150 HK pork products, the fat quality in all these products complies with the Finnish nutrition recommendations, and since 2007, nearly 170 000 kg of saturated fat has disappeared from the plates of Finns.

- Rypsiporsas® is the result of extensive research.
- Rypsiporsas® farms are carefully selected and they follow a detailed feeding programme.
- Rypsiporsas® pigs have been fed Finnish-grown grain in addition to rapeseed oil, which improves the quality of the fat in the meat in a natural way.
- Rypsiporsas® meat is tastier and more tender than ordinary pork, according to consumer surveys.

HK Ruokatalo's corporate responsibility projects

HK Ruokatalo Oy has actively participated in joint responsibility projects of the industry since 2007. The projects are one way of engaging in stakeholder cooperation and contributing to responsibility issues important to the whole industry. HK takes special interest in environmental projects and projects concentrating on responsibility aspects in the production chain. Many of these projects last several years and have also generated spin-off projects.

In 2012, HK Ruokatalo participated, for example, in a study on the eating habits of elderly people, a project investigating improved meat preservation through packaging technology (COMEAT), and a project focusing on reducing food wastage (KURU and ECOPAF). Additionally, a study was carried out on the importance of climate and environmental labels for consumers (Climate communication II) and the Finnish quality assurance system for the meat production chain was under development (SUVALI II).

One of the largest undertakings completed in 2012 was the Foodprint Tools project, coordinated by MTT Agrifood Research Finland, which aimed to develop a model and recommendations for the calculation of the carbon footprint of the food industry.

HK was simultaneously running its own project funded by TEKES (the Finnish Funding Agency for Technology and Innovation) calculating the carbon footprint for two of its products (HK Kabanossi® Original and Kariniemen cooked tenderloin) as an example. The purpose of the project was to gain a better understanding of calculation process of the carbon footprint, and the resources and investments it requires. Another goal was to find development areas in the company's internal processes which could be addressed to minimise the environmental impact.

Soile Käkönen, Risto Mikkola and Tom Tapper
Working as specialists in Vantaa (Finland)

Torbjörn Lithell
Working as Vice President of Animal Procurement & Producer Services in Sweden

Sweden invests in active responsibility development

In Sweden HKScan processes and markets a wide range of pork, beef and lamb products and ready-made meals. HKScan is Sweden's largest operator in the industry, and its main brands Scan and Pärsons form an integral part of Swedish food identity.

Sweden	2012	%	2011	%
Net sales, EUR million	1 040.6	39.8	1 045.7	40.9
EBIT, EUR million	-7.6	-15.1	17.2	35.7
EBIT margin, %	-0.7		1.6	
EBIT excluding extraordinary items, EUR million	-0.2		17.2	
EBIT margin, %	0.0		1.6	
Employees at year end	2 339		2 704	

Key product launches: Svensk Rapsgris® (Swedish "Rapeseed Pork") launched for AfH customers in March and retailers in September.

Key investments: Investments in the development of production processes, the Svensk Rapsgris® concept and energy saving.

Svensk Rapsgris® introduced in the market

The most important new product of the year, Svensk Rapsgris®, was launched in 2012 in two steps: first to Away from Home customers in March and to retailers in September.

The concept of Svensk Rapsgris® is based on research and development work carried out at HK Ruokatalo, the result of which is the Finnish HK Rypsiporsas®. Launched in 2011, HK Rypsiporsas® has been the most significant innovation in years for meat producers and the company alike.

In Sweden, the tenderness and juiciness of Svensk Rapsgris® are based on using Swedish rapeseed oil. Rapeseed oil is a natural feed ingredient which is added to the feed in carefully calculated proportions. As a result, the fat in pork meat alters in composition, with some of the saturated fatty acids being replaced by unsaturated ones. The meat has a better flavour and it cooks more easily. At the same time, the improved composition of the fat in meat has a positive impact on public health.

Carefully tailored for Swedish conditions

The concept was applied to suit Swedish conditions through all its production stages. A variety of aspects were observed, including the feed cultivation conditions and yield, the location of farms and their standard of equipment and the qualities of the animals raised. All these factors were adapted to Scan's production and logistic processes and taste of Swedish consumers. Professional chefs were involved in the development at an early stage before the final product even existed.

From March 2012 onwards, meals made of Svensk Rapsgris® were served in Swedish top restaurants, where they were enthusiastically received by both customers and personnel. The wide interest of chefs paved the way for the next stage, when Svensk Rapsgris® was brought to retail stores in September. Consumers showed great interest in the new pork from the very beginning.

Svensk Rapsgris® Christmas ham was awarded in November at the Chark SM Meat Championships, a competition for the meat industry. It won the Swedish championship in the Christmas ham category. Chark SM is a prestigious meat industry event in Sweden, and it has long traditions.

Ever since Scan held its first press conference in March 2011 on the Svensk Rapsgris®, it has been a topic on social media. The product has received a great deal of positive commentary. As well as its many good qualities, Svensk Rapsgris® is also a PR success, and it has served to improve the image of pork in general in Sweden, where domestic pork production has long been in decline.

Dedicated climate work

HKScan's long-term goal is to halve its CO_2 emissions in Sweden by 2020 from the starting level of 2003. To meet this goal, Scan AB is taking actions at every stage of the industrial process, from product development to production and logistics. The company continues to invest in realising new ideas and training its personnel.

New wave in networking

In 2012, Scan was accepted as a member of a corporate network, the Haga Initiative. The members are established, reputable and well-known companies. In addition to Scan, the network members include other noted food industry and retailing companies. The companies are working towards reducing CO_2 emissions in their respective fields and sharing best practices amongst each other. The members want to show that ambitious climate strategies can be converted into an advantage benefiting business and improving profitability.

The climate targets that Scan has set and the actions taken so far were widely publicised in 2012 when the Haga Initiative engaged in a visible role in the public debate on climate questions in different media.

Choices matter

Climate issues are addressed in Scan products through, for example, packaging. Thin tenderising packets in consumer-packaged meat are light and take up less space, which contributes to more efficient logistics and cold counter filling in shops than many other similar packages.

Thanks to the vacuum, the meat tenderises better and retains its good quality for longer. The longer shelf life in turn reduces food waste. According to the latest research, decreasing food waste is even more crucial from the perspective of climate than reducing packaging.

A survival story from Denmark

In Denmark, HKScan focuses on poultry business. Fresh and frozen chicken products are sold in Denmark and Sweden. In addition, poultry products are exported outside Scandinavia. The products are sold in Denmark under the brand name Rose.

Denmark	2012	%	2011	%
Net sales, EUR million	211.7	8.1	228.1	8.9
EBIT, EUR million	15.4	30.2	-3.7	-7.6
EBIT margin, %	7.3		-1.6	
EBIT excluding extraordinary items, EUR million	1.5		-3.7	
EBIT margin, %	0.7		-1.6	
Employees at year end	844		807	

Key product launches:
Rose Nordisk økologisk kylling (organic chicken).

Key investments: The investments were related to the rebuilding of the Vinderup production facility after the fire in June.

In June 2012, a fire broke out at Rose Poultry's largest production facility in Vinderup, destroying some 2 200 square metres of factory space including machinery and causing extensive damage to the rest of the property. Fortunately there were no casualties, but the material losses rose to tens of millions of euros. One of the main targets for the year, which had started well, was to successfully complete the six-month reconstruction project.

The accident affected nearly all of the 500 employees working at the facility, as well as their families and the entire community, because the factory is one of the most important employers in the area. The impact was also felt by the poultry breeders, who suddenly faced significant overproduction. There was great uncertainty about the continuation of operations.

The Group and the local subsidiary were, however, unanimous in their view. Both wanted to continue operations in Vinderup and everything that could be done to repair the damage would be done. The fire had not spread to all units in the property, which made it possible to continue production. Employees had managed to shut several fire doors at an early stage of the fire.

When the decision to continue operations had been made, the Danish organisation drew up an action plan with three key points: securing supply to customers, uninterrupted procurement of animals from the breeders and the rebuilding of the factory. The goal was to fully restore the factory within six months. At the same time, every effort was made to continue production as widely as possible during the reconstruction, which required proactive and responsible initiatives from the entire HKScan Denmark team.

Securing continuity

In the midst of the clean-up, the staff had to quickly devise various temporary arrangements, and thanks to these and the cooperation with other Rose factories, deliveries of fresh products to Denmark and Sweden resumed only twelve days after the fire. The production of certain new products was temporarily discontinued, but the supply of the main product groups was secured. Customers understood the exceptional circumstances.

The entire team worked hard every day to return production to normal. Five weeks after the fire, the temporary slaughter line, approved by the authorities, was functioning and slaughtering resumed. The capacity of the line was, however, lower than normal.

The invaluable contribution of the staff

The cleaning and restoration of the least-damaged units continued at the same time as the destroyed parts were rebuilt from scratch. The entire staff at Vinderup took active responsibility for the task at hand. The production kept going literally amid all the scaffolding.

When the need for updated information was at its highest and the normal information channels could not be used, social media were taken in to use to distribute updates, pictures and reports on the project. Thanks to receiving accurate information about the situation, everyone felt it was easier to communicate about the matter.

At the end of November 2012, shortly before the six-month deadline closed, the slaughterhouse reopened. At the beginning of December, production was nearly back at the normal level. Only in a small number of units, some work was still being finalised. Thanks to the combined efforts of the motivated staff, management and other stakeholders, the crisis caused by the fire had been overcome.

Mads Nielsen
Growing organic chicken in Denmark

Responsibility for products and the environment in the Baltics

Estonia, Latvia and Lithuania form the HKScan Baltics market area. The brands of the Group are Rakvere and Tallegg in Estonia, Rigas Miesnieks and Jelgava in Latvia, and Klaipedos Maistas in Lithuania.

Estonia

Latvia

Lithuania

Baltics	2012	%	2011	%
Net sales, EUR million	176.7	6.8	173.3	6.8
EBIT, EUR million	8.9	17.6	9.8	20.3
EBIT margin, %	5.1		5.6	
Employees at year end	1 700		1 803	

Key product launches: In Estonia, Rakvere's Lihakas product family, Tallegg's yoghurt-marinated chicken shashlik and roast chicken with chanterelles. In Latvia, Rigas Miesnieks' Doctor's Frankfurter.

Key investments: In Estonia, the reorganisation and centralisation of poultry production from the village of Loo to Ranna, west of Tallinn. In Estonia, Kaarma's farming complex to increase poultry meat production in the Baltics, and major repairs at both the Ekseko pig farm and the Tallegg layer farm.

The sales of the local brands of HKScan Baltics saw favourable development in 2012. Sales were boosted by the strong brands and offering as well as the successful launches of new products.

In development of new products, particular emphasis was placed on nutritional and health issues, in line with the Group's corporate responsibility commitment.

Rakvere's new line of meat products, Lihakas, was launched in early 2012. Compared to competing products in the same category, Lihakas products contain more meat than on average, with a meat content of 75 per cent. The amount of salt in the products has been cut by 25 per cent in comparison to common similar products, and the use of additives has also been reduced.

The Lihakas products were well-received from the very beginning. The product line is designed for contemporary consumers who appreciate value and are interested in the nutritional content of food.

Raising the health profile

The product range for the Baltic markets was thoroughly updated. Renewed recipes with less salt and additives were introduced in all brands.

Rakvere received an Estonian food industry award for "Best food for health" for the second year running, which is an excellent achievement for meat products. Lihakas products won the first prize in the "Best Estonian Food Product 2012" contest. The winning product was the rye-breaded pork roast. In addition, the product won the "Best Estonian Meat Product 2012" award.

In Latvia, the Jelgava brand was modernised and it now concentrates on cold-smoked products, particularly salami. Jelgava has rapidly reached an established position among premium products.

New packaging preserves nature

A new generation of packaging for Rakvere, Tallegg and Rigas Miesnieks products has been introduced in anticipation of the new EU packaging regulations. Thanks to new packaging technology, the company has succeeded in reducing the environmental impact caused by packaging.

Many products are now packed using thinner films, which reduces the amount of plastic used in the production as well as the amount of plastic waste generated by households. The company has placed more emphasis on recyclability. Rakvere's oven-ready meat products are packed in aluminium containers, 75 per cent of which is currently made of recycled material. In fresh and marinated meat packaging, recyclable polypropylene trays are used to an increasing degree. In November 2012, both Tallegg and Rigas Miesnieks replaced their egg packaging material with a more environmentally friendly alternative.

Energy-saving programmes continued throughout the market area. Energy and water consumption at HKScan's companies in the Baltics showed a decrease for the third year running. These measures are geared towards fulfilling HKScan Group's environmental commitments in the Baltic region.

Poland invests in product safety

HKScan's business operations in Poland are run by Sokolów S.A. Sokolów is one of Poland's best-known brands, and it has several sub-brands. Sokolów is a joint venture with Danish Crown.

Poland *)	2012	%	2011	%
Net sales, EUR million	343.7	13.1	298.9	11.7
EBIT, EUR million	15.8	31.0	12.7	26.4
EBIT margin, %	4.6		4.2	
The Sokolów Group had 6 491 (6 175) employees at year end.				

Key product launches: Sokolów's extended selection of cold cuts, including Sokolów's White Ham, Italian Ham and Sopocka Loin.

Key investments: The cold cut production facility in Sokołów Podlaski, cattle slaughtering line in Tarnow and four new production lines for smoked and cooked meat products at the Kolo plant.

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

Certified product safety

Owned by a joint venture, Sokolów carries out its own corporate responsibility projects, with product safety being one of the most central ones. For this purpose, the company has worked consistently to improve its product safety. Each of the seven production facilities have been certified by either the British Retail Consortium BRC or the German-French IFS. The Kolo, Debica, Jaroslaw and Tarnow plants hold both certifications.

The certifications are a proof that all Sokolów's production facilities comply with the harmonised, internationally recognised, high safety and hygiene standards. The certificates bring Sokolów competitive advantage in the Polish consumer markets of 38 million people and they are crucial to success in the export market.

To ensure that the standards are also complied with in practice, Sokolów provides continuous training to its employees. The product safety training, e.g. HACCP, also covers quality assurance issues.

Welfare and the environment

Sokolów's corporate responsibility commitments include many different areas, including the company's employees and their well-being and safety at work, the improvement of working conditions and occupational health care, as well as the competence development.

Alongside improving well-being at work, a key area in Sokolów corporate responsibility is the development of production animals' welfare.

Sokolów conducts inspections to verify that the conditions and procedures on farms comply with general rules and regulations as well as special requirements set by Sokolów. Animal transportations from farms to Sokolów's abattoirs are also covered by the inspections.

Sokolów's production facilities meet the requirements for the environmental permits set for them. The requirements define the acceptable environmental impact of the operations and they are regularly reviewed. When acquiring new machinery, for example, particular attention is paid to energy consumption per kilo of a product produced and the recyclability of packaging materials. For this reason, a new registration system has been introduced at the production lines, which reports on energy consumption in real time.

Board of Directors as of 25 April 2012

JUHA KYLÄMÄKI (b. 1962)

Chairman of the Board
Law student

Finnish national
Chairman of the HKScan's Board since 2011
Farm entrepreneur, broiler meat producer

Main Board memberships and public duties currently undertaken: -

Public duties previously undertaken:
Member of the Supervisory Board of LSO Osuuskunta 1996-02/2011,
Vice Chairman of the Supervisory Board 1997-2007
Chairman of the General Assembly of Suomen Siipikarjaliitto ry
(Finnish Poultry Association) 2004-2010
Chairman of Suomen Broileriyhdistys ry (Finnish Broiler Association) 2000-2002

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 28 February 2013: 5 044

NIELS BORUP (b. 1964)

Deputy chairman of the Board
M.Sc. (Econ. & Bus. Admin.)

Finnish national
Deputy chairman of the HKScan's Board since 2011
Farm entrepreneur, pork and milk producer

Main Board memberships and public duties currently undertaken:
Member of the Board of the Federation of Employers in Agriculture 2008-
Member of the Board of Finlands Svenska Jordägarförbunds stiftelse
(Finland's Swedish Landowners' Federation Foundation) 2008-

Public duties previously undertaken:
Member of the Board of Scan AB 2011-06/2012
Member of the Board of LSO Osuuskunta 2008-02/2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 28 February 2013: 8 000

TEIJA ANDERSEN (b. 1957)

Member of the Board
M.Sc. (Agr. & For.), eMBA

Finnish national
Member of HKScan's Board since 2012
Adviso TMA Oy, CEO 2012–

Key employment history:
Oy Karl Fazer Ab, SVP, Strategic Marketing, Brands and R&D 2009-2011
Fazer Amica Oy, Managing Director July 2003-2007
Fazer Amica Oy, Deputy Managing Director, marketing and sales
2003-June 2003
Fazer Amica, Managing Director 2005-2008
Candyking Finland Oy (Fazer Group), Managing Director,
September 2000-2002
Fazer Suklaa Oy, 1985-2000, Sales Director 1997-2000
SOK, Product Manager 1984-1985 and Buyer 1982-1984

Main Board memberships and public duties currently undertaken:
Technopolis Plc, Member of the Board 2009-
Paletti Oy, Member of the Board 2009-
Diacor Oy, Member of the Board 2009-
Are Oy, Member of the Board 2012-

Public duties previously undertaken:
Sampo Bank, Member of the Board 2006-2009
HAUS – Finnish Institute of Public Management Ltd, Member of the Board 2007-2009
Turvatiimi, Member of the Board 2007-2009
Association of Finnish Advertisers, vice chair, Member of the Board 2007-2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 28 February 2013: -

GUNILLA ASCHAN (b. 1960)
Member of the Board
M.Sc. (Agriculture, Econ.)

Swedish national
Member of HKScan's Board since 2012
Farm and forestry entrepreneur, beef producer Southeast Sweden
Farm & Forest Department, Manager, Nordea Sweden, Stockholm

Main Board memberships and public duties currently undertaken:
Sveriges Djurbönder, Member of the Board
Hushållningssällskapet Östergötland, Member of the Board

Public duties previously undertaken:
Axa Lantmännen, Member of the Board 2006-2007
Södra Skogsägarna, Member of the Board 2006-2011
Södra Cell AB, Member of the Board 2006-2011

Independent of the Company

Shareholding in HKScan Corporation on 28 February 2013: -

TERO HEMMILÄ (b. 1967)
Member of the Board
M.Sc. (Agr. & For.)

Finnish national
Member of the HKScan´s Board since 2011
Yara Suomi Oy, managing director 2010–

Key employment history:
HKScan Corporation, senior vice president for strategy and development 2009–2010
HK Ruokatalo Oy, senior vice president in charge of the meat business 2008–2009
LSO Foods Oy, managing director 1998–2008
LSO Foods Oy, purchasing director 1997–1998
Central Union of Agricultural Producers and Forest Owners MTK, secretary for dairying 1996–1997
Pellervo Economic Research PTT, researcher 1994–1996

Main Board memberships and public duties currently undertaken:
Farmit Website Oy, Chairman of the Board 2010-
Chemical Industry Federation of Finland, Member of the Board 2010-
Pellervo Economic Research PTT, Member of the Board 2010-

Public duties previously undertaken:
Viljavuuspalvelu Oy, Chairman of the Board 2010-2012
Scan AB, Member of the Board 2009-2010
LSO Foods Oy, Member of the Board 2009-2010
Finnpig Oy, Member of the Board 2008-2010
Envor Biotech Oy, Chairman of the Board 2008-2010
Honkajoki Oy, Member of the Board 2008-2010
Findest Protein Oy, Member of the Board 2008-2010

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 28 February 2013: 3 500

HENRIK TRESCHOW (b. 1946)
Member of the Board
MBA

Swedish national
Member of HKScan's Board since 2011

Main Board memberships and public duties currently undertaken:
Abacus Sportswear AB, Chairman of the Board
Federation of Swedish Landowners, Chairman of the Board
Ingleby Holding AS, Vice Chairman of the Board
Skabernäs HB, Member of the Board
Sperlingsholms Gods AB, Chairman of the Board
Treschow-Fritzöe Industries, Member of the Board
Wanås Gods AB, Chairman of the Board

Public duties previously undertaken: -

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 28 February 2013: -

MATTI KARPPINEN (b. 1958)
Member of the Board until 25 April 2012

OTTO RAMEL (b. 1950)
Member of the Board until 25 April 2012

Administrative and Legal Director of HKScan Corporation Markku Suvanto (Attorney-at-Law, trained on the bench), serves as secretary to the Board of Directors.

Auditors for the 2012 financial year

Auditors: Authorised public accountants PricewaterhouseCoopers Oy, with Johan Kronberg, B.Sc. (Econ. & Bus. Admin.), APA, Parainen, **as principal auditor** and Petri Palmroth, M.Sc. (Econ. & Bus. Admin.), APA, Turku

Deputy Auditors:
Mika Kaarisalo, M.Sc. (Econ. & Bus. Admin.), APA, Turku
Jari Viljanen, M.Sc. (Econ. & Bus. Admin.), APA, Turku

Group Management Team as of 2 April 2013

HANNU KOTTONEN (b. 1957)

President and CEO of HKScan Corporation
M.Sc. (Econ.)

Finnish national

Key employment history:
President and CEO of HKScan as of March 2012.

Earlier:
Metsä Tissue Corporation, CEO, 10/2006-1/2012
Metsäliitto Group, Member of the Executive Management Team 2009-1/2012
M-real Corporation, Head of the Consumer Packaging business area 1/2004-10/2006
Huhtamäki Group, various positions (incl. CFO and President of the Fresh Food Packaging Division) 1983-2003
TSP-Suunnittelu Oy 1980-1983

Shareholding in HKScan Corporation on 28 February 2013: 23 000

Main Board memberships and public duties currently undertaken:
Member of the Board and executive committee of the Finnish Food and Drink Industries' Federation ETL 2012-
Sokolów S.A., Member of the Supervisory Board 2012-, vice chairman 2012-
Finnish Orienteering Federation, Member of the Executive Board 2006, Vice Chairman 2008-
Helsinki Region Chamber of Commerce, Member of delegation at Finland Chamber of Commerce 2013-
In addition, a number of board positions in Group companies

AKI LAIHO (b. 1972)

COO of HKScan Corporation responsible for the development of technology and production, deputy to the CEO
M.Sc. (Eng.), CSCP

Finnish national

Key employment history:
COO, responsible for the development of HKScan's technology and production as of August 2012

Earlier:
Aalto University, BIT Research Centre, Researcher and Project manager 9/2008-7/2012
SunKumppani Oy, Partner 9/2009-7/2012
Sauer-Danfoss ApS, Director, Global Supply Chain 10/2005-8/2008
Nokia Corporation, Head of Mobility Office 3/2004-9/2005
Nokia Corporation, Head of DSN Strategy and Advanced Development 1/2002-2/2004
Nokia Corporation, other duties 1997-2001

Shareholding in HKScan Corporation on 28 February 2013: 7 500

Main Board memberships and public duties currently undertaken:
Rolan Oy, Chairman of the Board 2010-
SunKumppani Oy, Member of the Board 2009-

ANNE MERE (b. 1971)

Executive vice president of HKScan's consumer business in Finland and the Baltics
MBA

Estonian national

Key employment history:
EVP of HKScan's business segments of Finland and the Baltics as of February 2012.

Earlier:
AS Rakvere Lihakombinaat, Managing Director 2008-2/2012
AS Rakvere Lihakombinaat, Marketing Director 2003-2008
Austria Tabak Eesti OÜ, Marketing Manager 2000-2003
Unilever Eesti OÜ, Key Account Manager 1997-2000
Suomen Unilever Oy, Van den Bergh Foods, Representative for Estonia 1994-1997

Shareholding in HKScan Corporation on 28 February 2013: 7 500

Main Board memberships and public duties currently undertaken:
Finnish Meat Board, Chairman of the Board 2012-
Lihatiedotus ry, Chairman of the Board 2012-
In addition, a number of board positions in Group companies

GÖRAN HOLM (b. 1958)

Executive vice president of HKScan's consumer business in Scandinavia
DIMH diploma in marketing, Stockholm IHM Business School

Swedish national

Key employment history:
EVP of HKScan's Consumer Business in Scandinavia as of December 2012

Earlier:
Coca-Cola Enterprises Sverige AB, Managing Director 3/2005-8/2012
Coca-Cola Enterprises Sverige AB, Deputy Managing Director 2003-2005, and
Commercial Director 2001-2005
Johnson & Johnson Consumer, Scandinavia, Managing Director 1995-2001
Johnson & Johnson Consumer, Scandinavia, various other positions, including Commercial Director 1993-1995

Shareholding in HKScan Corporation on 28 February 2013: 7 500

Main Board memberships and public duties currently undertaken:
Swedish Food Federation, Chairman of the Board 2011-
Confederation of Swedish Enterprise, Member of the Board 2009-
Grocery Manufacturers of Sweden, Member of the Board 2003-
FTI AB, Member of the Board 2012
Svenska Metallkretsen AB, Chairman of the Board 2012-
In addition, a number of board positions in Group companies

JUKKA NIKKINEN (b. 1962)

Executive Vice President of the Away from Home (AfH) Business
M.Sc. (Econ.)

Finnish national

Key employment history:
HKScan Corporation, Executive Vice President of the Away from Home (AfH) Business as of August 2012

Earlier:
Rautakirja Oy, Senior Vice President, Business development and strategy, Member of Rautakirja Group's management team 6/2004-7/2012
Rautakirja Oy, Kiosk trade, Director, international business, Member of Kiosk trade business' management team 1/2002-6/2004
Leaf Suomi, Export Director, 8/1999-12/2001
Leaf Group, Marketing Director, 1/1998-7/1999
Leaf Suomi, Vice President, international sales and marketing, 7/1997-12/1997
Leaf Suomi and Leaf Group, various positions in marketing and sales 1988-1997

Shareholding in HKScan Corporation on 28 February 2013: 7 500

Main Board memberships and public duties currently undertaken: -

TUOMO VALKONEN (b. 1967)

CFO of HKScan Corporation
M.Sc. (Econ.)

Finnish national

Key employment history :
CFO of HKScan Corporation as of September 2012

Earlier:
CPS Color, CFO 2010 - 2012
Rautaruukki, Vice President, Corporate Finance and Control 2004-2010
Savcor, General Manager, Beijing, China 2002-2004
Kyrö, Business Controller, Tianjin, China 2001-2002
Metsäliitto, Finnforest, various managerial positions in finance, sawn timber division 1995-2001

Shareholding in HKScan Corporation on 28 February 2013: 5 500

Main Board memberships and public duties currently undertaken: -

SARI SUONO (b. 1968)

Executive Vice President, HR
Master of Law, EMBA

Finnish national

Key employment history:
HR Director of HKScan Corporation as of April 2013

Earlier:
Head of HR at A-Katsastus Group Oy 6/2011-4/2013
Itella Plc, Mail Communication, VP HR 11/2007-5/2011
Itella Plc, Group HR, HRM, Director 10/2006-10/2007
Itella Plc, Group HR, Legal Counsel 11/2003-9/2006
Finnair Plc, Finnair Ground Handling, HR Director 2/2001-11/2003
Finnair Plc, Finnair Ground Handling, Manager, Resource Management 4/2000-1/2001
Finnair Plc, Finnair Ground Handling, Gateway services, Manager 12/1999-3/2000
Finnair Plc, Maapalvelut, Ramp Controller 5/1991-11/1999
Finnair Plc, Maapalvelut, various positions 10/1988-4/1991

Shareholding in HKScan Corporation on 28 February 2013: 5 500

Main Board memberships and public duties currently undertaken: -
HR Legal Services Oy, Member of the Board

MARKKU SUVANTO (b. 1966)

Executive Vice President, Legal and Administration
LL.M. trained on the bench

Finnish national

Key employment history:
Administrative and Legal Director of HKScan Corporation as of May 2011

Earlier:
HKScan Corporation, Group Lawyer 2009-2011
KPMG Oy Ab, Senior Legal Counsel 2006-2009
Lakitoimisto Suomi & Suvanto Oy, Partner 2004-
KLegal Oy, corporate law 2002-2003
Sampo Bank, asset management for personal and business customers, including tax planning 1998-2002

Shareholding in HKScan Corporation on 28 February 2013: 5 500

Main Board memberships and public duties currently undertaken: -
HC TPS Turku Oy, Member of the Board
In addition, a number of board positions in Group companies

Extended Management Team of HKScan comprises in addition to the Management Team members, the following members: Irma Kiilunen, Group Treasurer; **Marja-Leena Dahlskog**, SVP Communications; **Samuli Eskola**, SVP Strategy and Strategic Projects; **Teet Soorm**, GM Baltics; **Thomas Olander**, GM Denmark; **Magnus Lindholm**, GM Sweden; **Pekka Kuokka**, SVP Business Process Solutions; **Markku Krutsin**, SVP Innovation and Technology; **Veli-Matti Jäppilä**, SVP Animal Sourcing and Producer Services, **Mika Huhtanen**, SVP Group Supply Chain and **Orvokki Knuutinen**, SVP Sourcing.

Report of the Board of Directors for the financial year 2012

• Net sales rose to EUR 2 546.8 (2 491.3) million: up by 2.2%.

• Reported EBIT was EUR 41.3 (39.6) million. Comparable EBIT excluding non-recurring items came in at EUR 34.9 (39.6) million. The corresponding comparable EBIT margin was 1.4 (1.6) per cent.

• Cash flow before debt service improved to EUR 65.8 (14.3) million.

• Profit for the year was EUR 16.4 (12.2) million.

• EPS was EUR 0.28 (0.18).

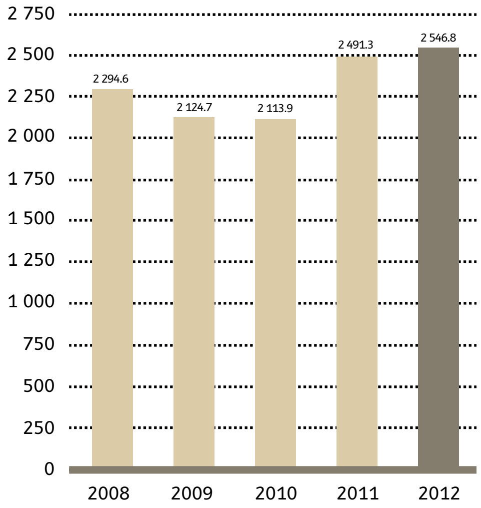
• Net financial expenses were EUR -31.7 (-30.9) million.

• Net debt decreased to EUR 440.9 (455.8) million, and net gearing improved to 101.8 (107.2) per cent.

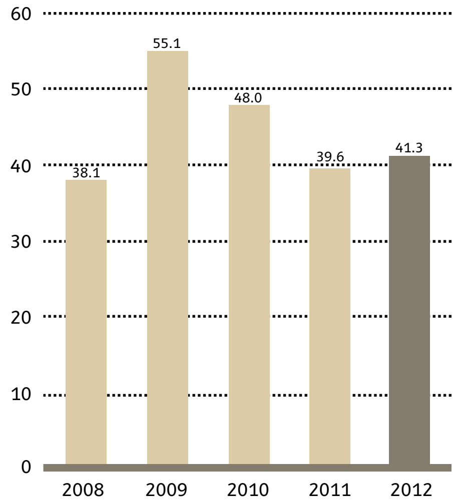
• The Board's proposal for dividend is EUR 0.10 (0.17) per share.

• Outlook for 2013: EBIT is estimated to improve from 2012.

Net sales 2008–2012 (EUR million)



EBIT 2008–2012 (EUR million)

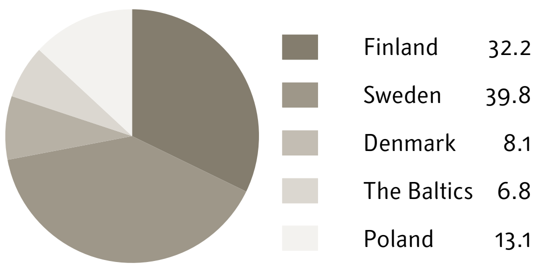


Group overview

The Group's total performance in 2012 was below expectations. Poland was the main market area to show clear improvement over the previous year. The profitability of the business in Finland improved during the year compared to the corresponding period in 2011, but performance was still at a low level. Stable development of business could be seen in the Baltics. The business in Sweden showed an initial stabilisation towards year end after the very bad first half of 2012. The recovery programme after the fire at the Vinderup plant in June in Denmark was managed successfully.

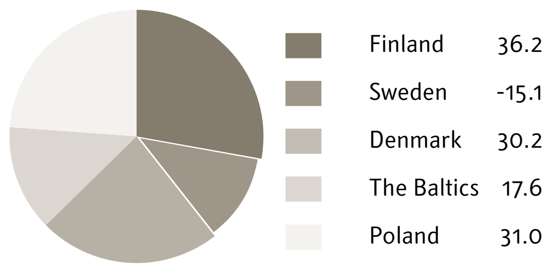
The reported result includes non-recurring income and expenses related to the fire in Vinderup, Denmark, and restructuring in Sweden. The net profit impact of the non-recurring items was EUR

Breakdown of net sales by market area in 2012 (%) EUR 2 546.8 million



*) Shares calculated including internal sales.

Breakdown of EBIT by market area in 2012 (%) EUR 41.3 million



*) Shares calculated without Group administration costs.

6.4 million positive because of the property insurance compensation and the write-off of the destroyed assets (EUR 13.8 million) in Denmark, and the restructuring expenses (EUR 7.4 million) in Sweden.

The revised strategy published in August 2012 focuses on improving profitability by building brand value and demand, improving operational efficiency, actively managing the dynamics of future business, and by developing capital structure and Group reporting. The strategy implementation continued assertively. The new operating model, aiming to harmonise, simplify and enhance internal processes, is also going forward as planned. The most significant changes in the Group's top management took place during the year.

At the beginning of April, the Group launched an extensive development programme to be implemented by the end of 2013. The target is to achieve annual profit improvements exceeding EUR 20 million and a considerable reduction in capital employed. As part of the programme, a plan concerning restructuring of the business in Sweden was published in August and further specified in early October. The plans related to Sweden aim to improve annual profit by EUR 10 million before one-time restructuring costs, and the changes are to be implemented by the middle of 2013. The development programme proceeded as planned during 2012.

In early January 2013 and according to the development programme, HKScan also announced the start of labour negotiations as part of plans to reorganise the structures and functions of its Finnish operations. The planned actions aim to improve profit by approximately EUR 5 million annually, and they are planned to be mainly carried out by the end of 2013.

Reviews by market area

Net sales and EBIT by market area (EUR million)

	2012	2011
NET SALES		
- Finland	842.6	812.4
- Baltics	176.7	173.3
- Sweden	1 040.6	1 045.7
- Denmark	211.7	228.1
- Poland	343.7	298.9
- Between segments	-68.5	-67.1
Group total	**2 546.8**	**2 491.3**
EBIT		
- Finland	18.4	12.1
- Baltics	8.9	9.8
- Sweden	-7.6	17.2
- Denmark	15.4	-3.7
- Poland	15.8	12.7
- Between segments	-	-
Segments total	50.8	48.0
Group administration costs	-9.5	-8.4
Group total	**41.3**	**39.6**

The division of segments is based on the Group's organization and the reporting to the Board of Directors and Management. Management monitors the profitability of business operations by market area. The Group's primary segments are geographical segments: Finland, the Baltics, Sweden, Denmark and Poland.

Breakdown of Group net sales by market area 2012: Finland 32.2 (31.8)%, the Baltics 6.8 (6.8)%, Sweden 39.8 (40.9)% , Denmark 8.1 (8.9)% and Poland 13.1 (11.7)%.

Breakdown of Group EBIT by market area in 2012: Finland 36.2 (25.2)%, Sweden -15.1(35.7)%, Denmark 30.2 (-7.6)%, the Baltics 17.6 (20.3)% and Poland 31.0 (26.4)%.

MARKET AREA FINLAND

In Finland, net sales in 2012 were EUR 842.6 (812.4) million. EBIT was EUR 18.4 (12.1) million. The EBIT margin for the year improved slightly: from 1.5 per cent in 2011 to 2.2 per cent in 2012.

Net sales grew in 2012 compared to 2011 thanks to a better product mix and sales price increases. Profitability in Finland improved somewhat during the year, but the EBIT for the whole year remained still at a modest level. The low profitability was mainly attributable to continuously rising raw material prices and other cost increases, which were difficult to pass on to the sales prices at the same pace as the cost inflation.

Meat producers were affected by record-high price increases in the most central raw materials, such as feed, especially after the summer. HK Rypsiporsas® ("Rapeseed Pork") continued to sell well throughout the year. The tasty HK Rypsiporsas® has contributed to improving the healthier image of pork and its sales in Finland. In November, the National Institute for Health and Welfare in Finland granted HK Ruokatalo the annual public health award for 2012 for the nationally significant promotion of public health. The award was given for long-term product development following HK Ruokatalo's corporate responsibility programme and work done to reduce salt and saturated (hard) fat in products during recent years.

Measures to improve the productivity and profitability of the business in Finland continued in 2012. Streamlining of the legal structure in Finland, announced in June, was completed by year end. HK Ruokatalo divested its Säkylä property and operations to the co-owned Kivikylän Kotipalvaamo at the end of December, and sold its share of Best-In before Christmas.

After the reporting period, at the beginning of January 2013, HKScan announced plans to reorganise the operating structures and functions of HKScan's Finnish operations. The planned actions aim to develop the productivity and efficiency of the business to improve profit by approximately EUR 5 million annually.

MARKET AREA THE BALTICS

In the Baltics, net sales in 2012 were EUR 176.7 (173.3) million. EBIT was EUR 8.9 (9.8).million. EBIT margin for the year was 5.1 (5.6) per cent.

As for the whole of 2012, sales development was stable in the Baltics. Estonia and Latvia improved their performance during the latter part of the year. However, in Lithuania profitability declined towards the end of the year. Profitability decreased because of weak demand in the EU, and low exports to the Far East. Actions by the authorities stopped sales of live pigs from the EU to Russia.

Sales of HKScan's local brands in the Baltics developed well during 2012. In Estonia, Rakvere successfully launched the new "Lihakas" products in April 2012. Tallegg's barbeque sales reached a new record despite the poor weather in the summer. In Latvia, the profitability of Rigas Miesnieks and Jelgava branded products improved through better balanced portfolios, price and campaign management. The Klaipedos Maistas brand in Lithuania gained market share, while its main strength is still in the value added end of the market and its profitability is therefore more vulnerable.

Several projects aimed at improving efficiency were carried out in the Baltics. Among these were the organisational streamlining of all companies under one management, a renovation project for meat processing, and centralisation of warehousing operations, as well as energy-saving projects in both pig primary production and meat production.

The most important project was the merger and reorganisation of sales, logistics and call-centre functions in Estonia. This streamlining project increased efficiency from the very start, and will improve supply reliability and give additional savings in the coming years. In December, a farm complex was opened in Kaarma in order to enable chicken production to be increased in the Baltics. Renovation of the main fattener building of the Ekseko and Kulli layer farms also took place during the year.

MARKET AREA SWEDEN

In Sweden, net sales in 2012 were EUR 1 040.6 (1 045.7) million. Comparable EBIT excluding non-recurring expenses was EUR -0.2 (17.2) million.

Non-recurring expenses consist of the restructuring expenses of EUR 7.4 million related to the development programme covering both redundancy costs and the impairment of the asset of the closed operations.

Throughout 2012, the business in Sweden was challenged by high raw material prices and lower availability of domestic beef and pork. Swedish primary production decreased further during the year. The volumes of imported meat increased in the market during the whole year. This development was supported by the strong Swedish krona. Higher sales prices improved the profitability in Sweden during the latter part of the year, however. The private label continued its growth in retail. The Swedish rapeseed pork, Svensk Rapsgris®, was successfully launched on the market in March for AfH customers and in September to retail. Sales of cold cuts under the Pärsons brand succeeded well in 2012.

In August and October, HKScan announced efficiency measurement plans concerning restructuring of the business in Sweden. The measurements proceeded according to plan during 2012. The number of employees was reduced by 125 people in 2012. In addition to this, a reduction of 100 employees in 2013 was announced. The year was also challenging for HKScan's affiliates. The strategic review is continuing in Sweden.

MARKET AREA: DENMARK

In Denmark, net sales in 2012 were EUR 211.7 (228.1) million. Comparable EBIT excluding non-recurring income and expenses was EUR 1.5 (-3.7) million.

Non-recurring items consist of the property insurance compensation income of EUR 19.3 million and the write-off of the destroyed asset of EUR 5.5 million due to the fire in Vinderup.

The year started promisingly in Denmark, but the good development of sales and business was dramatically hit by the fire at the Vinderup plant in early June. The recovery of the business after the fire became the key focus area in Denmark. The recovery programme was managed successfully.

Sales of fresh poultry products in the Danish market continued to recover in the fourth quarter. Close-to-full production levels at the Vinderup plant were achieved in early December in terms of tonnage, when production moved from the interim production setup to the rebuilt part of the plant. Some production lines, however, will be taken into full use in the first quarter of 2013.

Some new poultry products were launched on the domestic market during the autumn, despite the impact of the fire. In the European poultry market, quotations for live birds were high due to increased feed costs. Raw material prices increased during the year and also at the beginning of the fourth quarter. These were passed on to sales prices with some delay.

The insurance is estimated to cover both the property damage and the loss of profit, as well as additional costs caused by the interruption to the business. The insurance compensation income based on the property and business insurance agreement is posted as other operating income in the income statement. The postings are based on the received and agreed insurance payments reflecting occurred costs, write-offs, investment expenses and loss of profit. The rebuilt part of the plant started production in December. The posted capital expenditure related to the fire amounted to EUR 19.3 million in the period. The insurance case will continue in 2013.

MARKET AREA POLAND

In Poland, net sales in 2012 totalled EUR 343.7 (298.9) million. EBIT for the period was EUR 15.8 (12.7) million. The EBIT margin for the year was 4.6 (4.2) per cent.

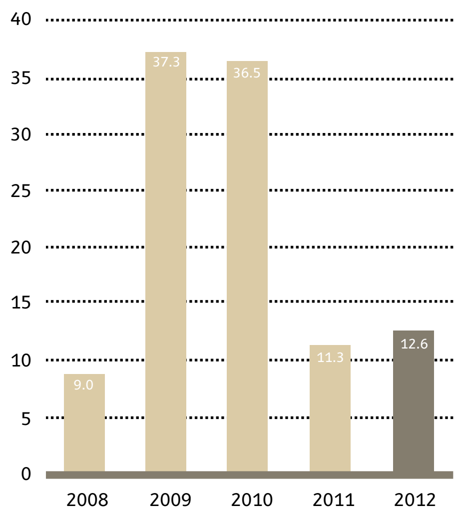
Net sales of Sokolów continued to develop well in the fourth quarter as a result of increased sales of processed products, successful new product launches and the high recognition of the Sokolów brand. Export sales were strong, though the strengthened Polish currency continued to reduce margins.

During 2012, economic growth weakened in Poland, and the year was also difficult for the Polish meat industry. More strict regulation and intensified activity of large pig slaughterhouses led to bankruptcies of small and medium-sized pig and cattle slaughterhouses. Polish primary production is also weakening and consolidating. Development may accelerate throughout 2013.

The price competition in modern retail chains in Poland continued to be fierce. Sales of private brands are increasing and consolidations in retail are continuing.

As for the whole of 2012, Sokolów improved its operations by, for example, investments in production technology, such as the

Profit before tax 2008–2012 (EUR million)



slicing plant in Sokolów Podlaski, the beef slaughter line at the Tarnow plant and four new lines for smoked and cooked products at the Kolo plant. New cold cut products were introduced to the market, and the product offering was enlarged with new alginate casing products and frankfurters. Demand for sliced products and convenience food continued to grow.

INVESTMENTS

The Group's investments in 2012 totalled EUR 76.6 (61.0) million. They were divided by market area as follows:

(EUR million)	2012	2011
Finland	11.8	17.3
Baltics	10.5	12.4
Sweden	7.4	8.9
Denmark [1]	33.0	7.8
Poland [2]	14.0	14.5
Total	**76.6**	**61.0**

[1] The investments in 2012 include EUR 19.3 million related to the rebuilding of the Vinderup plant.
[2] HKScan's share (50%) of Sokolów investments.

In Finland, the investments concerned mainly normal repair and maintenance of the production lines. In the Baltics, the investments involved energy savings and primary production as well the programme for restructuring of poultry production in Estonia. In Sweden, the investments were made in process development both in Kristianstad and Linköping, the Svensk Rapsgris® concept, and energy savings. In Poland, the investments concerned production technology in the Sokolów Podlaski and Tarnow plants, as well as four new production lines and development of processing facilities at the Kolo plant.

FINANCING AND TAXES

Group interest-bearing debt at year-end stood at EUR 499.7 (504.2) million. Net debt decreased to EUR 440.9 (455.8) million. The strong Swedish krona increased debt by EUR 8.5 million. In addition, 1 000 000 of the company's own shares were repurchased due to the terms of the acquisition of Rose Poultry A/S. Net financial expenses stood at EUR -31.7 (-30.9) million.

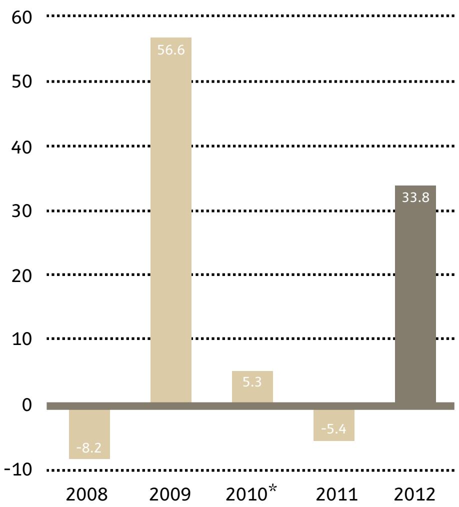
The Group's liquidity was good throughout the year. Undrawn committed credit facilities at 31 December 2012 were EUR 177.4 (204.0) million. In addition, the Group had other undrawn overdraft and other facilities of EUR 28.8 (26.4) million. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 120.0 (109.3) million.

The Group signed a EUR 250 million secured multi-currency credit facility agreement with a Nordic banking group in March. The loan facility comprises a EUR 100 million five-year amortizing term loan and a EUR 150 million five-year credit limit. The arrangement will refinance the part of the syndicated loan facility established in 2007, which matures in 2013.

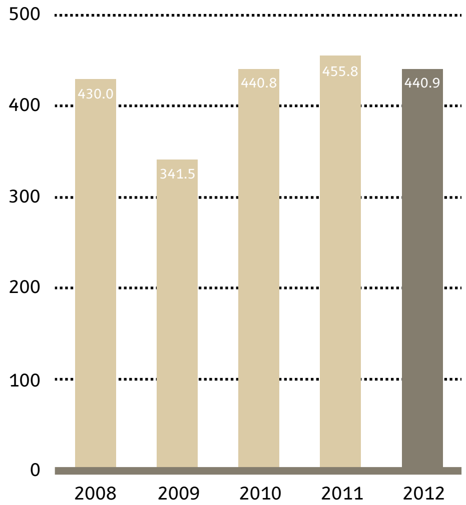
Group taxes were EUR 3.8 (1.0) million positive, of which EUR 3.4 million was due to a regulatory change in the corporate income tax rate in Sweden.

Cash flow before financing activities 2008–2012 (EUR million)

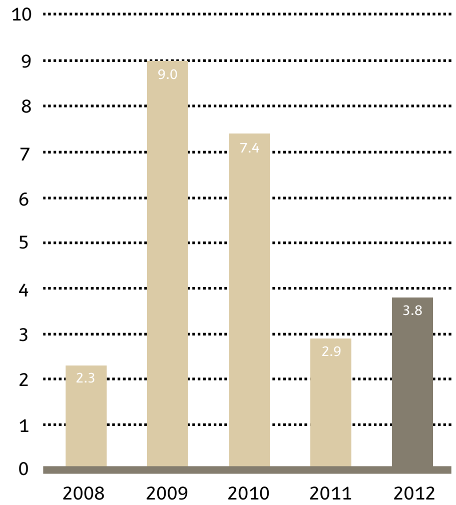
* Excluding acquisition price of Rose Poultry A/S



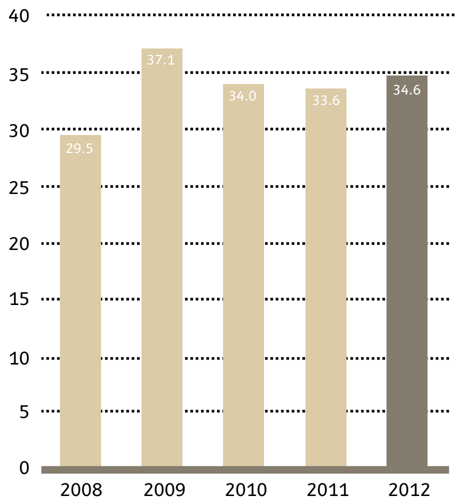
Net debt 2008–2012 (EUR million)



Return on equity (ROE) 2008–2012 (%)



Equity ratio 2008–2012 (%)



RESEARCH AND DEVELOPMENT

Research and development in the HKScan Group mainly involves the development of new products over a span of one to two years and the updating of products already on the market. A total of EUR 10.5 (11.2) million was spent on R&D in 2012, equal to 0.4 per cent of net sales.

HK Rypsiporsas® ("Rapeseed Pork") continued its success in Finland. There are approximately 130 Rapeseed Pork products on the market. Thanks to the healthier fat content in these products, in 2012 Finns ate over 170 000 kg less saturated fat compared to 2007. For decreasing the saturated fat together with long-term salt reductions in every product category, HK Ruokatalo was acknowledged by the National health award in Finland in November 2012. In Sweden, Svensk Rapsgris® was launched on the AfH market in March and to retail in September.

In Estonia, a new product line, "Lihakas", was launched successfully in the second quarter of 2012. Lihakas products were acknowledged with the first prize in the "Best Estonian food product 2012" contest for the pork roast with rye bread topping. Additionally, the title "Best Food for Health" was given to the company's products for the second consecutive year.

HKScan is participating in a development project focusing on improving the financial viability of pork primary production. The project was started in 2012. The target group comprises pig producers in the Western Finland area. The aim is to improve producers' ways of working and competitiveness through production development by consulting, for example. The project is divided into three categories: responsible and documented production, structural solutions, and feeding development. The project is being carried out in cooperation with producers in order to bring them direct benefits from the results.

SUSTAINABILITY

The year 2012 focused on ensuring sustainable business continuity by actions improving profitability. With the new operating model and development programme, the Group is aiming for profitable business that lays the foundation for sustainable operations adding value to the company and its stakeholders. Efforts have been made to ensure a well-planned restructuring process as well as an environmentally, economically and socially responsible outcome. Special attention has been paid to change management and communications processes.

As part of the continuous improvement of its operations, HKScan is actively involved in industry-wide research and development projects. In product development, HKScan is investing in high-quality, nutritionally balanced products. HKScan has also promoted healthier products, e.g. "Rapeseed Pork" products and healthy lifestyles. The use of more environmentally friendly and renewable packaging materials is increasing gradually.

The Group has proceeded with stakeholder cooperation by, for example, planning a new cooperation model for primary production to enhance collaboration, information flow and profitability in the entire value chain.

The health and welfare of production animals are the prerequisite for the ethical operations and profitability of the entire meat chain. HKScan monitors the welfare of production animals and develops its measurement. In 2012, animal welfare officers for slaughterhouses were nominated and trained according to new EU legislation. Studies and projects aimed at enhancing animal welfare progressed in all market areas.

HKScan operates on the principle of causing minimum adverse environmental impact during production. The company seeks to improve energy and water efficiency to reduce waste and emissions into water and the air, and to improve recycling. In 2012, HKScan has participated in climate work, and made life cycle assessment studies and carbon footprint calculations in Sweden and Finland. Energy-saving activities progressed in all market areas. Production is also a source of biogas material and HKScan uses by-products efficiently; for example, in feed production. Most of the plants have environmental management compliant with the ISO 14001 standard. The Swinoujscie plant in Poland was certified in 2012.

HKScan's Board approved a new Code of Conduct for the Group. The Code of Conduct will be implemented during 2013.

ANNUAL GENERAL MEETING 2012

The Annual General Meeting of HKScan Corporation, held on 25 April 2012, adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the year 2011.

The AGM resolved that a dividend of EUR 0.17 per share be paid for 2011. The dividend record date was 30 April 2012, and the payment date was 8 May 2012. Board members Juha Kylämäki, Niels Borup, Tero Hemmilä and Henrik Treschow were re-elected, and Gunilla Aschan and Teija Andersen were elected as new Board members. At the organisational meeting after the AGM, the Board re-elected Juha Kylämäki as Chairman and Niels Borup as Vice Chairman.

The AGM resolved that the annual remuneration payable to the members of the Board of Directors remained unchanged from 2011, i.e. EUR 21 000 to Board members, EUR 25 800 to the Vice Chairman of the Board and EUR 51 600 to the Chairman of the Board. The Chairmen of the Board committees (Audit, Nomination and Compensation Committees) would be paid a new annual remuneration of EUR 4 800. In addition, compensation of EUR 500 per meeting would be paid for attendance at Board and Board committee meetings, as before. Travel expenses would be compensated for according to company travel policy.

PricewaterhouseCoopers Oy, with Johan Kronberg, APA, as responsible auditor, and Petri Palmroth, APA, were elected as the Company's auditors, and that Mika Kaarisalo, APA, and Jari Viljanen, APA, were elected as deputy auditors. It was also decided that the remuneration of the auditor would be paid according to the auditor's invoice accepted by the company.

The AGM gave the following three authorisations to the Board:

(1) The Board of Directors was authorised to decide on share issue as well as the issue of option rights and other special rights entitling holders to shares. The shares issued under the authorisation are new Series A shares of the company. Under the authorisation, a maximum of 2 500 000 Series A shares, which corresponds to approximately 4.50 per cent of all of the shares in the company and approximately 5.00 per cent of all the Series A shares in the company, can be issued. The shares, option rights or other special rights entitling holders to shares can be issued in one or more tranches.

(2) The Board of Directors was authorised to decide on the purchase of the company's own Series A shares and/or on the acceptance of the company's own Series A shares as pledge as follows. The aggregate number of own Series A shares to be acquired and/or accepted as pledge shall not exceed 2 500 000 Series A shares in total, which corresponds to approximately 4.50 per cent of all of the shares in the company and approximately 5.00 per cent of all the Series A shares in the company. However, the company, together with its subsidiaries, cannot at any moment own and/or hold as pledge more than 10 per cent of all the shares in the company.

(3) The Board of Directors was authorised to decide on the transfer of the company's own shares. Under the authorisation, a maximum of 2 500 000 Series A Shares, which corresponds to approximately 4.50 per cent of all of the shares in the company and approximately 5.00 per cent of all the Series A shares in the company, can be transferred. The company's own shares may be transferred in one or several tranches. The Board of Directors decides on all the conditions of the transfer of the company's own shares. For the avoidance of doubt, this authorisation does not invalidate any other authorizations decided in the meeting.

All the authorisations given to the Board are effective until 30 June 2013.

During 2012, the Board exercised the above authorisations in conjunction with the share repurchase of 1 000 000 shares in August.

MANAGEMENT TEAM

The Management Team of HKScan is as follows: Hannu Kottonen, CEO; Aki Laiho, COO responsible for the development of technology and production; Tuomo Valkonen, CFO; Anne Mere, EVP responsible for the consumer business in Finland and the Baltics; Göran Holm, EVP responsible for the consumer business in Scandinavia; Jukka Nikkinen, EVP of Away from Home Business; and Markku Suvanto, EVP Legal and Administration, who also acts as the Management Group's secretary.

Additionally, on 29 January 2013, HKScan announced that Sari Suono, EMBA, Master of Laws, was appointed EVP HR and a member of the Management Team, effective no later than 2 April 2013.

CHANGES IN THE GROUP STRUCTURE

The mergers of HKScan Finland Oy and its wholly-owned subsidiaries Järvi-Suomen Portti Oy and Helanderin Teurastamo Oy with HK Ruokatalo Oy were announced on 29 June and completed by the end of 2012. In December, HK Ruokatalo divested its Säkylä property and operations to the co-owned Kivikylän Kotipalvaamo, and sold its share in Best-In.

On 10 August 2012, HKScan announced its aim to clarify and streamline the structure of the business in Sweden in line with the Group's operating model. According to the plan, the wholly-owned subsidiaries belonging to the subgroup in Sweden will be merged into a single legal entity. In addition, HKScan's commercial, production and logistics organisations and other operations supporting the business in Sweden will be merged. The restructuring proceeded according to plan.

SHARES AND SHAREHOLDERS

Shares

The HKScan Group's registered and fully paid-up share capital at the beginning and the end of 2012 was EUR 66 820 528.10. The total number of shares issued was 55 026 522, and it was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares 5 400 000 (9.81%). The A Shares are quoted on the NASDAQ OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

According to the Articles of Association, each A Share conveys one vote, and each K Share 20 votes. Each share gives equal entitlement to a dividend. The shares have no nominal value.

HKScan's market capitalisation at the end of the year stood at EUR 199.7 million. The Series A shares had a market value of EUR 180.1 million and the unlisted Series K shares a calculated market value of EUR 19.6 million.

In 2012, a total of 9 084 494 of the company's shares, with a total value of EUR 40 218 018, were traded. The highest price quoted was EUR 6.40 and the lowest EUR 3.17. The median price was EUR 4.34. At the end of 2012, the closing price was EUR 3.63.

HKScan has a market-making agreement with FIM Pankkiiriliike Oy which meets the requirements of NASDAQ OMX's Liquidity Providing (LP) operation.

Shareholders

At the end of 2012, the shareholder register maintained by Euroclear Finland Ltd included 12 254 shareholders. Nominee-registered and foreign shareholders held 19.6 (20.1) per cent of the company's shares.

Notifications of changes in holdings

HKScan did not receive any notifications of changes in holdings during 2012.

Treasury shares

At the beginning of the financial year 2012, HKScan held 53 734 treasury A Shares. The company acquired 1 000 000 A shares on 6 August 2012. The repurchase pertains to the share purchase agreement of the Danish company Rose Poultry A/S, announced on 9 September 2010 and specified on 4 June 2012.

At year-end, HKScan held 1 053 734 treasury A Shares. They had a market value of EUR 3.80 million and accounted for 1.91% of all shares and 0.67% of all votes at year-end.

Share-based incentive schemes

HKScan announced in December a new share-based incentive plan for the Group's key personnel. The aim of the new plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the company, to commit the key personnel to the company, to increase their share ownership in the company, and to offer them a competitive reward plan based on earning and holding the company's shares. The incentive plan and conditions are described in detail in the stock exchange release dated 20 December 2012.

PERSONNEL

In 2012, HKScan, excluding Sokolów in Poland, had an average personnel of 7 763 (8 287).

The number of employees in Finland increased, mainly due to the intake of outsourced cutting operations. In the Baltics, Sweden and Denmark, the numbers of employees decreased as a consequence of the on-going efficiency programmes.

The average number of personnel in each market area was as follows:

	2012	2011
Finland	2 794	2 750
Baltics	1 742	1 881
Sweden	2 428	2 789
Denmark	799	867
Total	**7 763**	**8 287**

In addition, the Sokolów Group employed during the year an average of 6 310 (6 191) persons.

At year end, HKScan, excluding Sokolów in Poland, had an average personnel of 7 475 (7 882).

Division of personnel by market area at year-end was as follows:

	31.12.2012	31.12.2011
Finland	2 592	2 568
Baltics	1 700	1 803
Sweden	2 339	2 704
Denmark	844	807
Total	**7 475**	**7 882**

Additionally, the Sokolów Group had 6 491 (6 175) employees at the end of the year.

HKScan Group's European Works Council (EWC) continued its activities during 2012. The Council functions as a cooperation body for discussion between the Group's management and personnel in issues that are significant and, due to their scope, transnational. The EWC convenes biannually in one of countries within HKScan's field of activities. In 2012, EWC met in Sweden and in Finland.

HKSCAN AND HK RUOKATALO SUBJECT TO AN ACTION FOR DAMAGES BY OY PRIMULA AB'S BANKRUPTCY ESTATE

According to a stock exchange release of 7 September 2012, HKScan Corporation and HK Ruokatalo Oy were notified that Oy Primula Ab's bankruptcy estate has submitted an action for damages to the District Court of Finland Proper concerning the companies. The claim amounts to about EUR 16.3 million plus claims related to interest and legal process costs.

HKScan and HK Ruokatalo find the action to be unjustified, and the companies are going to dispute the claim in its entirety in the pending trial. Therefore, the action did not give rise to any provisions in the consolidated financial statements.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

The most significant uncertainty factors in the HKScan Group's business are connected — through price increases for feed raw material in particular and other production inputs related to primary production — to the price development and availability of local meat raw material, as well as to the adequacy of increases in the sales prices for products in relation to cost development. Uncertainty factors specific to market areas have to do with the implementation of the business development programmes.

The risks of animal diseases in the food industry's raw meat supplies or eventual international or regional food scandals impacting the overall consumption outlook can never be fully excluded.

CORPORATE GOVERNANCE

HKScan's Audit Committee has compiled a separate Corporate Governance Statement for the Group. The statement will be published as part of the Annual Report and on the company's web site at www.hkscan.com under "Investor information".

EVENTS AFTER THE REPORTING PERIOD

On 7 January 2013, HKScan published a stock exchange release on starting labour negotiations to reorganise the structures and functions in its Finnish operations as part of the plans based on the Group's strategy, and to develop the productivity and profitability of the business. The planned actions aim to improve profit by approximately EUR 5 million annually, and they are planned to be carried out mainly by the end of 2013. The plans include investments and non-recurring costs, the amount of which will be specified during the negotiation process.

OUTLOOK FOR 2013

HKScan expects the business environment to remain tough as both animal supply and consumer purchasing power are estimated to tighten further. At the same time, demand for meat in general is expected to develop steadily. The Group focuses on managing future business dynamics by tight control of costs and capital spending, balancing demand and supply, and being more proactive in sales pricing.

The revised strategy, new operating model and organisation will contribute to profit improvement. The financial benefits of the development and the profitability improvement programmes are estimated to accelerate the profit aggregation towards the latter part of the year 2013 and onwards. Group EBIT for the entire year is estimated to improve from 2012.

BOARD OF DIRECTORS' PROPOSAL ON DISTRIBUTION OF PROFIT

The parent company's distributable assets stand at EUR 198.0 million including the reserve for invested unrestricted equity (RIUE), which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.10 per share for 2012, i.e. a total of approximately EUR 5.4 million.

There have been no material changes in the company's financial standing since the end of the year under review. The company maintains good liquidity and the recommended distribution of dividend will not, in the Board's estimation, compromise the company's solvency.

Key figures

Financial indicators

	2012	2011	2010	2009	2008
Net sales, EUR million	2 546.8	2 491.3	2 113.9	2 124.7	2 294.6
Operating profit/loss (EBIT), EUR million	41.3	39.6	48.0	55.1	38.1
- % of net sales	1.6	1.6	2.3	2.6	1.7
Profit/loss before taxes, EUR million	12.6	11.3	36.5	37.3	9.0
- % of net sales	0.5	0.5	1.7	1.8	0.4
Return on equity (ROE), %	3.8	2.9	7.4	9.0	2.3
Return on capital employed before taxes (ROCE), %	5.5	4.8	6.3	7.4	5.2
Equity ratio, %	34.6	33.6	34.0	37.1	29.5
Net gearing ratio, %	101.8	107.2	101.7	84.9	132.0
Gross investments, EUR million	76.6	61.0	70.7	41.3	84.0
- % of net sales	3.0	2.4	3.3	1.9	3.7
R&D expenses, EUR million	10.5	11.2	9.6	8.9	13.1
- % of net sales	0.4	0.4	0.5	0.4	0.6
Employees, average	7 763	8 287	7 491	7 429	7 750

Per share data

	2012	2011	2010	2009	2008
Earnings per share (EPS), undiluted, EUR*	0.28	0.18	0.52	0.64	0.10
Earnings per share (EPS), diluted, EUR*	0.28	0.18	0.52	0.64	0.10
Equity per share, EUR*	7.85	7.67	7.63	7.21	7.13
Dividend paid per share, EUR	0.10**	0.17	0.22	0.22	0.21
Dividend payout ratio, undiluted, %	36.2**	92.1	42.6	34.5	199.3
Dividend payout ratio, diluted, %	36.2**	92.1	42.6	34.5	199.3
Effective dividend yield, %	2.8**	3.0	3.1	2.8	5.4
Price-to-earnings ratio (P/E)					
– undiluted	13.1	30.6	13.9	12.3	36.7
– diluted	13.1	30.6	13.9	12.3	37.8
Lowest trading price, EUR*)	3.17	4.08	7.07	3.70	3.43
Highest trading price, EUR*)	6.40	7.98	10.20	10.38	12.75
Middle price during the period, EUR*)	4.34	6.05	8.18	7.18	6.94
Share price at the end of the year, EUR	3.63	5.64	7.15	7.85	4.42
Market capitalisation, EUR million	199.7	310.3	393.1	423.7	173.7
Trading volume (1 000)	9 084	11 765	23 674	22 285	9 028
– % of the average volume	16.7	21.4	43.8	49.6	26.6
Adjusted number of outstanding shares (1 000)					
– average during financial period	54 556	54 973	54 015	44 937	44 606
– at the end of financial period	53 973	54 973	54 973	53 975	44 624
– fully diluted	53 973	54 973	54 973	53 975	44 624

* Per share data has been adjusted with the share offering in 2009.
** Based on the Board of Directors' proposal

Calculation of financial indicators

Return on equity (%)

$$\frac{\text{Result for the period}}{\text{Total equity (average)}} \times 100$$

Return on capital employed (ROCE) before taxes (%)

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Net gearing ratio (%) (Net gearing)

$$\frac{\text{Interest-bearing financial liabilities (net)}}{\text{Equity}} \times 100$$

Earnings per share

$$\frac{\text{Profit for the period attributable to parent company equity holders}}{\text{Average number of outstanding shares during financial period}}$$

Equity per share

$$\frac{\text{Equity attributable to parent company equity holders}}{\text{Number of outstanding shares on balance sheet date}}$$

Dividend per share

$$\frac{\text{Dividend distribution for financial period}}{\text{Number of outstanding shares on balance sheet date}}$$

Dividend payout ratio (%)

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield (%)

$$\frac{\text{Dividend per share}}{\text{Closing price at the end of financial period}} \times 100$$

P/E ratio

$$\frac{\text{Closing price at the end of financial period}}{\text{Earnings per share}}$$

Market capitalisation

Number of outstanding shares on balance sheet date x closing price at the end of financial period

Number of employees

Average of workforce figures calculated at the end of calendar months

IFRS Consolidated income statement for 1 January – 31 December (EUR million)

	Note	2012	2011
Net sales	1.	**2 546.8**	**2 491.3**
Change in inventories of finished goods and work in progress		-6.0	16.1
Work performed by the enterprise and capitalised		1.6	1.3
Other operating income	2.	57.6	9.2
Share of associates' results		-0.1	1.1
Materials and services	3.	-1 843.7	-1 740.8
Employee benefit expenses	4.	-381.7	-379.3
Depreciation and impairment	5.	-85.9	-72.3
Other operating expenses	6.	-247.3	-286.9
EBIT		**41.3**	**39.6**
Financial income	7.	5.4	7.4
Financial expenses	7.	-37.1	-38.3
Share of associates' results		3.0	2.5
Profit/loss before taxes		**12.6**	**11.3**
Income taxes	8.	3.8	1.0
Profit/loss for the period		**16.4**	**12.2**
Profit/loss for the period attributable to:			
Equity holders of the parent		15.1	10.1
Non-controlling interests		1.3	2.1
Total		16.4	12.2
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	0.28	0.18
EPS, diluted, continuing operations, EUR/share	9.	0.28	0.18

The notes 1–32 form an integral part of the consolidated financial statements.

IFRS Consolidated income statement of comprehensive income for 1 January – 31 December (EUR million)

	2012	2011
Profit/loss for the period	16.4	12.2
Other comprehensive income (after taxes):		
Exchange differences on translating foreign operations	8.7	-2.5
Cash flow hedging	0.2	-7.4
Revaluation	0.0	-
Other comprehensive income (after taxes):	**8.8**	**-9.8**
Total comprehensive income for the period	**25.2**	**2.4**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	23.8	0.3
Non-controlling interests	1.4	2.1
Total	**25.2**	**2.4**

The notes 1–32 form an integral part of the consolidated financial statements.

IFRS Consolidated balance sheet at 31 December (EUR million)

	Note	2012	2011
Intangible assets	10.	77.7	76.6
Goodwill	11.	101.5	101.0
Tangible assets	12.	504.6	516.5
Shares in associates	13.	34.7	29.9
Trade and other receivables	15.	37.4	31.1
Available-for-sale investments	14.,15.	12.9	13.0
Deferred tax asset	16.	27.5	21.1
Non-current assets		**796.2**	**789.2**
Inventories	17.	176.3	190.2
Trade and other receivables	18.	216.5	223.8
Income tax receivable	18.	0.9	1.5
Other financial assets	19.	-	0.4
Cash and cash equivalents	19.	58.9	48.0
Current assets		**452.6**	**463.8**
Assets		**1 248.8**	**1 253.0**
Share capital	20.	66.8	66.8
Share premium reserve	20.	73.4	73.4
Treasury shares	20.	0.0	0.0
Fair value reserve and other reserves	20.	155.0	153.2
Translation differences	20.	6.6	-1.9
Retained earnings	20.	122.1	117.9
Equity attributable to equity holders of the parent		423.9	409.3
Non-controlling interests		8.6	12.2
Equity		**432.5**	**421.5**
Deferred tax liability	16.	34.5	36.9
Non-current interest-bearing liabilities	23.,24.	312.9	333.5
Non-current non-interest-bearing liabilities	23.	2.0	3.0
Non-current provisions	21.	0.1	0.1
Pension obligations	22.	3.9	3.7
Non-current liabilities		**353.4**	**377.1**
Interest-bearing liabilities	23.,24.	186.8	170.6
Trade and other payables	23.	275.0	282.9
Income tax liability	23.	0.5	0.1
Provisions	22.	0.7	0.7
Current liabilities		**463.0**	**454.4**
Equity and liabilities		**1 248.8**	**1 253.0**

The notes 1–32 form an integral part of the consolidated financial statements.

IFRS Consolidated cash flow statement (EUR million)

	Note	2012	2011
Result for the period		16.4	12.2
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and impairment	5.	85.9	72.3
Gain (-) and loss (+) on the realisation of fixed assets	2.	-1.8	-0.1
Share of results in associated companies	13.	-2.9	-3.7
Other non-cash income and expenses		0.2	0.5
Financial income and expenses	7.	31.7	30.9
Income taxes	8.	-3.8	-1.0
Change in provisions		0.0	-3.0
Change in net working capital		14.8	-28.3
Financial income		1.8	12.1
Financial expenses		-33.8	-31.8
Taxes		-1.7	-6.4
Net cash flow from operating activities		**106.8**	**53.9**
Gross investments in property, plant and equipment	10., 12.	-76.9	-60.4
Disposals of property, plant and equipment		1.5	1.9
Shares in associates purchased		-0.2	-1.0
Shares in associates sold		3.9	0.0
Loans granted		-1.9	-1.8
Repayments of loans receivable		0.5	2.1
Net cash flow from investing activities		**-73.0**	**-59.2**
Cash flow before financing activities		**33.8**	**-5.4**
Current borrowings raised		25.5	76.8
Current borrowings repaid		-52.7	-98.3
Non-current borrowings raised		125.0	159.4
Non-current borrowings repaid		-102.7	-142.4
Dividends paid	20.	-9.9	-12.7
Redemption of treasury shares		-8.0	-
Net cash flow from financing activities		**-22.7**	**-17.1**
Change in cash and cash equivalents		**11.1**	**-22.5**
Cash and cash equivalents on 1 January		48.4	73.4
Effect of changes in exchange rates		-0.6	-2.5
Cash and cash equivalents on 31 December	19.	**58.9**	**48.4**

The notes 1–32 form an integral part of the consolidated financial statements.

Statement of changes in consolidated equity (EUR million)

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other reserves	Translation differences	Treasury shares	Retained earnings	Attributable to equity holders of the parent, total	Attributable non-controlling interests	Total
EQUITY ON 1 JANUARY 2012	**66.8**	**73.4**	**-13.9**	**143.5**	**23.5**	**-1.9**	**0.0**	**117.9**	**409.3**	**12.2**	**421.5**
Result for the period	-	-	-	-	-	-	-	15.1	15.1	1.3	16.4
Other comprehensive income											
Translation differences	-	-	-	-	-	8.5	-	-	8.5	0.2	8.7
Cash flow hedging	-	-	0.2	-	-	-	-	-	0.2	-	0.2
Revaluation	-	-	-	-	0.0	-	-	-	0.0	-	0.0
Comprehensive income for the period	**-**	**-**	**0.2**	**-**	**0.0**	**8.5**	**-**	**15.1**	**23.8**	**1.4**	**25.2**
Direct recognition in retained earnings	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Transfers between items	-	-	-	-	1.7	-	-	-1.7	0.0	-	0.0
Distribution of dividend	-	-	-	-	-	-	-	-9.3	-9.3	-0.9	-10.2
Other change	-	-	-	-	0.0	-	-	0.0	0.0	-4.2	-4.2
EQUITY ON 31 DECEMBER 2012	**66.8**	**73.4**	**-13.7**	**143.5**	**25.2**	**6.6**	**0.0**	**122.1**	**423.9**	**8.6**	**432.5**

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other reserves	Translation differences	Treasury shares	Retained earnings	Attributable to equity holders of the parent, total	Attributable non-controlling interests	Total
EQUITY ON 1 JANUARY 2011	**66.8**	**73.4**	**-6.5**	**143.5**	**17.4**	**0.6**	**0.0**	**124.4**	**419.6**	**11.1**	**430.6**
Result for the period	-	-	-	-	-	-	-	10.1	10.1	2.1	12.2
Other comprehensive income											
Translation differences	-	-	-	-	-	-2.5	-	-	-2.5	0.0	-2.5
Cash flow hedging	-	-	-7.4	-	-	-	-	-	-7.4	-	-7.4
Revaluation	-	-	-	-	0.0	-	-	-	0.0	-	0.0
Comprehensive income for the period	**-**	**-**	**-7.4**	**-**	**0.0**	**-2.5**	**-**	**10.1**	**0.3**	**2.1**	**2.4**
Direct recognition in retained earnings	-	-	-	-	-	-	-	1.5	1.5	-	1.5
Transfers between items	-	-	-	-	6.1	-	-	-6.1	-	-	-
Distribution of dividend								-12.1	-12.1	-0.9	-13.0
Other change	-	-	-	-	0.0	-	-	-	0.0	-0.1	-0.1
EQUITY ON 31 DECEMBER 2011	**66.8**	**73.4**	**-13.9**	**143.5**	**23.5**	**-1.9**	**0.0**	**117.9**	**409.3**	**12.2**	**421.5**

The notes 1–32 form an integral part of the consolidated financial statements.

Notes to the financial statements for 2012

Basic information about the entity

HKScan Corporation is a Finnish public limited company established under the law of Finland. The company is domiciled in Turku.

HKScan Corporation and its subsidiaries (together 'the Group') manufacture, sell and market pork and beef, poultry products, processed meats and convenience foods under strong brand names. Its customers are the retail, food service, industrial and export sectors.

The Group is active in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark, England, Russia and Germany.

HKScan Corporation's A share has been quoted on NASDAQ OMX Helsinki since 1997.

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 14 February 2013. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting can also modify the financial statements.

A copy of the HKScan Group's consolidated financial statements is available on the company's website at www.hkscan.com under 'Investor information/Annual and interim reports', or in the parent company's head office at Lemminkäisenkatu 48, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements are also available at the same address.

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2012. 'International Financial Reporting Standards' refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments and biological assets, which have been measured at fair value.

The accounting policies in respect of subsidiaries have been changed to correspond to those of the parent company if required.

The preparation of financial statements in accordance with IFRS standards requires the Group management to make certain estimates and deliberations in applying the accounting policies. Information on such deliberations made by management in applying the accounting policies with the greatest impact on the reported figures is disclosed in the accounting policies under 'Accounting policies requiring management judgments and factors of estimation uncertainty' and subsequently in the notes under 'Impairment' and 'Impairment testing'.

Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros. Consequently, some totals may not agree with the sum of their constituent parts.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2011. There are no IFRS standards or IFRIC interpretations that have become effective in the financial period that would have a material impact on the Group.

Comparability with previous years

The years 2012 and 2011 are comparable with each other. With regard to the five-year historical data, it should be noted that the figures for Rose Poultry A/S have been consolidated into the Group as of 29 November 2010.

Accounting policies for the consolidated financial statements

SUBSIDIARIES

The consolidated financial statements include the accounts of the parent company HKScan Corporation and its subsidiaries. Subsidiaries are companies over which the Group exercises control. Control arises when the parent company either directly or indirectly holds over half the voting rights or otherwise exercises control, such as through agreements concluded with principal owners. Control refers to the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup share ownership is eliminated using the acquisition cost method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value upon acquisition. Acquisition-related costs are charged as incurred. Any shares held by non-controlling interests in the acquiree are measured either at the fair value or at an amount which corresponds to the share of the share held by the non-controlling interests relative to the identifiable net assets of the acquiree.

Recorded goodwill is originally the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. If the consideration is smaller than the fair value of the subsidiary's acquired net assets, the difference is recognised through profit or loss.

Subsidiaries acquired are consolidated from the date the Group acquires a controlling interest in them. All intragroup transactions, receivables and liabilities and intragroup profit distribution have been eliminated upon preparation of the consolidated financial statements.

Distribution of profit for the period between holders of the parent and non-controlling interests is presented in the separate income statement and the distribution of comprehensive income between holders of the parent and non-controlling interests is presented in the statement of comprehensive income. Any shares held by non-controlling interests in the acquiree are measured either at the fair value or at an amount which corresponds to the share of the share held by the non-controlling interests relative to the identifiable net assets of the acquiree. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the share held by non-controlling interests becomes negative. The share of equity owing to non-controlling interests is presented as a separate item on the balance sheet under equity. Changes in the parent company's shareholding in a subsidiary, which do not lead to loss of control, are treated as equity-related transactions.

A previous shareholding in a staggered acquisition is measured at the fair value and any profit or loss derived from this is recorded in the income statement as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair value of the date of the expiry of control and the difference derived from this is recognised through profit and loss.

ASSOCIATES

Associates are companies over which the Group exercises a significant influence which arises when the Group holds 20-50% of a company's voting rights. Associates have been consolidated using the equity convention. If the Group's share of the losses of an associate exceeds the investment's carrying amount, the investment is recognised as having no value and, unless the Group is committed to meeting the obligations of associates, no losses exceeding the carrying amount are consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 29, 'Related Party Transactions' have been consolidated into the consolidated financial statements. As a rule, the share of associates' results is presented below EBIT. If a function important to the Group's business is managed by an associate, the share of the associate's results is presented above EBIT. Scan AB's associates Siljans Chark AB, Höglandsprodukter AB, Daka a.m.b.a., Gotlands Slagteri AB and Svenskt Butikskött AB are associates of this kind.

The Group's share in associates' changes recognised in other items of comprehensive income are recognised in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2011–2012 financial periods.

JOINT VENTURES

A joint venture is a company in which the Group exercises joint control with another party. The Group's share in the joint venture is consolidated proportionately in accordance with the ownership interest line by line. The consolidated financial statements include the Group's share of the joint venture's assets, liabilities, income and expenses. Since the beginning of 2005, the HKScan Group's joint venture Saturn Nordic Holding Group has been consolidated proportionately as a joint venture line by line. Saturn Nordic Holding AB holds 100 percent of the Polish company Sokolów S.A.

More detailed information about holdings in Group companies and associates is presented in Note 29, 'Related party transactions'.

Translation of foreign currency items

The items included in the financial statements of the Group companies are valued in the currency of the main operating environment for that company (functional currency). The consolidated financial statements are presented in euros, the parent company's functional and reporting currency.

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the closing exchange rates confirmed by the European Central Bank on the balance sheet date. The income statements are translated into euros using the average rate for the period. A translation difference arises from translating the result for the period and the comprehensive result at different rates in the income statement and comprehensive income statement and the balance sheet. The difference is recognised under equity. The change in the translation difference is recognised in other items of comprehensive income. The translation differences arising in eliminating the acquisition cost of foreign subsidiaries and the joint venture and in the translation of equity items accrued after the acquisition are recognised in translation differences in the Group's equity and the change is recognised in items of comprehensive income.

The following exchange rates have been used in consolidation:

	Income statement *)		Balance sheet	
	2012	2011	2012	2011
SEK	8.7052	9.0276	8.582	8.912
PLN	4.1859	4.1187	4.074	4.458
DKK	7.4435	7.4507	7.461	7.4342

*) calculatory value of monthly average rates

Group companies recognise transactions in foreign currencies at the rate on the day of the transaction. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the operational currency at the exchange rates quoted on the balance sheet date. Exchange rate gains and losses on loans denoted in foreign currencies are included in financial income and expenses below EBIT, except for gains and losses arising from loans designated as hedges for net investments made in foreign units and which perform effectively. These gains and losses are recognised under translation differences in equity. As a rule, exchange rate gains and losses related to business operations are included in the corresponding items above EBIT.

Property, plant and equipment

Property, plant and equipment have been measured at cost less accumulated depreciation and any impairment. Depreciation of assets is made on a straight-line basis over the expected useful life. No depreciation is made on land.

The expected useful lives are as follows:

Buildings and structures	25–50 years
Building machinery and equipment	8–12.5 years
Machinery and equipment	2–10 years

The residual value and useful life of assets are reviewed in each financial statement and if necessary adjusted to reflect changes taking place in expected useful life.

Depreciation on property, plant and equipment ends when an item is classified as being for sale in accordance with IFRS 5 'Non–Current Assets Held for Sale and Discontinued Operations' standard Gains and losses arising on the disposal and discontinuation and assignment of property, plant and equipment are included either in other operating income or expenses.

Maintenance and repair costs arising from normal wear and tear are recognised as an expense when they occur. Major refurbishment and improvement investments are capitalised and depreciated over the remaining useful life of the main asset to which they relate.

Government grants

Government grants, such as grants from the State or the EU relating to PPE acquisitions, have been recognised as deductions in the carrying amounts of PPE when receipt of the grants and the Group's eligibility for them is reasonably certain. The grants are recognised as income in the form of lower depreciations over the useful life of the item. Grants received in reimbursement of expenses incurred are recognised as income in the income statement at the same time as the costs relating to the object of the grant are recognised as an expense. Grants of this kind are reported under other operating income.

Investment properties

The Group has no property classified as investment properties.

Intangible assets

GOODWILL

Goodwill derived from business mergers taking place after 1 January 2009 is recognised as the amount at which the compensation paid out, the share held by non-controlling interests in the acquiree and any previously owned holding combined exceed the fair value of acquired net assets.

Goodwill and other intangible items that have an unlimited useful life are not subject to regular depreciation, being instead tested yearly for impairment. For this reason, goodwill is allocated to cash-generating units (CGU) or, in the case of an associate, included in the acquisition cost of the associate concerned. Goodwill is measured according to the historical cost convention less impairments. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of goodwill are not reversed. See, 'Impairment' and 'Impairment testing'.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged as incurred and are included in other operating expenses in the income statement. Group development costs do not satisfy the requirements for capitalisation.

OTHER INTANGIBLE RIGHTS AND ASSETS

An intangible asset is recognised on the balance sheet only if its acquisition cost can be reliably determined and it is likely that the company will reap the expected economic benefit of the asset. Intangible rights include trademarks and patents, while items such as software licences are included in other intangible assets. Patents and software licences are recognised on the balance sheet at cost and are depreciated on a straight-line basis during their useful life, which varies from five to 10 years. No depreciation is made on intangible assets with an unlimited useful life. These are, however, subject to annual cash flow-based impairment testing. Assets with an unlimited useful life are allocated to CGUs for impairment testing. See, 'Impairment' and 'Impairment testing'.

Brands have been estimated to have an unlimited useful life. The good recognition of the brands and analyses performed support the view of management that the brands will affect cash flow generation for an indeterminate period of time.

Inventories

Inventories are measured at the acquisition cost or probable net realisable value, whichever is the lower. The acquisition cost is determined using the weighted average price method. The acquisition cost of finished and unfinished products is calculated to include the cost of raw materials, direct labour, other direct costs, variable acquisition and production costs, fixed overheads and depreciation on acquisition and production. Overheads and depreciation are allocated to inventories in accordance with the normal used capacity. Net realisable value is the estimated sales price obtainable in the course of ordinary business less the costs of completion and selling expenses.

Biological assets

Biological assets, which in the case of the HKScan Group mean living animals, are recognised on the balance sheet at fair values less estimated sales-related expenses. The Group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. Since animals producing slaughter animals are not traded in, they have no market price.

Biological assets are included in inventories on the balance sheet, and changes in the fair value are included in material costs in the income statement.

Leases

THE GROUP AS LESSEE

Leases applying to property, plant and equipment where the Group assumes a substantial part of the risks and benefits of ownership are classified as finance leases. Items acquired under finance leasing are recognised on the balance sheet at the fair value of the asset leased at the commencement of the lease or at the present value of minimum lease payments, whichever is the lower. Assets acquired under finance leasing are subject to depreciation within the useful life of the asset or the lease period, whichever is the shorter. Lease payments are divided into finance expenses and debt amortisation during the lease period so that each liability remaining during the period receives the same percentage of interest at the end of each month. Variable rents are recognised as expenses in the months during which they are generated. Leasing commitments are included in financial liabilities.

Leases where the lessor retains a substantial part of the risks and benefit of ownership are treated as other leases. Other operating lease payments are treated as rentals and charged to the income statement on a straight-line basis over the lease term.

When a lease includes land and building elements, the classification of each element as a finance lease or an operating lease is assessed separately. When it is necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum up front payments) are allocated in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

THE GROUP AS LESSOR

The Group's leased assets whose risks and rewards of ownership have essentially been transferred to the lessee are treated as finance leases and recognised as receivables on the balance sheet. Receivables are initially recognised at their present value. Financing income from finance leases is recognised during the term of the lease so as to achieve a constant rate of return on the outstanding net investment over the term of lease. There is no separate Note on financial lease liabilities, due to their low amount.

Other assets not leased under finance leasing agreements are included in property, plant and equipment on the balance sheet. They are depreciated over their useful lives in the same way as corresponding property, plant and equipment in the company's own use are. Rental income is recognised in the income statement on a straight-line basis over the lease term.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to see whether there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised if the carrying amount of the asset exceeds the recoverable amount for the asset. The recoverable amount is estimated annually for goodwill and intangible assets with unlimited useful life regardless of whether there are indications of impairment. The need for impairment is reviewed at the level of cash-generating units, in other words the smallest group of assets that includes the asset under review which is largely independent of other units and has a cash flow that can be separated from other cash flows.

In 2012, EUR 7.7 million was recognised as impairment. In 2011, no indications of impairment were observed.

See 'Accounting policies requiring management judgments and factors of estimation uncertainty' and 'Goodwill'.

Employee benefits

PENSION OBLIGATIONS

Pension plans are classified as defined benefit plans and defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate entity. The Group is under no legal or actual obligation to make additional payments in the event that the entity collecting pension payments is unable to meet its obligations to pay the pension benefits in question. Any pension plan that does not meet these criteria is a defined benefit plan.

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local practice.

In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognised in the income statement during the financial period in which they are incurred. All pension cost calculations are based on actuarial valuations prepared annually by the local authorities or authorised actuaries.

The obligations arising from the Group's defined benefit plans are calculated separately for each plan. Pension costs are recognised as an expense over the relevant persons' employment on the basis of calculations performed by authorised actuaries. The Group's defined benefit plans mainly consist of the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.1 million on 31 December 2012.

SHARE-BASED PAYMENTS

The company has no share-based incentive schemes in place.

The Board of Directors of HKScan Corporation has decided on a new share-based incentive scheme for the Group's key personnel for 2013–2015.

Provisions

A provision is recognised when the Group has a legal or actual obligation as the result of a past event, it is likely that the payment obligation will be realised and the magnitude of the obligation can be reliably estimated.

A restructuring provision is made when the Group has compiled a detailed restructuring plan and launched its implementation or announced the plan. No provision is made for expenses relating to the Group's continuing operations.

A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group's environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

Taxes and deferred taxes based on taxable income for the period

The income tax expense in the income statement consists of tax based on taxable income and deferred tax. Taxes are recognised in the income statement, except when related to items recognised directly in equity or the statement of comprehensive income, in which event the tax is also recognised in the said items, in which event the tax is also recognised in the said items. Tax based on taxable income in the financial period is calculated from taxable income on the basis of the tax law of the domicile of each company. Taxes are adjusted with any taxes relating to previous financial periods.

Deferred tax assets and liabilities are calculated on all temporary differences in bookkeeping and taxation using the tax rate valid at the balance sheet date or expected date the tax is paid. The most significant temporary differences arise from measurement to fair value of derivative instruments, defined benefit pension plans, unclaimed tax losses and measurements to fair value in connection with acquisitions. No deferred tax is recognised on non-deductible goodwill.

Deferred taxes are calculated using the tax rates which have been enacted or which in practice have been adopted by the reporting date.

The deferred tax liability relating to the retained earnings of the Baltic Group companies has not been recognised, as the assets are used to safeguard the foreign companies' own investment needs. The parent company has control over the dividend distribution policy of the Baltic subsidiaries, and there are no plans to distribute said earnings within the foreseeable future.

Recognition policies

Net sales is presented as revenue from the sales of products and services measured at fair value and adjusted for indirect taxes, discounts and translation differences resulting from sales in foreign currencies.

GOODS SOLD AND SERVICES PROVIDED

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from service provision is recognised in the financial period in which the service is performed.

Non-current assets held for sale and discontinued operations

The company did not have any non-current assets held for sale during 2011–2012.

Financial assets and liabilities

FINANCIAL ASSETS

The Group's financial assets are classified into the following categories: financial assets recognised at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is based on the purpose of the acquisition of the financial asset and takes place in conjunction with the original acquisition. Transaction costs are included in the original carrying amount of financial assets in the case of items not measured at fair value through profit or loss. Purchases and sales of financial assets are recognised on the settlement date, except for derivatives and spot transactions, which are recognised according to the transaction date. The transaction date is the date on which the Group commits itself to purchase or sell a financial instrument. The settlement date is the date on which a financial asset is delivered to another party or correspondingly when a financial asset is received. Financial assets are derecognised from the balance sheet when the Group's contractual right to the cash flows has expired or when the risks and rewards of ownership have to a significant degree been transferred outside the Group.

The category of financial assets recognised at fair value through profit of loss comprises financial assets designated as such at inception or acquired to be held for trading (application of fair value option). The category can be changed only in rare special circumstances. The latter group includes financial assets that are administered on the basis of fair value or financial asset items involving one or more embedded derivatives that significantly change the cash flows of the contract, in which case the whole compound instrument is measured at fair value. Financial assets held for trading purposes have mainly been acquired to obtain a gain from short term changes in market prices. Derivatives that are not contracts of guarantee or do not satisfy hedge accounting are classified as financial assets or liabilities held for trading. Derivatives held for trading as well as financial assets maturing within 12 months are included in current assets.

The items in the category of financial assets recognised at fair value through profit of loss are measured at fair value, which is based on the market price quoted on the reporting date. The fair values of interest rate swaps are defined as the present value of future cash flows and currency futures are measured at the forward exchange rates at the reporting date. In assessing the fair values of non-traded derivatives and other financial instruments, the Group uses generally adopted valuation methods and estimated discounted values of future cash flows. Gains and losses arising from changes in fair value, whether realised or unrealised, are recognised through profit or loss in the financial period in which they arise.

Investments held to maturity are non-derivative financial assets that have fixed or determinable payments, that mature on a given date and that the Group positively intends to and is able to hold until maturity. They are measured at amortised cost using the effective interest method and are included in non-current assets. The Group did not have any financial assets of this category during the financial period.

Loans and other receivables are non-derivative assets that have fixed or measurable payments, are not quoted on active markets and not held for trading by the Group or specifically classified as being available for sale at inception. They are measured on the basis of amortised cost using the effective interest method and are included on the balance sheet under current or non-current assets as determined by their nature, under the latter if maturing in more than 12 months.

Available-for-sale financial assets consist of assets not belonging to derivative assets which have been specifically classified in this category or which have not been classified in another category. They are included in non-current assets, except if they are to be held for less than 12 months from the reporting date, in which case they are recorded under current assets. Available-for-sale financial assets can consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. The fair value of an investment is determined on the basis of the bid price of the investment. If quoted prices are not available for available-for-sale financial assets, the Group applies various valuation techniques to measure them. These include, for example, recent transactions between independent parties, discounted cash flows or other similar instrument valuations. Information obtained from the market in general and minimal elements determined by the Group itself are utilised.

Changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income and reported in the fair value reserve included in equity, Other reserves, taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognised on the investment. Interest income on available-for-sale fixed-income investments are recognised in financial income using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Credit accounts relating to the consolidated accounts are included in current financial liabilities, and they are recognised as setoffs, as the Group has an agreement -based legal right to settle or otherwise eliminate the amount to be paid to the creditor in full or in part.

IMPAIRMENT OF FINANCIAL ASSET

At each reporting date, the Group assesses whether there is any objective evidence of the impairment of an individual financial asset item or a group of financial assets.

The Group recognises an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy, payment default or a payment delay exceeding 90 days constitute evidence of the impairment of trade receivables. The impairment loss recognised in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of a receivable. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognised loss is reversed through profit or loss.

FINANCIAL LIABILITIES

Financial assets are initially recognised at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortised cost. Financial liabilities except for derivative contract liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in current and non-current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as a part of the cost of the said asset when it is likely that these will generate future economic benefits and when the costs can be measured reliably. During the financial year the Group did not have any qualifying investments.

Other borrowing costs are recognised as an expense in the period in which they are incurred. Credit fees related to loan commitments are recognised as transaction costs in proportion to the extent that it is probable that the total loan commitment or a part of it will be raised. Credit fees are recognised on the balance sheet until the loan is raised. In connection with the drawdown, the credit fee related to loan commitments is recognised as part of the transaction costs. To the extent that it is probable that the loan commitment will not be raised, the credit fee is recognised as a prepaid expense in respect of the liquidity-related services and is accrued for the period of the loan commitment.

The determination principles of the fair values of all financial assets and liabilities are presented in Note 26, 'Fair values of financial assets and liabilities'.

Derivatives and hedge accounting

Derivative contracts are initially accounted for at fair value on the date on which the Group becomes a party to the contract and subsequently continue to be measured at fair value. Gains and losses arising from the assessment of fair value are treated in the income statement in the manner determined by the purpose of the derivative. The impacts on profit or loss arising from changes in the value of derivative contracts to which hedge accounting applies and which are effective hedges are presented in a manner consistent with the hedged item. When derivative contracts are concluded, the Group treats the derivatives as either fair value hedges for receivables, liabilities or fixed commitments or, in the case of exchange rate risk, as cash flow hedges, cash flow hedges of a highly probable forecast transaction, hedges of net investment in a foreign unit or derivatives that do not satisfy the criteria for applying hedge accounting. The Group documents the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group documents and assesses the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows.

FAIR VALUE HEDGING

Changes in the fair value derivatives contracts that satisfy the conditions for hedging fair value are recognised through profit or loss. Changes in the fair value of a hedged asset or debt item are treated in the same way with regard to hedged risk.

CASH FLOW HEDGING

A change in the fair value of the effective portion of derivative instruments that satisfy the conditions for hedging cash flow are recognised under other comprehensive income and reported in the equity hedging reserve (included in Other reserves). Gains and losses accrued from the hedging instrument are transferred to the income statement when the hedged item affects profit or loss. The ineffective portion of the hedging instrument's profit or loss is recognised as financial income or expenses.

When a hedging instrument acquired to hedge cash flow matures is sold, or when the criteria for hedging accounting are no longer satisfied, the profit or loss accrued from the hedging instrument remains in equity until the forecast transaction is carried out. Nevertheless, if the forecast hedged transaction is no longer expected to be implemented, the profit or loss accrued in equity is recognised immediately in the income statement.

HEDGING OF NET INVESTMENT IN A FOREIGN UNIT

The hedging of the net investment in a foreign unit is treated in accounting in the same manner as cash flow hedging. The effective portion of the change in the value of the hedging forward, i.e. the change in spot value, is recognised under other comprehensive income and the interest rate difference and the ineffective portion of the change in value through profit or loss under financial items. Gains and losses accumulated in translation differences within equity from net investment hedges are included in the income statement when the net investment is disposed of in part or in full. The fair values of derivatives to which hedge accounting applies are presented on the balance sheet under non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months. Otherwise they are included in current assets or liabilities.

OTHER HEDGING INSTRUMENTS WHERE HEDGE ACCOUNTING IS NOT APPLIED

Despite the fact that some hedging relationships satisfy the Group's risk management hedging criteria, hedge accounting is not applied to them. Such instruments have included derivatives hedging against currency or interest-rate risk. In accordance with the Group's recognition policy, changes in the fair value of these instruments are recognised in other financial income or expenses (interest rate derivatives), other operating income and expenses (foreign exchange derivatives hedging commercial currency flows) and financial income or expenses (forward exchange contracts hedging financial items). On the balance sheet, derivatives relating to currency-denominated trade receivables or trade payables are presented in other current receivables or liabilities.

The fair values of hedging instruments are presented in Note 26, 'Fair values of financial assets and liabilities'. Changes in the hedging reserve are presented in Note 20. 'Notes relating to equity' under 'Other reserves'.

Equity

All company shares are reported as share capital. Any repurchase of its own shares by the company is deducted from equity.

Dividend

The dividend proposed to the Annual General Meeting by the Board of Directors is not deducted from distributable equity until approved by the AGM.

EBIT

EBIT is presented in accordance with IFRS accounting principles. The concept of EBIT is not defined in IAS 1: Presentation of Financial Statements. The Group employs the following definition: EBIT is the net sum arrived at by adding other operating income and the share of pre-determined associates' results (see Associates) to net sales, deducting from this purchase costs adjusted by change in stocks of finished and unfinished products and costs arising from production for own use as well employee benefit expenses, depreciation and impairment losses, if any, and other operating expenses. All other income statement items are presented below EBIT.

Where necessary, major gains and losses on disposal, impairment and recognitions of discontinuations or reorganisations of operations, recorded as non-recurring items, as well as EBIT excluding non-recurring items may be presented separately in interim reports and financial statement bulletins.

Accounting policies requiring management's judgments and factors of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions affecting the content and to exercise judgment in applying the accounting policies. The most important of these estimates affect the possible impairment of goodwill and other assets as well as provisions. Actual results may differ from these estimates.

MANAGEMENT JUDGMENTS RELATING TO CHOICE AND APPLICATION OF ACCOUNTING POLICIES

The Group management makes judgment decisions on the choice and application of accounting policies. This applies in particular to cases where the IFRSs in force provide alternative manners of recognition, measurement and presentation.

FACTORS OF ESTIMATION UNCERTAINTY

The estimates made in preparation of the financial statements are based on the best judgment of management on the reporting date. The estimates are based on previous experience and assumptions regarding the future seen as most likely on the balance sheet date. Such assumptions are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. Goodwill impairment testing is the most important area where the management has exercised such judgment. The goodwill carrying value on the consolidated balance sheet was EUR 101.5 million at the end of the financial period (EUR 101.0 million on 31 December 2011).

MEASUREMENT TO FAIR VALUE OF ASSETS ACQUIRED IN BUSINESS COMBINATIONS

In major business combinations, the Group has consulted an external advisor in assessing the fair values of intangible and tangible assets. Management believes the estimates and assumptions employed to be sufficiently accurate to serve as the basis for fair value measurement. In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

IMPAIRMENT TESTING

Goodwill and those intangible assets with an unlimited useful life are tested for impairment each year and reviewed for indications of impairment in accordance with the policies set out above.

Application of new and revised IFRS norms

The Group has yet to apply the following new or revised standards and interpretations published by the IASB. These will be applied from the effective date of each standard and interpretation or, if the effective date does not fall on the first day of the financial period, from the start of the financial period first beginning after the effective date.

- A change to IAS 1 Financial statements (applies to financial periods starting on 1 July 2012 or later). The main change is a requirement to group items presented in other comprehensive income on the basis of whether they are potentially subsequently reclassifiable to profit or loss. The amendment will not have material effect on the Group's financial statements.

– Amendment to IAS 19 Employee Benefits (effective for financial periods beginning on or after 1 January 2013). The most significant amendment to the standard requires that all actuarial gains and losses must be recognised immediately under other comprehensive income, i.e. the 'corridor method' will be eliminated and finance costs will be calculated on a net funding basis. The Group has yet to assess the impact of the amendment, but it will affect the Group's figures.

- IFRS 9 Funding instruments and changes to it (applies to financial periods starting on 1 January 2015 or later). When complete, the IASB project, originally consisting of three phases, will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 covers the classification of financial assets; the measurement depends on the contractual cash flow characteristics and the company's business model. The second phase, issued in October 2010, covers the classification and measurement of financial liabilities and is largely based on the requirements of the current IAS 39. However, IASB is still considering limited amendments to the already issued IFRS 9 guidance on the classification and measurement of financial assets. The other incomplete issues concern impairment and general hedge accounting. IASB has decoupled accounting for macro hedging from IFRS 9 and it will be progressed as a separate project. Due to the incomplete sections, for the time being it is not possible to assess the final effects of the standard on the consolidated financial statements. The standard has not yet been endorsed for application in the EU.

- IFRS 10 Consolidated Financial Statements (effective for financial periods beginning on or after 1 January 2013). Based on existing principles, the standard defines control as a primary factor when determining whether an entity should be included within the consolidated financial statements. In addition, the standard provides further guidance on how to assess control in difficult cases. The standard will become mandatory in the EU in 2014. The impacts of IFRS 10 are being assessed, and the Group plans to adopt it in 2014.

- IFRS 11 Joint Arrangements (effective for financial periods beginning on or after 1 January 2013). The standard focuses on the rights and obligations in the accounting of joint arrangements rather than on their legal form. There are two types of joint arrangement: joint operations and joint ventures. The standard also requires a single method, the equity method, in joint venture reporting and the previous option to apply proportionate consolidation is no longer allowed. The standard will become mandatory in the EU in 2014. The new standard will significantly change reporting of the Group's figures and the segment of Poland. The Group is planning to adopt the standard in 2014.

- IFRS 12 Disclosures of Interests in Other Entities (effective for financial periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for various interests in other entities, including associates, joint arrangements, special purpose companies and other off-balance sheet companies. The standard will become mandatory in the EU in 2014. The impacts of IFRS 12 are being assessed, and the Group plans to adopt it in 2014.

- IFRS 13 Fair Value Measurement (effective for financial periods beginning on or after 1 January 2013). The standard aims to improve consistency and reduce complexity, as it provides a precise definition of fair value and combines in a single source the requirements for fair value measurement and disclosure. The use of fair value accounting is not extended, but guidance is provided on how it should be applied where its use is already required or permitted in another standard. The standard has not yet been endorsed for application in the EU.

- IAS 27 (revised in 2011) Separate Financial Statements (effective for financial periods beginning on or after 1 January 2013). The revised standard includes those requirements concerning separate financial statements which remain after the sections concerning control have been incorporated in the new IFRS 10. The revision of the standard is not expected to have a material effect on the Group's financial statements.

- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for financial periods beginning on or after 1 January 2013). The revised standard includes requirements for accounting of joint ventures as well as associates with the equity method following the issue of IFRS 11.

– Amendment to IAS 32 Financial Instruments: Presentation (effective for financial periods beginning on or after 1 January 2013). The amendment clarifies the rules concerning the presentation of financial assets and liabilities as net amounts and provides further application guidance. The amendment will not have a material effect on the Group's financial statements. The revised standard has not yet been endorsed for application in the EU.

– Amendment to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2013). The amendment clarifies the disclosure requirements concerning financial instruments presented in net amounts on the balance sheet and general netting arrangements or similar agreements. The amendment will not have a material effect on the Group's financial statements. The revised standard has not yet been endorsed for application in the EU.

- Improvements to IFRS standards (Annual improvements to IFRSs 2009-–2011, May 2012, effective for financial periods beginning on or after 1 January 2013). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure are compiled and enforced once a year. The amendments included in the project concern five standards. The impact of the changes varies by standard, but the changes do not have a significant impact on the Group's financial statements. The amendments have not yet been endorsed for application in the EU.

Notes to the income statement

1. Business segments

The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team. The division into business segments is based on the reports used by the Group Management Team for the allocation of resources and assessment of performance.

The Group Management Team monitors business performance by geographical area. The geographical segments monitored are Finland, Sweden, Denmark, the Baltics and Poland.

All the geographical segments manufacture, sell and market meat products, processed meat products and convenient foods.

The assets and liabilities of the segments are items that are either directly or fairly allocated to the business of the relevant segment. Segment assets include tangible and intangible assets, shares in associates, inventories and non-interest bearing receivables. Segment liabilities include current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Year 2012 (EUR million)

	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Business segments, total	Group administration	Elimi-nations	Un-allocated	Group total
INCOME STATEMENT INFORMATION										
External sales	831.2	1 003.4	209.9	166.5	335.9	2 546.8	-	-	-	2 546.8
Internal sales	11.4	37.3	1.9	10.2	7.8	68.5	-	-68.5	-	0.0
Net sales	**842.6**	**1 040.6**	**211.7**	**176.7**	**343.7**	**2 615.3**	**-**	**-68.5**	**-**	**2 546.8**
Segment EBIT	18.4	-7.6	15.4	8.9	15.8	50.8	-9.5	-	-	41.3
Unallocated items	-	-	-	-	-	-	-	-	-	-
EBIT	**18.4**	**-7.6**	**15.4**	**8.9**	**15.8**	**50.8**	**-9.5**	**-**	**-**	**41.3**
Share of associates' results	2.9	0.0	0.1	-	-	3.0	-	-	-	3.0
Financial income and expenses									-31.7	-31.7
Income taxes									3.8	3.8
Result for the period										**16.4**
BALANCE SHEET INFORMATION										
Segment assets	338.6	295.0	115.4	132.6	132.7	1 014.5	40.6	-21.1	-	1 034.0
Shares in associates	13.8	18.2	2.8	-	-	34.7	-	-	-	34.7
Unallocated assets	-	-	-	-	-	-	-	-	180.1	180.1
Total assets	**352.4**	**313.2**	**118.2**	**132.6**	**132.7**	**1 049.2**	**40.6**	**-21.1**	**180.1**	**1 248.8**
Segment liabilities	89.8	105.9	14.4	17.8	23.9	251.8	5.7	-5.7	-	251.8
Unallocated liabilities	-	-	-	-	-	-	-	-	564.5	564.5
Total liabilities	**89.8**	**105.9**	**14.4**	**17.8**	**23.9**	**251.8**	**5.7**	**-5.7**	**564.5**	**816.4**
OTHER INFORMATION										
Sales, goods	829.9	1 003.4	209.9	166.3	329.7	2 539.2	-	-	-	2 539.2
Sales, services	1.3	-	-	0.2	6.2	7.6	-	-	-	7.6
Investments	11.2	7.4	33.0	10.5	14.0	72.7	0.6	-	-	76.6
Depreciation and amortisation	-23.3	-23.6	-13.6	-8.3	-8.8	-77.5	-1.1	-	-	-78.6
Impairment	-	-2.9	-4.4	-	0.0	-7.3	-	-	-	-7.3
Goodwill	18.1	35.4	3.6	22.2	22.1	101.5	-	-	-	101.5

Year 2011 (EUR million)

	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Business segments, total	Group administration	Elimi- nations	Un- allocated	Group total
INCOME STATEMENT INFORMATION										
External sales	800.9	1 007.5	226.4	162.7	293.7	2 491.3	-	-	-	2 491.3
Internal sales	11.5	38.2	1.7	10.5	5.2	67.1	-	-67.1	-	0.0
Net sales	**812.4**	**1 045.7**	**228.1**	**173.3**	**298.9**	**2 558.4**	**-**	**-67.1**	**-**	**2 491.3**
Segment EBIT	12.1	17.2	-3.7	9.8	12.7	48.0	-8.4	-	-	39.6
Unallocated items										
EBIT	**12.1**	**17.2**	**-3.7**	**9.8**	**12.7**	**48.0**	**-8.4**	**-**	**-**	**39.6**
Share of associates' results	2.3	0.1	0.1	-	-	2.5	-	0.0	-	2.5
Financial income and expenses									-30.9	-30.9
Income taxes									1.0	1.0
Result for the period										**12.2**
BALANCE SHEET INFORMATION										
Segment assets	349.8	346.6	102.9	125.3	111.8	1 036.5	55.3	-36.4	-	1 055.3
Shares in associates	11.9	15.2	2.7	-	-	29.9	-	0.0	-	29.9
Unallocated assets		-	-	-	-	-	-	-	167.8	167.8
Total assets	**361.8**	**361.8**	**105.6**	**125.3**	**111.8**	**1 066.3**	**55.3**	**-36.4**	**167.8**	**1 253.0**
Segment liabilities	86.5	106.8	23.1	19.0	23.9	259.2	14.5	-12.3	-	261.4
Unallocated liabilities	-	-	-	-	-	-	-	-	570.1	570.1
Total liabilities	**86.5**	**106.8**	**23.1**	**19.0**	**23.9**	**259.2**	**14.5**	**-12.3**	**570.1**	**831.5**
OTHER INFORMATION										
Sales, goods	800.1	1 007.5	226.4	162.6	279.8	2 476.4	-	-	-	2 476.4
Sales, services	0.8	-	-	0.1	14.0	14.9	-	-	-	14.9
Investments	15.4	8.9	7.8	12.4	14.5	59.1	1.9	-	-	61.0
Depreciation and amortisation	-22.8	-25.0	-7.5	-8.5	-7.8	-71.5	-0.8	-	-	-72.3
Impairment	-	-	-	-	0.0	0.0	-	-	-	0.0
Goodwill	17.9	34.9	3.6	22.2	22.4	101.0	-	-	-	101.0

2. Other operating income	2012	2011
Rental income	2.2	2.2
Gain on disposal of non-current assets	2.6	0.1
Exchange rate gains related to foreign exchange derivatives	0.3	-
Insurance indemnity	47.9	-
Government grants	0.8	0.5
Other operating income	3.8	6.4
Other operating income	**57.6**	**9.2**

3. Materials and services		
Purchases during the financial period	-1 673.0	-1 597.1
Increase/decrease in inventories	39.8	46.0
Materials and supplies	**-1 633.2**	**-1 551.2**
External services	-210.5	-189.7
Materials and services	**-1 843.7**	**-1 740.8**

4. Employee benefit expenses		
Salaries and fees	-311.4	-312.9
Pension expenses, defined contribution plans	-61.3	-58.0
Pension expenses, defined benefit plans	0.0	0.0
Total pension expenses	-61.3	-58.0
Other social expenses	-9.1	-8.4
Employee benefit expenses	**-381.7**	**-379.3**
Managing directors and their deputies	-7.5	-5.6
Members of the Board of Directors	-0.3	-0.3
Management salaries, fees and benefits	**-7.8**	**-5.9**
Average number of employees during financial year		
Clerical employees	1 317	1 466
Workers	6 446	6 821
Total	**7 763**	**8 287**

Additionally, the Sokolów Group in Poland employed an average of 6 310 persons in 2012.

5. Depreciation and impairment		
Depreciation according to plan	-78.6	-72.3
Depreciation and amortisation	-78.6	-72.3
Impairment	-7.3	0.0
Total	**-85.9**	**-72.3**

6. Other operating expenses	2012	2011
Rents/leases	-12.2	-12.0
Losses on disposal of non-current assets	-0.1	0.0
R&D costs	-10.5	-11.2
Non-statutory staff costs	-6.2	-6.9
Energy	-46.5	-48.0
Maintenance	-47.7	-60.9
Advertising, marketing and entertainment costs	-66.5	-64.0
Service, information management and office costs	-25.9	-49.8
Other expenses	-31.6	-34.0
Total other operating expenses	**-247.3**	**-286.9**

Audit Fees

The Group's audit fees paid to PricewaterhouseCoopers, its principal independent auditors, are presented in the table below. The audit fees are in respect of the audit of the annual accounts and legislative functions closely associated therewith. Other expert services include tax consulting and advisory services in corporate arrangements. The figures also include the audit fees in Poland (KPMG Poland).

	2012	2011
Audit fees	-0.7	-0.6
Certificates and statements	0.0	0.0
Tax consultation	-0.1	-0.1
Other fees	-0.1	-0.1
Audit fees, total	**-0.9**	**-0.8**

7. Financial income and expenses	2012	2011
Financial income		
Dividend income from available-for-sale financial assets	0.0	0.0
CHANGE IN VALUE OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:		
- Interest rate derivatives	0.0	0.0
- Commodity derivatives	0.0	0.0
- Financial assets held for trading	-	-
Loans and other receivables	3.3	3.2
Ineffective portion of hedges of net investments in foreign units	0.0	0.0
Currency exchange gains on financial loans and receivables measured at amortised cost	2.0	0.0
Other financial income	0.0	4.1
Total	**5.4**	**7.4**

Financial expenses	2012	2011
ITEMS RECOGNISED THROUGH PROFIT OR LOSS:		
Interest expenses on financial loans measured at amortised cost	-34.9	-35.6
Impairment charges on available-for-sale financial assets	-	-
CHANGE IN VALUE OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:		
- Interest rate derivatives	-0.3	-1.7
- Foreign exchange derivatives	-1.3	-0.1
- Commodity derivatives	-0.5	-0.3
Currency exchange losses on financial loans and receivables measured at amortised cost	0.0	-0.3
Other financial expenses	-0.1	-0.4
Total	**-37.1**	**-38.3**

8. Income taxes

Cumulative tax rate reconciliation	2012	2011
Income taxes		
Income tax on ordinary operations	-3.8	-2.1
Tax for previous financial periods	0.5	-0.6
Change in deferred tax liabilities and assets	7.0	3.6
Income tax on ordinary operations	**3.8**	**1.0**
Accounting profit/loss before taxes	12.6	11.3
Deferred tax at parent company's tax rate	-3.1	-2.9
Effect of different tax rates applied to foreign subsidiaries	3.0	3.2
Share of associates' results	0.8	1.0
Tax-exempt income	0.4	0.9
Non-deductible expenses	0.0	-0.6
Use of tax losses not recognised earlier	-	0.4
Unrecognised tax on the losses for the financial period	-0.9	-
Tax for previous financial periods	0.5	-0.6
Adjustments concerning previous financial periods	-0.4	-
Effect of change in tax rate	3.4	-0.4
Tax expenses in the income statement	**3.8**	**1.0**

The Swedish tax rate used for the calculation of deferred taxes changed from 26.3% in 2011 to 22.0% in the financial statements for 2012.

9. Earnings per share

Earnings per share are calculated by dividing the profit for the financial period attributable to shareholders of the parent company by the weighted average number of outstanding shares.

	2012	2011
Profit for the period attributable to equity holders of the parent	15.1	10.1
Total	**15.1**	**10.1**
Weighted average number of shares in thousands	54 556	54 973
Weighted average number of shares adjusted for dilution effect	54 556	54 973
Undiluted earnings per share (EUR/share)	0.28	0.18
Earnings per share adjusted for dilution effect (EUR/share)	0.28	0.18

Notes to the balance sheet

10. Intangible assets	2012	2011
Acquisition cost on 1 Jan.	94.6	91.5
Translation differences	2.8	0.3
Increase	1.9	2.3
Increase (acquisitions)	-	-
Decrease	-0.7	-0.6
Transfers between items	1.7	1.1
Acquisition cost on 31 Dec.	100.2	94.6
Accumulated depreciation on 1 Jan.	-18.0	-14.4
Translation differences	-0.3	-
Accumulated depreciation on disposals and reclassifications	0.3	0.4
Depreciation for the financial period	-4.5	-4.0
Accumulated depreciation on 31 Dec.	-22.5	-18.0
Carrying amount on 31 Dec.	**77.7**	**76.6**

The trademarks included in the Swedish business operations, carrying amount EUR 63.6 million in 2012 (EUR 61.2 million in 2011), are tested for impairment each year. The Group has estimated that their useful life is unlimited.

11. Goodwill	2012	2011
Acquisition cost on 1 Jan.	101.0	100.4
Translation differences	1.3	0.2
Increase	-	0.4
Increase (acquisitions)	-	0.0
Decrease	-0.9	-
Carrying amount on 31 Dec.	**101.5**	**101.0**

Allocation of goodwill

All acquisitions resulting in the Group recognising goodwill have concerned the acquisition of net assets or business by an individual CGU and goodwill has been allocated to said CGU separately in respect of each acquisition. Goodwill has been allocated to a total of six CGUs.

Specification of goodwill	2012	2011
Finnish red meat	18.1	18.1
Business in Sweden (Scan group)	35.4	34.9
Business in Denmark (Rose Poultry Group)	3.6	3.6
Baltic white meat (AS Tallegg)	5.5	5.5
Baltic red meat (Rakvere Group)	16.7	16.7
Business in Poland (Sokolów S.A.)	22.1	22.2
Total	**101.5**	**101.0**

Impairment Testing

The company tests for impairment each year. The key assumptions in testing are the growth prospects of the business, cost trends and the discount rate employed.

In impairment testing, the recoverable amounts of the cash generating units are based on value-in-use calculations. The cash flow estimates employed are based on financial plans adopted by management and the Board of Directors and spanning five years. The plans are based on moderate and cautious net sales growth under the assumption that profitability of five percent on average will be achieved in the forecast period. The cash flow after the forecast period is extrapolated using a cautious growth factor (1.0%). The growth factors of the CGUs for the period following the forecast period do not exceed the long-term historical growth of the CGUs.

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used are 7.1% (7.2%) in Finland, 6.5% (6.3%) in Sweden, 6.7% (6.4%) in Denmark, 7.9% (7.8%) in the Baltic countries and 10.0% (10.8%) in Poland. The WACC interest rates did not change significantly year-on-year.

The sensitivity of each CGU to impairment is tested by varying both the discount rate and the growth factor reflecting profitability development. Based on the sensitivity analyses conducted, a hypothetical increase of 20 percent in WACC with the cash flows from operating activities projected would result in impairment of approximately EUR 11.2 million in respect of Baltic red meat and EUR 7.3 million in respect of Baltic white meat. A decrease of 20 percent in the growth factor reflecting profitability development would not, however, result in impairment in respect of Baltic red meat or Baltic white meat. With other units, testing indicated that a reasonably possible change in interest rates or growth factor reflecting profitability development would not result in impairment.

The recoverable amount for Baltic red meat exceeds the unit's carrying amount by EUR 8.5 million. An eight per cent increase in the discount rate would lead to a situation in which the recoverable amount for Baltic red meat equals its carrying amount.

The recoverable amount for Baltic white meat exceeds the unit's carrying amount by EUR 2.1 million. A four per cent increase in the discount rate would lead to a situation in which the recoverable amount for Baltic white meat equals its carrying amount.

As far as management is aware, reasonable changes in assumptions used in respect of other factors do not necessitate impairment for the goodwill of any cash-generating unit. Sudden and other than reasonably possible changes in the business environment of cash generating units may result in an increase in capital costs or in a situation where a cash-generating unit is forced to assess clearly lower cash flows. Recognition of an impairment loss is likely in such situations.

The annual impairment testing performed did not result in the recognition of impairment charges in 2012 or 2011.

12. Tangible assets

Tangible assets 2012	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and works in progress	Total
Acquisition cost on 1 Jan.	7.4	475.3	639.4	17.8	26.3	1 166.2
Translation differences	0.1	8.4	14.0	0.3	0.7	23.6
Increase	0.6	11.4	35.8	0.8	24.2	72.7
Increase (acquisitions)	-	-	-	-	-	-
Decrease	0.0	-22.4	-42.1	-1.0	-0.2	-65.8
Transfers between items	-	11.1	22.6	0.6	-36.1	-1.8
Acquisition cost on 31 Dec.	8.1	483.8	669.7	18.5	14.8	1 194.9
Accumulated depreciation on 1 Jan.	-0.1	-225.4	-410.5	-13.7	-	-649.7
Translation differences	-0.1	-4.5	-8.0	-0.2	-	-12.7
Accumulated depreciation on disposals and reclassifications	-	17.1	36.7	0.9		54.6
Accumulated depreciation on acquisitions	-	-	-	-	-	-
Depreciation for the financial period	0.0	-23.0	-58.1	-1.2	-	-82.2
Impairment charge reversals	-	-	-0.2	-	-	-0.2
Accumulated depreciation on 31 Dec.	-0.2	-235.8	-440.1	-14.2	-	-690.3
Carrying amount on 31 Dec. 2012	**7.9**	**248.0**	**229.5**	**4.3**	**14.8**	**504.6**

Tangible assets 2011						
Acquisition cost on 1 Jan.	8.1	465.9	591.9	16.6	34.4	1 117.0
Translation differences	-0.2	-4.2	11.6	-0.3	-0.1	6.8
Increase	0.3	3.5	16.2	1.2	35.0	56.2
Increase (acquisitions)	-	-	0.5	-	-	0.5
Decrease	-	-0.5	-11.6	-0.5	-	-12.6
Transfers between items	-0.8	10.6	30.7	0.8	-43.0	-1.6
Acquisition cost on 31 Dec.	7.4	475.3	639.4	17.8	26.3	1 166.2
Accumulated depreciation on 1 Jan.	-0.2	-210.0	-355.8	-13.3	-	-579.2
Translation differences	0.1	-0.4	-14.4	0.2	-	-14.5
Accumulated depreciation on disposals and reclassifications	-	0.2	10.5	0.5	-	11.1
Accumulated depreciation on acquisitions	-	-	0.8	-	-	0.7
Depreciation for the financial period	-	-15.1	-51.3	-1.1	-	-67.5
Impairment charge reversals	-	-	-0.2	-	-	-0.2
Accumulated depreciation on 31 Dec.	-0.1	-225.4	-410.5	-13.7	-	-649.7
Carrying amount on 31 Dec. 2011	**7.3**	**249.9**	**228.8**	**4.1**	**26.3**	**516.5**

13. Shares in associates

Shares in associates 2012	
Acquisition cost on 1 Jan.	29.9
Translation differences	0.6
Increase	5.1
Decrease	-2.1
Acquisition cost on 31 Dec.	33.4
Share of associates' results	2.9
Dividend from associates	-1.6
Carrying amount on 31 Dec.	**34.7**

Shares in associates 2011	
Acquisition cost on 1 Jan.	27.0
Translation differences	0.4
Increase	1.1
Decrease	-0.4
Acquisition cost on 31 Dec.	28.1
Share of associates' results	3.3
Dividend from associates	-1.6
Carrying amount on 31 Dec.	**29.9**

In the following is shown a list of associates and their combined assets, liabilities, revenue and profit/loss (EUR million) as well as holding percentage. The figures given are gross and not proportional to Group ownership.

Associates 2012

(EUR million)	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by HK Ruokatalo Oy					
Honkajoki Oy, Finland	23.6	10.1	28.1	4.6	50.00
Envor Biotech Oy, Finland	8.1	5.1	4.7	0.1	24.62
Pakastamo Oy, Finland	9.4	4.5	10.4	0.9	50.00
Lihateollisuuden tutkimuskeskus, Finland	11.1	2.0	22.4	0.2	44.80
Länsi-Kalkkuna Oy, Finland	3.5	2.6	27.2	0.0	50.00
Owned by HK Agri Oy					
Finnpig Oy, Finland	1.4	0.5	3.3	0.1	50.00
Oy LHP Bio Carbon LTD, Finland	0.1	0.1	0.0	0.0	24.24
Owned by Scan AB					
AB Tillväxt för svensk animalieproduktion, Sweden	5.7	0.0	0.0	0.0	50.00
Daka a.m.b.a, Denmark	110.5	74.0	144.4	22.2	33.90
Höglandsprodukter AB, Sweden	2.3	1.8	29.9	0.1	30.00
Siljans Chark AB, Sweden	10.1	5.8	19.6	0.4	39.30
Svensk Köttrasprövning AB, Sweden	0.2	0.0	0.4	0.0	35.00
Svenskt Lantbrukstjänst AB, Sweden	2.6	0.9	12.3	0.2	26.00
Svenska Djurhälsövården AB, Sweden	3.4	2.2	3.5	0.1	50.00
Taurus Köttrådgivning AB, Sweden	0.3	0.2	0.7	0.0	39.33
Industrislakt Syd AB, Sweden	0.8	0.8	3.5	0.0	50.00
Svenska Pig AB, Sweden	0.5	0.2	0.8	0.0	22.00
Svenskt Butikskött AB, Sweden	9.5	6.2	58.9	-1.3	25.00
Gotlands Slagteri AB, Sweden	8.1	5.9	37.8	0.0	25.00
Nyhléns & Hugosons Chark AB, Sweden	17.3	12.7	54.0	-1.1	49.00
Owned by Pärsons Sverige AB					
Creta Farms Nordic AB, Sweden	0.0	0.1	0.6	0.0	50.00
Owned by Rose Poultry A/S					
Tican - Rose GmbH, Germany	5.7	4.8	1.6	0.1	50.00
HRP Kyllingefarme A/S, Denmark	1.0	0.6	1.4	-0.1	50.00
Farmfood, Denmark	16.6	9.7	29.2	0.0	33.00

Associates 2011

(EUR million)	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by HKScan Finland Oy					
Honkajoki Oy, Finland	18.1	8.1	26.8	3.1	50.00
Envor Biotech Oy, Finland	8.2	5.2	4.4	0.1	24.62
Pakastamo Oy, Finland	9.1	6.3	9.9	0.3	50.00
Lihateollisuuden tutkimuskeskus, Finland	11.3	2.2	21.7	0.8	44.80
Best-In Oy, Finland	1.8	0.8	5.3	0.1	50.00
Länsi-Kalkkuna Oy, Finland	3.7	2.8	25.9	0.2	50.00
Owned by HK Agri Oy					
Finnpig Oy, Finland	1.2	0.4	3.3	0.0	50.00
Owned by Scan AB					
AB Tillväxt för svensk animalieproduktion, Sweden	5.8	0.0	0.0	-0.3	50.00
Daka a.m.b.a, Sweden	116.3	77.2	140.9	21.6	33.90
Höglandsprodukter AB, Sweden	2.3	1.4	29.5	0.5	30.00
Siljans Chark AB, Sweden	10.0	5.0	19.0	0.4	39.30
Svensk Köttrasprövning AB, Sweden	0.2	0.0	0.3	0.0	35.00
Svenskt Lantbrukstjänst AB, Sweden	3.1	1.1	12.7	0.6	26.00
Svenska Djurhälsövården AB, Sweden	4.4	2.4	7.4	0.6	50.00
Taurus Köttrådgivning AB, Sweden	0.3	0.1	0.6	0.0	39.33
Industrislakt Syd AB, Sweden	0.7	0.7	2.9	0.0	50.00
Svenska Pig AB, Sweden	0.5	0.2	1.0	-0.1	22.00
Svenskt Butikskött AB, Sweden	10.8	5.5	45.4	0.4	25.00
Gotlands Slagteri AB, Sweden	7.4	5.1	45.3	0.0	25.00
Owned by Pärsons Sverige AB					
Creta Farms Nordic AB, Sweden	0.1	0.4	0.7	-0.7	50.00
Owned by Nyhlens & Hugosons Kött AB					
Norrlandsslakt AB, Sweden	0.2	0.2	1.2	0.0	50.00
Owned by Rose Poultry A/S					
Tican - Rose GmbH, Germany	5.3	5.2	11.3	0.0	50.00
HRP Kyllingefarme A/S, Denmark	1.0	1.2	1.2	-0.1	50.00
Farmfood, Denmark	12.6	12.5	20.5	0.4	33.00

14. Other non-current investments

Other non-current investments include the following assets:

	2012	2011
Available-for-sale financial assets		
- Publicly quoted investments in shares	0.1	0.1
- Unlisted investments in shares	0.3	0.3
Total	**0.4**	**0.4**
Other shares and holdings	12.4	12.6
Total other financial assets	**12.8**	**13.1**

Available-for-sale non-current financial assets

	2012	2011
At start of financial period	0.4	0.6
Exchange rate differences	0.0	-0.2
Through acquisitions	-	-
Revaluation surplus	0.0	0.0
At end of financial period	**0.4**	**0.4**

15. Non-current receivables and investments

	2012	2011
Loan receivables from associates	1.7	0.5
Other receivables from associates	0.1	0.1
Non-current receivables from associates	**1.9**	**0.6**
Loan receivables	2.9	2.8
Other receivables	32.6	27.7
Non-current loan and other receivables	**35.5**	**30.5**
Trade and other receivables	**37.4**	**31.1**
Other non-current investments	12.9	13.0
Deferred tax asset	27.5	21.1
Total non-current receivables	**77.7**	**65.2**

16. Deferred tax assets and liabilities

Specification of deferred tax receivables	1 Jan. 2012	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2012
Pension benefits	0.8	0.0	0.0	-	-	0.8
Other matching differences	3.5	0.2	0.0	-	-	3.7
Arising from consolidation	0.7	-	-0.1	-	-	0.6
Adopted losses	9.5	0.1	5.9	-	-	15.5
Arising from hedge accounting	6.6	-	-0.1	0.4	-	6.9
Total	**21.1**	**0.3**	**5.7**	**0.4**	**-**	**27.5**
Specification of deferred tax liabilities						
Depreciation difference	9.2	0.1	0.9	-	-1.3	8.9
Other matching differences	4.6	0.2	0.9	0.0	-0.1	5.6
Arising from consolidation	14.8	0.3	-2.3	-	-	12.8
Pension benefits	6.9	0.3	-0.3	-	-	6.9
Arising from hedge accounting	1.4	-	-1.0	0.0	-	0.4
Total	**36.9**	**0.8**	**-1.7**	**0.0**	**-1.4**	**34.5**

Specification of deferred tax receivables	1 Jan. 2011	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2011
Pension benefits	0.8	0.0	0.0	-	-	0.8
Other matching differences	2.3	-0.1	0.6	0.6	-	3.5
Arising from consolidation	0.5	-	0.2	-	-	0.7
Adopted losses	6.8	0.0	2.7	-	-	9.5
Arising from hedge accounting	3.9	-0.7	0.1	3.2	-	6.6
Total	**14.4**	**-0.7**	**3.6**	**3.8**	**-**	**21.1**
Specification of deferred tax liabilities						
Depreciation difference	10.3	0.0	-0.8	-	-0.3	9.2
Other matching differences	5.2	0.0	-0.5	-	0.0	4.6
Arising from consolidation	16.6	-1.7	-0.2	-	-	14.8
Pension benefits	5.3	0.0	1.6	-	-	6.9
Arising from hedge accounting	1.5	0.0	-0.1	-	0.0	1.4
Total	**38.9**	**-1.6**	**-0.1**	**-**	**-0.3**	**36.9**

Deferred tax liability has not been recognised in respect of retained profits of subsidiaries, amounting to EUR 95.2 million in 2012 (EUR 85.9 million in 2011), as the assets have been used to safeguard the foreign companies' own investment needs.
On 31 December 2012, the Group had EUR 5.5 million of confirmed losses, on which no deferred tax receivable has been recognised because the Group is unlikely to accumulate taxable income against which the losses could be utilised before the losses expire.

17. Inventories

	2012	2011
Materials and supplies	82.6	88.7
Unfinished products	13.3	9.1
Finished products	55.7	72.1
Goods	0.0	0.0
Other inventories	7.7	7.7
Prepayments for inventories	8.0	4.5
Live animals, IFRS 41	9.0	7.9
Total inventories	**176.3**	**190.2**

18. Trade and other current receivables

	2012	2011
Trade receivables from associates	1.2	0.9
Loan receivables from associates	0.2	0.3
Other receivables from associates	-	-
Current receivables from associates	1.4	1.2
Trade receivables	169.8	174.4
Loan receivables	0.6	0.3
Other receivables	25.7	30.3
Current receivables from others	196.0	204.9
Interest rate derivatives. hedge accounting	0.2	0.4
Foreign exchange derivatives. hedge accounting	0.2	0.9
Commodity derivatives. hedge accounting	-	-
Current derivative receivables	0.3	1.3
Interest receivables	0.7	0.5
Matched staff costs. current receivables	0.7	0.6
Other prepayments and accrued income	17.2	15.1
Current prepayments and accrued income	18.6	16.2
Trade and other receivables	216.4	223.8
Tax receivables (income taxes)	0.9	1.5
Income tax receivable	0.9	1.5
Total current receivables	**217.4**	**225.3**

Age breakdown of trade receivables and items recognised as impairment losses

	2012	Impairment losses	Net 2012	2011	Impairment losses	Net 2011
Unmatured	143.9	0.1	143.7	147.0	0.0	147.0
Matured:						
Under 30 days	22.2	0.2	22.0	22.2	0.2	21.9
30-60 days	1.6	0.0	1.6	3.8	0.2	3.7
over 60 days [1)]	2.6	0.1	2.5	2.2	0.4	1.8
Total	**170.3**	**0.5**	**169.8**	**175.2**	**0.8**	**174.4**

[1)] Comprise i.a. receivables to be set off against payments for animals

The fair values of receivables are presented in Note 26, 'Fair values of financial assets and liabilities'.

19. Cash and cash equivalents

The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments.

Cash and cash equivalents according to the cash flow statement are as follows:

	2012	2011
Cash and bank	58.9	45,0
Short-term money market investments	-	3.0
Other financial instruments	-	0.4
Total cash and cash equivalents	**58.9**	**48.4**

There are no significant concentrations of credit risk associated with cash and cash equivalents.

20. Notes relating to equity

The effects of changes in the number of outstanding shares are presented below.

	Number of outstanding shares (1 000)	Share capital (EUR mill.)	Share premium reserve (EUR mill.)	RIUE (EUR mill.)	Treasury shares (EUR mill.)	Total (EUR mill.)
1 Jan. 2011	54 973	66.8	72.9	143.5	0.0	283.1
31 Dec. 2011	54 973	66.8	72.9	143.5	0.0	283.1
1 Jan. 2012	54 973	66.8	72.9	143.5	0.0	283.1
Redemption of treasury shares	-1 000					
31 Dec. 2012	53 973	66.8	72.9	143.5	0.0	283.1

The shares have no nominal value. All issued shares have been paid up in full. The company's stock is divided into Series A and K shares, which differ from each other in the manner set out in the Articles of Association. Each share gives equal entitlement to a dividend. K Shares produce 20 votes and A Shares 1 vote each. A Shares numbered 49 626 522 and K Shares 5 400 000.

The equity reserves are described below:

Share premium reserve

In share issues decided while the earlier Finnish Companies Act (29.9.1978/734) was in force, payments in cash or kind obtained on share subscription less transaction costs were recognised under equity and the share premium reserve in accordance with the terms of the arrangements.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognised under equity pursuant to express decision to that effect. The reserve for invested unrestricted equity consists of the directed issue relating to the Scan and Rose Poultry acquisitions and the share issue in 2009, which was recognised in full in the RIUE.

Treasury shares

At the beginning of the financial period 2012, HKScan held a total of 53 734 of its treasury A Shares, and at the end of 2012 it held 1 053 734 of these shares. These had a year end market value of EUR 0.6 million and accounted for 1.91% of all shares and 0.67% of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity. The redemption obligation for shares redeemed in 2012 had been recognised as liability in the financial statements for 2010.

Translation differences

The translation differences reserve includes exchange differences arising on the translation of foreign units' financial statements as well as gains and losses arising on the hedging of net investments in foreign units when hedge accounting requirements are satisfied.

Revaluation reserve and other reserves

These reserves are for changes in the value of available-for-sale financial assets and changes in the fair value of derivative instruments used in cash flow hedging. The following is an itemisation of events in the hedging instruments reserve during the financial period.

Fair value reserve and hedging instruments reserve	**2012**	**2011**
Fair value reserve and hedging instruments reserve on 1 Jan.	-14.4	-7.0
Amount recognised in equity in the financial period (effective portion), interest rate derivatives	0.3	-6.8
Amount recognised in equity in the financial period (effective portion), commodity derivatives	0.3	-3.0
Share of deferred tax asset of changes in period	-0.4	2.4
Fair value reserve and hedging instruments reserve on 31 Dec.	-14.2	-14.4

Dividends

Dividend of EUR 0.17 per share, totalling EUR 9.3 million, was distributed in 2012 (EUR 0.22 per share totalling EUR 12.1 million in 2011). Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.10 per share, totalling EUR 5.4 million, be declared.

21. Pension obligations

	2012	**2011**
Pension liability/receivable on balance sheet, defined benefit		
Pension obligations	3.9	3.7
Pension liability (+)/ receivable (-) in balance sheet	3.9	3.7
Defined benefit pension expense in income statement		
Pension obligations	0.2	-0.8
Defined benefit pension expense in income statement (IFRS)	0.2	-0.8
Change in liabilities/receivables arising from benefits in the financial period		
Balance on 1 Jan.	3.7	4.5
Defined benefit pension expense in income statement (IFRS)	0.2	-0.8
Other change		
Liabilities/receivables at end of financial period	**3.9**	**3.7**

22. Provisions

	1 Jan. 2012	**Increase in provisions**	**Exercised in financial period (-)**	**31 Dec. 2012**
Non-current provisions	0.1	-	0.0	0.1
Current provisions	0.7	0.0	-	0.7
Total	**0.8**	**0.0**	**0.0**	**0.8**

	1 Jan. 2011	**Increase in provisions**	**Exercised in financial period (-)**	**31 Dec. 2011**
Non-current provisions	2.3	0.0	-2.2	0.1
Current provisions	1.0	-	-0.3	0.7
Total	**3.2**	**0.0**	**-2.5**	**0.8**

23. Liabilities

	2012	2011
NON-CURRENT LIABILITIES		
Interest-bearing		
Loans from financial institutions	276.4	309.9
Pension loans	36.4	23.6
Other liabilities	0.1	0.1
Non-current interest-bearing liabilities	**312.9**	**333.5**
Non-interest bearing		
Other liabilities	2.0	3.0
Non-current non-interest-bearing liabilities	**2.0**	**3.0**
Non-current provisions	0.1	0.1
Deferred tax liability	34.5	36.9
Pension obligations	3.9	3.7
Non-current liabilities	**353.4**	**377.1**
CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions	173.3	158.7
Pension loans	7.1	4.3
Other liabilities	6.4	7.7
Current interest-bearing liabilities	**186.8**	**170.6**
TRADE AND OTHER PAYABLES		
Advances received	-0.2	0.1
Trade payables	135.1	137.2
Accruals and deferred income		
- Short-term interest payable	2.4	1.7
- Matched staff costs	57.3	57.0
- Other short-term accruals and deferred income	34.1	30.4
Derivatives	27.4	27.3
Other liabilities	19.0	29.2
Trade and other payables	**275.0**	**282.9**
Income tax liability	0.5	0.1
Current provisions	0.7	0.7
Current liabilities	**463.0**	**454.4**
Liabilities	**816.4**	**831.5**

24. Financial liabilities

	2012	2011
NON-CURRENT FINANCIAL LIABILITIES MEASURED AT AMORTISED COST:		
Debt securities	287.0	207.7
Credit facilities	25.8	125.8
Leasing and factoring	0.1	0.0
Other financial liabilities	0.0	0.1
Total	**312.9**	**333.5**
CURRENT FINANCIAL LIABILITIES MEASURED AT AMORTISED COST:		
Debt securities	45.8	40.3
Credit facilities	13.9	12.4
Leasing and factoring	1.7	1.7
Commercial paper	119.4	108.7
Other financial liabilities	6.1	7.5
Total	**186.8**	**170.6**

The fair value of liabilities is presented in Note 26, ‘Fair values of financial assets and liabilities’.

The Group’s debt securities are subject to both fixed and variable interest rates. Taking into account derivatives and the sale of trade receivables, fixed-rate loans account for 42% (51% in 2011). The average rate of interest paid by the Group, taking into account derivatives and margins on loans, was 5.3% at the balance sheet date (4.8% in 2011).

Amounts of the Group’s financial liabilities and their contractual re-pricing periods are as follows:

	2012	2011
Under 6 months	172.4	205.2
6-12 months	63.8	32.9
1-5 years	178.4	154.4
Over 5 years	85.2	111.6
Total	**499.7**	**504.2**

The previous table calculates the interest rate maturity of interest rate derivative contracts to be terminated up to the first maturity date of the option. Due to the low yield curve at the turn of the year, derivatives to be terminated are not assumed to dissolve during their term.

25. Financial risk management

The duty of Group Treasury in the HKScan Group is to ensure cost-effective funding and financial risk management for Group companies and to attend to relations with financial backers. The treasury policy approved by the Board provides the principles for financial management and general risk management in the Group.

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. Financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances.

External funding of the Group's operations and financial risk management is centralised to a finance unit (Group Treasury) operating under the Group Treasurer. Group Treasury identifies and assesses the risks and acquires the instruments required for hedging against the risks, in close co-operation with the operational units.

Risk management may employ various instruments, such as currency forwards and options, interest-rate or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. Funding of the Group's subsidiaries is managed mainly through the parent company. The subsidiaries may not accept new external funding, nor may they give guarantees or pledges without the permission of the Group Treasury in the parent company. Owing to indirect administration, the segment of Poland's financial risk management is the segment's responsibility and is monitored through Board work.

Foreign exchange risk

The company's domestic market consists of Finland, Sweden, Denmark, the Baltic countries and Poland. HKScan is active in ten countries altogether. The company produces, sells and markets pork, beef and poultry meat, processed meats and convenience foods to retail trade, the HoReCa sector, industry and export customers.

Transaction risk arises when the Group companies engage in foreign currency denominated import and export both outside and within the Group. The aim of transaction risk management is to hedge the Group's business against foreign exchange rate movements and allow the business units time to react and adapt to fluctuations in exchange rates. Foreign exchange risk exposure positions, which include sales, purchases and financing related contractual cash flows (balance sheet items), as well as highly probable forecast cash flows, are hedged through forward contracts made with the parent company. The business units report their risk exposures and hedging levels to Group Treasury on a regular basis.

The subsidiaries must hedge 90-110% of all items on the balance sheet that are based on significant currencies. On average, 48% of the commercial foreign exchange risk was hedged on the balance sheet date. The figure does not include Sokolow. The hedging level is low because the process of centralising the operations to Group Treasury is not yet complete. Forecast, highly probable cash flows are hedged 0-50% for up to 12 months into the future. Intra-Group transactions strive to use the domestic currency of one or other of the parties. Group Treasury can use currency forwards, options and swaps as hedging instruments. Treasury hedges at least of 50% of its foreign exchange risk exposure. On the balance sheet date, Group Treasury had hedged an average of 92% of its own currency position.

Translation risk arises from the consolidation of equity into the basic currency in subsidiaries whose operational currency is not the euro. The largest foreign currency denominated equities of the Group companies are in Swedish krona, Polish zloty and Danish krone. Fluctuations of exchange rates affect the amount of consolidated equity, and translation differences are generated in connection with the consolidation of equity in accounting. Hedging methods include borrowing in the same currency and the use of derivative instruments. The goal of translation risk management is to neutralise the volatility of equity translation differences in accounting by hedging the subsidiary's equity 50-75%, with the exception of the zloty-denominated Polish equity, which is hedged 0-50%. Hedging of the zloty-denominated Polish equity was discontinued in 2012.

The equities and hedging ratios of the Group's non-euro-denominated subsidiaries and associates are presented in the following table.

Hedging of the Group's net investments in the financial statements 2012:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	111.3	86.4	Foreign currency loan	86.4	78%
PLN	75.1	-	Currency future	-	0%
DKK	39.0	12.0	Foreign currency loan	12.0	31%

Hedging of the Group's net investments in the financial statements 2011:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	122.9	83.2	Foreign currency loan	83.2	68%
PLN	57.8	27.4	Currency future	27.4	47%
DKK	23.4	12.0	Foreign currency loan	12.0	51%

Hedging ratios which meet hedge accounting requirements are treated as hedges of net investment made in a foreign unit. In this case, the effective portion of the change in the value of the hedging instrument is recognised under other comprehensive income.

The parent company's functional currency is euro. Assets and liabilities denominated in the most significant foreign currencies translated into euro at the exchange rates of the reporting date:

	2012				2011			
	USD	JPY	SEK	GBP	USD	JPY	SEK	GBP
Trade and other receivables	3.6	1.2	5.0	0.8	4.9	1.3	3.8	1.0
Trade and other payables	0.0	-	-2.8	0.0	0.0	-	-2.1	-0.1
Loan receivables	-	-	91.8	-	-	-	112.8	-
Loans	-	-	-61.2	-	-	-	-77.7	-
Cash	0.4	0.1	-1.9	1.0	0.4	0.0	-4.1	1.2
Position before hedging	4.0	1.3	30.8	1.7	5.3	1.3	32.7	2.1
Hedging	-2.8	-1.1	-34.4	0.0	-10.0	-1.6	-9.5	-0.7
Open position	1.2	0.2	-3.5	1.7	-4.7	-0.3	23.2	1.4

The following table analyses the strengthening or weakening of the euro against the US dollar, Japanese yen, Swedish krona and British pound sterling, all other factors remaining unchanged. The movements represent average volatility over the past 12 months. Sensitivity analysis is based on assets and liabilities denominated in foreign currencies at the reporting date. The effects of currency derivatives, which offset the effects of changes in exchange rates, are also taken into account in sensitivity analysis. Net investments in foreign units and the instruments used to hedge these have been excluded from sensitivity analysis.
In respect of the US dollar, the effect would mainly be due to changes in the exchange rates applicable to dollar-denominated trade receivables. In the Japanese yen, the effect would mainly be due to changes in the exchange rates applicable to yen-denominated trade receivables. In the Swedish krona, the effect would mainly be due to changes applicable to krona-denominated borrowing and lending facilities. In respect of the British pound sterling, the effect would mainly be due to changes in the exchange rates applicable to pound sterling-denominated trade receivables.

	2012				2011			
	USD	JPY	SEK	GBP	USD	JPY	SEK	GBP
Movement (+/-), %	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Effect on profit before taxes	0.1	0.0	0.3	0.2	0.5	0.0	2.3	0.1

The following assumptions were used in calculating sensitivity to currency risks:
Forecast future cash flows have not been taken into account in the calculation but financial instruments such as forward contracts used to cover these positions are included in the analysis.
The calculation and estimates of reasonably possible changes in exchange rates are based on the assumption of ordinary market and business conditions.

Interest rate risk

The Group's short-term money market investments expose it to cash flow interest rate risk, but the impact is not significant. Group revenues and operative cash flows are mainly independent of fluctuations in market rates. The Group's main exposure to interest rate risk arises through interest-bearing liabilities and trade receivables sold. The goal of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement.
To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at fixed or variable interest rates and use interest rate derivatives to achieve a result that is in line with the financing policy. The goal of the policy is to have 30-60% of the Group's borrowings tied to a fixed interest rate and the interest rate maturity of the loans can vary from six to 36 months. On the balance sheet date and taking into account interest rate derivatives and trade receivable financing, fixed-rate loans accounted for roughly 42% (51%) of the loan portfolio. Trade receivable financing has been taken into account in the amount of loans exposed to interest rate risk. The interest rate maturity of the loans was approximately 20 months (25 months).

On the balance sheet date, the nominal value of the Group's outstanding interest rate derivatives was EUR 275.3 million (EUR 283.8 million). Cash flow hedging is applied to EUR 206.6 million of variable-rate loans. The average interest rate on the Group's interest-bearing liabilities, taking into account derivatives and margins on loans, was 5.3% (4.8%) on the balance sheet date.
The Group monitors and analyses its interest position on a regular basis. The sensitivity of net financial expenses on the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was approximately EUR 4.3 million (EUR 3.5 million) before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives on the balance sheet date. The sale of accounts receivable is included in interest-bearing liabilities.

Counterparty risk

Financial counterparty risk refers to the risk that a counterparty may fail to fulfil its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Banks that finance the Group are used as counterparties whenever possible, as well as a few other specified counterparties. Cash may be invested in bank deposits, certificates of deposit, local authority papers and the commercial paper programmes of certain specified companies listed on the main list of the Stock Exchange. Because of the limited extent of the investment activities, the resulting counterparty and price risks are not significant.

Commodity risk

The Group is exposed to commodity risks that are related to the availability and price fluctuations of commodities. Physical electricity consumption is one of the most significant commodity risks in the Group companies. The subsidiaries can hedge against fluctuation in market prices for electricity and other commodities by procuring fixed-price products or through derivative contracts with Group Treasury. The subsidiaries can hedge against significant commodity risks through direct derivative contracts only with the permission of Group Treasury. The companies may use external parties to assist them in commodity risk management.
The Group uses electricity derivatives to level out energy costs. The electricity price risk is evaluated for five-year periods. The value changes of derivatives hedging the price of electricity supplied during the period are included in the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that meet hedge accounting criteria are recognised in the revaluation reserve for equity and the ineffective portion in the income statement under other operating income or expenses. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under Revaluation of cash flow hedge.
A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity derivatives changed by +/-10 percentage points from the balance sheet date 31 December 2012, the profit impact would be EUR +/-1.2 million (EUR +/-1.2 million) and the balance sheet impact EUR +/-0.9 million (EUR +/-0.6 million). The impacts have been calculated before tax.

Credit risk

The Group's documented operating principles specify the credit quality requirements and investment principles applied to customers and counterparties to investment transactions and derivative contracts. Group Treasury is responsible for the management and monitoring of credit risks, working in co-operation with the business units.

Credit risk results from a customer's possible failure to fulfil its payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organisations in the various market areas. The credit quality of customers is monitored and assessed on a regular basis. Basically, all customers have credit limits that are systematically monitored. In addition, some customers are insured through credit insurance. Credit is only extended to customers with an impeccable credit rating. In addition, the Group is exposed to credit risk in financing investments of primary production contract producers. Funding is granted within the limits allowed by HKScan Corporation's Board of Directors. Methods used to secure credit extended include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges.

The amount of impairment losses recognised through profit or loss in the financial period was EUR 0.5 million (EUR 0.8 million in 2011).

The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 18.

Liquidity risk

The uncertainty in the financial markets and the economic recession did not increase the Group's risks relating to the availability of financing in the year under review and the Group's liquidity remained good in 2012. The Group constantly assesses and monitors the amount of funding required for operations by means such as preparation and analysis of cash flow forecasts. The Group must maintain adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future. The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. The Group also has revolving credit facilities with banks, bank borrowings, current accounts with overdraft facilities and the short-term EUR 200 million Finnish commercial paper programme. Liquidity risk is managed by retaining long-term liquidity reserves and by exceeding short-term liquidity requirements. The Group's liquidity reserve includes cash and cash equivalents, money market investments and long-term unused credit facilities. Short-term liquidity requirements include the repayments of short- and long-term debt within the next 12 months as well as a specifically defined strategic liquidity requirement, which covers the operative funding needs.

Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, of which EUR 250 million was refinanced in March 2012. The new five-year loan facility with collateral comprises an amortising term loan of EUR 100 million and a credit facility of EUR 150 million. Undrawn committed credit facilities on 31 December 2012 stood at EUR 177 million (EUR 204 million). In addition, the Group had other undrawn overdraft and other facilities of EUR 29 million (EUR 26 million). At year end, the company's EUR 200 million commercial paper programme had been drawn in the amount of EUR 120 million (EUR 109 million). The credit available from the loan facilities is subject to variable rates and the related interest rate risk is managed through derivative instruments.

Of the committed credit facility agreements, EUR 25.0 million will mature in 2015 and EUR 150.0 million in 2017. The overdraft facility agreements are in force until further notice.

The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are gearing and ratio of net debt to EBITDA. In addition to the financial covenants, the company's loan agreements are subject to ordinary terms relating to selling assets, subsidiaries' indebtedness and collaterals. Financial backers are provided with quarterly reports on the observance of financial loan covenants. If the Group is in breach of the covenants, the creditor may demand accelerated loan repayment. Management monitors the fulfilment of loan covenants on a regular basis.

Group management has identified no significant concentrations of liquidity risk in financial assets or sources of funding.

The number of the Group's commitments on the balance sheet date by type of credit

2012

Credit type	**Scope**	**Exercised**	**Available**
Overdraft facility	39.9	11.0	28.8
Credit limit	182.4	4.9	177.4
Total	222.2	16.0	206.3

2011

Credit type	**Scope**	**Exercised**	**Available**
Overdraft facility	38.4	12.0	26.4
Credit limit	309.6	105.7	204.0
Total	348.1	117.6	230.4

A contractual maturity analysis of the Group's interest-bearing financial liabilities is presented in the following table. The figures are undiscounted and include repayment of capital only.

Maturity breakdown of the Group's interest-bearing financial liabilities (EUR million)

				Maturity of credit type			
Credit type	**31.12.2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**>2017**
Debt securities	332.9	45.8	153.6	53.5	37.5	33.5	9.0
Credit facilities	39.6	13.9	11.1	0.0	14.7	-	-
Leasing and factoring	1.8	1.7	0.1	-	-	-	-
Commercial paper programme	119.4	119.4	-	-	-	-	-
Other borrowings	6.1	6.1	-	-	-	-	-
Total	**499.7**	**186.8**	**164.8**	**53.5**	**52.3**	**33.5**	**9.0**

				Maturity of credit type			
Credit type	**31.12.2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**>2016**
Debt securities	248.0	40.3	5.5	166.9	21.2	5.0	9.1
Credit facilities	138.2	12.4	102.2	10.1	0.0	13.5	-
Leasing and factoring	1.7	1.7	-	-	-	-	-
Commercial paper programme	108.7	108.7	-	-	-	-	-
Other borrowings	7.5	7.5	0.1	-	-	-	-
Total	**504.2**	**170.6**	**107.8**	**177.0**	**21.2**	**18.5**	**9.1**

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. Except for interest rate derivatives, the amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity analysis only applies to financial instruments and statutory liabilities are therefore excluded. The amounts also include interest on financial liabilities and margin on loan.

31 Dec. 2012, Maturity of financial liabilities

Credit type	**2013**	**2014**	**2015**	**2016**	**2017**	**>2017**
Debt securities	58.3	164.5	58.7	40.8	35.2	9.2
Credit facilities	16.0	12.6	0.9	15.6	-	-
Leasing and factoring	1.7	0.1	-	-	-	-
Commercial paper programme	120.0	-	-	-	-	-
Other borrowings	6.2	-	-	-	-	-
Trade and other payables	275.0	-	-	-	-	-
Total	**477.2**	**177.2**	**59.6**	**56.5**	**35.2**	**9.2**
Maturity of derivative liabilities						
Interest rate derivatives	-1.0	-2.6	0.0	-2.4	-6.6	-12.2
Commodity derivatives, hedge accounting	-0.4	-0.4	-0.3	-0.1	-	-
Foreign exchange derivatives	-1.1	-	-	-	-	-

31 Dec. 2011, Maturity of financial liabilities						
Credit type	**2012**	**2013**	**2014**	**2015**	**2016**	**>2016**
Debt securities	51.5	15.1	176.3	22.9	5.7	9.3
Credit facilities	18.6	108.4	11.5	0.8	14.3	-
Leasing and factoring	1.7	-	-	-	-	-
Commercial paper programme	109.3	-	-	-	-	-
Other borrowings	7.7	0.1	-	-	-	-
Trade and other payables	282.9	-	-	-	-	-
Total	**471.7**	**123.5**	**187.9**	**23.7**	**20.0**	**9.3**
Maturity of derivative liabilities						
Interest rate derivatives	-0.5	-1.6	-3.1	0.0	-1.8	-16
Commodity derivatives, hedge accounting	-0.6	-0.2	-0.1	-0.1	-	-
Foreign exchange derivatives	0.2	-	-	-	-	-
Foreign exchange derivatives, hedge accounting	-0.7	-	-	-	-	-

The following table presents the nominal value and fair values (EUR million) of derivative instruments.
The derivatives mature within the next 12 months except for interest rate derivatives and commodity derivatives, the maturity of which is presented separately.

	2012 Positive fair value	**2012 Negative fair value**	**2012 Fair value net**	**2011 Fair value net**	**2012 Nominal value**	**2011 Nominal value**
Interest rate derivatives	0.1	-25.0	-24.9	-23.0	275.3	283.8
matured in 2012				-0.5		32.8
matures in 2013	0.0	-1.0	-1.0	-1.6	44.6	44.2
matures in 2014	0.0	-2.6	-2.6	-3.1	67.3	65.4
matures in 2015	0.0	0.0	0.0	0.0	1.7	1.7
matures in 2016	0.1	-2.5	-2.4	-1.8	52.0	30.7
matures in > 2016	0.0	-18.9	-18.9	-16.0	109.7	109.0
of which defined as cash flow hedging instruments	0.0	-19.0	-19.0	-17.5	206.6	234.8
Foreign exchange derivatives	0.1	-1.2	-1.1	-0.5	67.3	63.2
of which defined as net investment hedging instruments	-	-	-	-0.7	-	27.4
Commodity derivatives	0.0	-1.3	-1.3	-1.1	10.7	11.1
matured in 2012				-0.6		4.0
matures in 2013	0.0	-0.4	-0.4	-0.2	3.5	3.1
matures in 2014	0.0	-0.4	-0.4	-0.1	3.1	2.4
matures in 2015	0.0	-0.3	-0.3	-0.1	2.3	1.2
matures in 2016	0.0	-0.1	-0.1	0.0	1.5	0.4
matures in 2017	0.0	0.0	0.0	0.0	0.4	0.0
of which defined as cash flow hedging instruments	0.0	-1.3	-1.3	-1.1	10.7	11.1

Derivatives to which hedge accounting applies

Changes in the value after taxes of derivatives designated as hedges of net investments made in foreign units amounting to EUR -1.8 million (EUR 2.3 million in 2011) are recognised under other comprehensive income. Exchange rate differences accumulated in translation differences within equity are included in the income statement when the net investment or part thereof is disposed of. In addition, EUR 12.0 million of DKK-denominated loans and EUR 86.4 million of SEK-denominated loans are designated as hedges of net investments (EUR 12.0 million of DKK-denominated and EUR 83.2 million of SEK-denominated loans in 2011). The changes in value of these are recognised under other comprehensive income at EUR -2.4 million (EUR -0.4 million in 2011).

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR 0.1 million (EUR -5.2 million in 2011) are recognised under other comprehensive income. A portion of the parent company's interest rate derivatives are designated as hedging instruments of cash flow to which hedging accounting is applied.

Changes in the fair values of the effective portions after taxes of commodity derivatives designated as hedges of cash flow amounting to EUR 0.2 million (EUR -2.3 million in 2011) are recognised under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss.

Capital management

The purpose of capital management in the Group is to support business through an optimal capital structure by safeguarding a normal operating environment and enabling organic and structural growth. An optimal capital structure also generates lower costs of capital.

Capital structure is influenced by controlling the amount of working capital tied up in the business and through reported profit/loss, distribution of dividend and share issues. The Group may also decide on the disposal of assets to reduce liabilities.

The tools to monitor the development of the Group's capital structure are the equity ratio and net gearing ratio. Equity ratio refers to the ratio of equity to total assets. Net gearing ratio is measured as net liabilities divided by equity. Net liabilities include interest-bearing liabilities less interest-bearing loan receivables and cash and cash equivalents.

The Group has announced an equity ratio target of 40%. The acquisition of Scan AB brought the Group's equity ratio to below 30%. On the balance sheet date the equity ratio is 34.6%. The target in respect of net gearing ratio is to return to the pre-Scan acquisition level, that is, clearly below 100%. On the balance sheet date, the net gearing ratio was 100.7%.

Net gearing ratio (EUR million)

	2012	**2011**
Interest-bearing liabilities	499.7	504.2
Interest-bearing loan receivables	5.3	3.9
Cash and bank	58.9	48.4
Interest-bearing net liabilities	435.6	451.9
Equity	432.5	421.5
Net gearing ratio	100.7 %	107.2 %

26. Fair values of financial assets and liabilities

The table below presents the fair values of each class of financial assets and liabilities and their carrying amounts, which are equal to the amounts on the consolidated balance sheet.

	Fair value		**Carrying amount**	
	2012	**2011**	**2012**	**2011**
Financial assets				
Other financial assets	0.0	0.4	0.0	0.4
Financial assets recognised at fair value through profit or loss	-	-	-	-
Assets held for trading	-	-	-	-
Trade and other receivables	216.5	223.8	216.5	223.8
Cash and cash equivalents	58.9	48.0	58.9	48.0

	Fair value		**Carrying amount**	
Non-current liabilities	**2012**	**2011**	**2012**	**2011**
Debt securities	288.0	229.3	287.0	207.7
Credit facilities	25.9	136.5	25.8	125.8
Leasing and factoring	0.1	0.1	0.1	0.0
Other long-term liabilities	0.0	0.2	0.0	0.1
Accruals and deferred income	0.4	43.6	0.4	43.6
Other liabilities	1.1	-	1.1	-
Total non-current liabilities	**315.6**	**409.6**	**314.4**	**377.1**
– of which interest-bearing	314.0	366.0	312.9	333.5

Current liabilities	Fair value 2012	Fair value 2011	Carrying amount 2012	Carrying amount 2011
Debt securities	45.8	40.3	45.8	40.3
Credit facilities	13.9	12.4	13.9	12.4
Leasing and factoring	1.7	1.7	1.7	1.7
Commercial paper	119.7	108.7	119.4	108.7
Other current liabilities	6.1	7.5	6.1	7.5
Advances received	-0.2	0.1	-0.2	0.1
Trade payables	135.1	137.2	135.1	137.2
Accruals and deferred income	93.8	89.2	93.8	89.2
Other liabilities	46.4	57.3	46.4	57.3
Total current liabilities	**462.1**	**454.4**	**461.9**	**454.4**
- of which interest-bearing	187.1	170.6	186.8	170.6

The fair value determination principles applied by the Group on all financial instruments

When determining the fair values of the financial assets and liabilities shown in the table, the following price quotations, assumptions and measurement models have been used.

Available-for-sale financial assets

Unlisted investments in shares were measured at acquisition cost because it was not possible to measure them at fair value using the methods of measurement or their amount was low. On the balance sheet date the company had no available-for-sale financial assets.

Derivatives

The fair values of currency futures are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rate or other market information at the reporting date. If the market value given by a counterparty is used, the Group also produces its own calculation using generally accepted valuation methods The fair values of commodity derivatives are determined by using publicly quoted market prices. The fair values are equal to the prices which the Group would have to pay or would obtain if it were to terminate a derivative instrument.

Bank loans

The fair values of liabilities are based on the discounted cash flows. The rate used for measurement is the rate at which the Group could obtain corresponding credit from a third party on the reporting date. The overall rate consists of a risk free rate and a risk premium (margin on loan) for the company.

Finance lease liabilities

The fair value is measured by discounting future cash flows by an interest rate which corresponds to the interest rate of future leases.

Trade and other receivables

The original carrying amounts of non-derivative based receivables are equal to their fair values, as discounting has no material effect taking into account the maturity of the receivables.

Trade and other payables

The original carrying amounts of trade and other payables are equal to their fair values, as discounting has no material effect taking into account the maturity of the payables.

Fair value hierarchy for financial assets and liabilities measured at fair value.
Fair values at end of reporting period.

	31 Dec. 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.1	0.0	0.1	0.0
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	0.0	0.0	0.0	0.0
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.2**	**0.0**	**0.2**	**0.0**

	31 Dec. 2012	Level 1	Level 2	Level 3
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-25.0	0.0	-25.0	0.0
of which subject to cash flow hedging	-19.0	0.0	-19.0	0.0
- Foreign exchange derivatives	-1.2	0.0	-1.2	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.3	0.0	-1.3	0.0
of which subject to cash flow hedging	-1.3	0.0	-1.3	0.0
Total	**-27.5**	**0.0**	**-27.5**	**0.0**

	31 Dec. 2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.8	0.0	0.8	0.0
- Commodity derivatives	0.0	0.0	0.0	0.0
of which subject to cash flow hedging				
Available-for-sale financial assets				
- Investments in shares	-	-	-	-
Total	**0.8**	**0.0**	**0.8**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-23.0	0.0	-23.0	0.0
of which subject to cash flow hedging	-17.5	0.0	-17.5	0.0
- Foreign exchange derivatives	-1.3	0.0	-1.3	0.0
of which subject to net investment hedging	-0.7	0.0	-0.7	0.0
- Commodity derivatives	-1.1	0.0	-1.1	0.0
of which subject to cash flow hedging	-1.1	0.0	-1.1	0.0
Total	**-25.4**	**0.0**	**-25.4**	**0.0**

The quoted prices of Level 1 foreign exchange and commodity derivatives are based on prices quoted on the market. The fair values of Level 2 instruments are to a significant degree based on inputs other than the quoted prices included in Level 1 but nonetheless observable for the relevant asset or liability either directly or indirectly (derived from prices). In determining the fair value of these instruments, the Group uses generally accepted measurement models, the inputs of which are nonetheless to a considerable degree based on observable market information. The fair values of Level 3 instruments are based on inputs which are not based on observable market information; rather to a significant degree on management estimates and measurement models generally acceptable for their use.

27. Other leases

The Group as lessee

The Group leases many of its premises. The leases have usually been made until further notice and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause. In addition, other rent commitments include various machinery and equipment. The lengths of these leases are from three to five years on average.

Minimum rents payable on the basis of irrevocable lease agreements:

	2012	2011
Other rent commitments		
Maturing in less than a year	8.9	7.3
Maturing in 1-5 years	29.8	29.5
Maturing in over 5 years	19.3	24.1
Other rent commitments, total	**58.0**	**61.0**

The Group as a lessor

The Group has leased out office premises, etc.

Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.2	0.2
Maturing in 1-5 years	0.1	0.1
Maturing in over 5 years	0.0	0.0
Rent receivables, total	**0.3**	**0.3**

28. Conditional assets and liabilities and purchase commitments

Commitments and contingent liabilities

	2012	2011
Debts secured by mortgages and shares		
Loans from financial institutions	370.3	34.1
Total	**370.3**	**34.1**
Real estate mortgages	74.6	63.0
Pledged securities	5.2	5.1
Floating charges	16.7	22.8
Total	**96.5**	**90.9**
Security for debts of participating interests		
Guarantees	7.5	5.2
Total	**7.5**	**5.2**
Security for debts of others		
Guarantees and pledges	12.9	14.0
Total	**12.9**	**14.0**

Other contingencies

Leasing commitments		
Leasing commitments maturing in less than a year	6.7	6.5
Leasing commitments maturing in 1-5 years	14.1	17.9
Leasing commitments maturing in over 5 years	1.0	1.8
Other commitments	7.8	7.8
Total other contingencies	**29.6**	**34.0**

The parent company has pledged the shares of its subsidiaries, HK Ruokatalo Oy and Scan AB, as collateral for its loans.

Maturity breakdown of security given for associates and others

2013	0.5
2014	0.0
2015	3.9
2016	0.0
2017	1.3
>2018	14.8
Total	**20.4**

29. Related party transactions

Parties are considered related parties if one of the parties is able to exercise control or a significant influence over the other in decisions affecting its finances and business. The Group's related parties include the associates and joint ventures. Related parties also include the Supervisory Board and Board of Directors of the Group parent's parent entity (LSO Osuuskunta), the members of the Group's Board of Directors, the Group's CEO, the deputy CEO and their immediate family members, as well as the members of the Goup Management Team. The Group strives to treat all parties equally in its business.

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative of 1 500 Finnish meat producers. The cooperative fosters its members' meat production and marketing by exercising its power of ownership in HKScan. Today, LSO Osuuskunta has no actual business, but receives an income in the form of dividend paid by HKScan and, to a lesser extent, income in the form of other investments and rents. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the Group by members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 10.5 million in 2012 (EUR 10.4 million in 2011). Said persons purchased animals from the Group with EUR 5.2 million in 2012 (EUR 3.7 million in 2011).

Information on employee benefits of management are presented in Note 4. More information on fees of the Board of Directors and management is available in the remuneration statement for 2012, which can be found on the Group's website (www.hkscan.com).

Related party individuals are not otherwise in a material business relationship with the company.

Shares in subsidiaries

	Number of shares	Ownership %
Owned by the Group's parent company		
HK Ruokatalo Oy, Finland	1 000	100.00
HK International Ab, Sweden	10	100.00
AS Tallegg, Estonia	5 853 200	100.00
Scan AB, Sweden	500 000	100.00
Rose Poultry A/S, Denmark	102 002	100.00
Owned by HK Ruokatalo Oy		
HK Agri Oy (formerly LSO Foods Oy), Finland	3 000	100.00
Lihatukku Harri Tamminen Oy, Finland	49	49.00
Kivikylän Kotipalvaamo Oy, Finland	49	49.00
Owned by AS Tallegg		
AS Rakvere Lihakombinaat, Estonia	37 721 700	100.00
Owned by AS Rakvere Lihakombinaat		
AS Ekseko, Estonia	6 984	100.00
AS Rigas Miesnieks, Latvia	155 920	100.00
Klaipedos Maisto Mesos Produktai, Lithuania	2 000	100.00
Owned by Rigas Miesnieks		
Jelgavas Galas Kombinats, Jelgava, Latvia	31 015	99.00

	Number of shares	Ownership %
Owned by Scan AB		
Bertil Eriksson Slakteri AB, Sweden	3 000	100.00
Köttproduktion i Malmö AB, Sweden	5 000	100.00
Quality Genetics HB, Sweden	926	92.60
Scan Produktion AB, Sweden	1 000	100.00
SM Support Stenstorp AB, Sweden	10 200	100.00
Kreatina A/S, Denmark	30 000	100.00
Kreatina Sp, Poland	5 000	100.00
Swedish Meats Support AB, Sweden	80 000	100.00
Samfod SA., Belgium	24 999	100.00
Scan Foods UK Ltd., United Kingdom	999	100.00
Svenska Livdjur & Service AB, Sweden	200	100.00
SLP Pärsöns AB, Sweden	45 000	100.00
Annerstedt Flodin AB, Sweden	50 000	100.00
Owned by Annerstedt Flodin AB		
AB O. Annerstedt, Sweden	30 000	100.00
Owned by AB O. Annerstedt		
AB Annerstedt Holding, Sweden	50 000	100.00
Flodins Kött AB, Sweden	1 000	100.00
Owned by Quality Genetics HB		
Nordic Genetics AB, Sweden	1 000	50.00
Owned by SLP Pärsons AB		
Pärsons Sverige AB, Sweden	3 900	100.00
Owned by Rose Poultry A/S		
Rose Poultry AB, Sweden	10 000	100.00

Joint ventures

	Number of shares	Ownership %
Owned by the Group's parent company		
Saturn Nordic Holding AB, Sweden	59 283 399	50.00

Saturn Nordic Holding AB holds 100 percent of the Polish company Sokolów S.A.

Assets, liabilities, income and expenses of the Saturn Nordic Holding AB Group included on the consolidated balance sheet and income statement (EUR million):

	2012	2011
Non-current assets	92.4	81.5
Current assets	64.6	54.2
Non-current liabilities	-27.4	-24.7
Current liabilities	-31.7	-26.3
Net sales and other operating income	345.5	300.9
Operating expenses	333.5	288.2

Shares and holdings in associated undertakings

	Number of shares	Ownership %
Owned by HK Ruokatalo Oy		
Honkajoki Oy, Finland	900	50.00
Envor Biotech Oy, Finland	128	24.62
Pakastamo Oy, Finland	660	50.00
Lihateollisuuden tutkimuskeskus, Finland	22 400	44.80
Länsi-Kalkkuna Oy, Finland	250	50.00
Owned by HK Agri Oy		
Finnpig Oy, Finland	40	50.00
Oy LHP Bio Carbon LTD, Finland	32	24.24
Owned by Scan AB		
AB Tillväxt för svensk animalieproduktion, Sweden	135 500	50.00
Daka a.m.b.a, Denmark		33.24
Höglandsprodukter AB, Sweden	1 500	30.00
Siljans Chark AB, Sweden	3 680	39.30
Svensk Köttrasprövning AB, Sweden	1 750	35.00
Svenskt Lantbrukstjänst AB, Sweden	650	26.00
Svenska Djurhälsövården AB, Sweden	4 400	50.00
Taurus Köttrådgivning AB, Sweden	118	39.33
Industrislakt Syd AB, Sweden	50 000	50.00
Svenska Pig AB, Sweden	220	22.00
Svenskt Butikskött AB, Sweden	333	25.00
Gotlands Slagteri AB, Sweden	250	25.00
Nyhléns & Hugosons Chark AB, Sweden	9 800	49.00
Owned by Pärsons Sverige AB		
Creta Farms Nordic AB, Sweden	500	50.00

Owned by Rose Poultry A/S		
Tican - Rose GmbH, Germany	1	50.00
HRP Kyllingefarme A/S, Denmark	752	50.00
Farmfood, Denmark	10 000	33.33

The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing, production and marketing of pet food and trading in spices; and the use of leasing, waste disposal, research and advisory services. All commercial contracts are negotiated on market terms.

The following transactions were carried out with related parties:

	2012	2011
Product sales		
Associates	99.9	73.0
Sales of animals to related parties	5.2	3.7
Product purchases		
Associates	54.9	47.3
Purchases of animals from related parties	10.5	10.4

Open balances on 31 December	**2012**	**2011**
Trade receivables		
Associates	3.2	2.8
Trade payables		
Associates	3.5	9.1

32. Events after the reporting date

On 7 January 2013, HKScan published a stock exchange release announcing the initiation of statutory labour negotiations concerning the Group's operations in Finland. The negotiations are part of the reorganisation of structures and operations in accordance with the Group strategy and the improvement of productivity and profitability of business. The planned measures aim for a profit improvement of EUR 5 million at the annual level. Most of the measures are planned to be completed by the end of 2013. The plan involves investments and nonrecurring costs. Their amount will be clarified during the negotiation process.

FAS Parent company income statement for 1 January – 31 December (EUR)

	Note	2012	2011
Net sales	1.	**-**	**-**
Other operating income	2.	58 390 528.26	1 076 955.65
Materials and services		-	-
Employee costs	3.	-4 654 886.22	-3 396 472.99
Depreciation and impairment	4.	-649 957.09	-312 168.09
Other operating expenses	5.	-5 827 922.55	-5 213 324.71
EBIT		**47 257 762.40**	**-7 845 010.14**
Financial income and expenses	6.	-2 159 262.59	8 697 791.80
Profit/loss before extraordinary items		**45 098 499.81**	**852 781.66**
Extraordinary items	7.	-	9 700 000.00
Profit/loss after extraordinary items		**45 098 499.81**	**10 552 781.66**
Appropriations	8.	-96 678.00	17 717.00
Income taxes	9.	4 125 616.84	-350 613.81
Profit/loss for the period		**49 127 438.65**	**10 219 884.85**

FAS Parent company balance sheet, 31 December (EUR)

	Note	2012	2011
ASSETS			
Intangible assets	10.	401 341.00	425 056.00
Tangible assets	10.	1 202 318.80	1 275 973.30
Financial assets	10.	340 705 465.42	373 539 249.92
Non-current assets		**342 309 125.22**	**375 240 279.22**
Non-current receivables	11.	430 768 097.15	357 511 910.75
Deferred tax asset	11.	6 880 371.58	1 935 113.78
Current receivables	12.	11 436 432.81	31 115 083.60
Cash and cash equivalents		27 531 208.13	23 607 958.03
Current assets		**476 616 109.67**	**414 170 066.16**
Assets		**818 925 234.89**	**789 410 345.38**
EQUITY AND LIABILITIES			
Share capital	13.	66 820 528.10	66 820 528.10
Share premium reserve	13.	73 420 363.20	73 420 363.20
Revaluation reserve	13.	-	-
Treasury shares	13.	-38 612.12	-38 612.12
Fair value reserve	13.	-4 855 901.32	-2 483 202.37
RIUE	13.	143 075 845.19	151 075 845.19
Other reserves	13.	4 639 070.30	4 601 340.50
Retained earnings	13.	5 492 350.58	4 617 839.69
Profit/loss for the period	13.	49 127 438.65	10 219 884.85
Equity		**337 681 082.58**	**308 233 987.04**
Accumulated appropriations	14.	**140 349.00**	**43 671.00**
Provisions	15.	**3 112 760.00**	**3 126 413.00**
Deferred tax liability	16.	366 847.47	363 335.23
Non-current interest-bearing liabilities	16.	284 255 065.57	303 305 262.24
Non-current non-interest-bearing liabilities	16.	-	1 007 369.94
Current interest-bearing liabilities	17.	181 893 132.40	162 988 248.87
Current non-interest-bearing liabilities	17.	11 475 997.87	10 342 058.06
Liabilities		**477 991 043.31**	**478 006 274.34**
Equity and liabilities		**818 925 234.89**	**789 410 345.38**

FAS Parent company financial statement (EUR 1 000)

	2012	2011
EBIT	47 258	-7 845
Adjustments to EBIT	-54 436	923
Depreciation and impairment	650	312
Change in provisions	-14	14
Change in net working capital	6 667	2 131
Interest income and expenses	-12 091	3 688
Dividends received	5 637	9 839
Taxes	1 097	-351
Cash flow from operating activities	**-5 232**	**8 711**
Purchases of shares in subsidiary	-6 702	-13 610
Disposals of shares in subsidiary	95 800	-
Purchase of other fixed assets	-598	-1 050
Disposals of other fixed assets	40	95
Loans granted	-135 166	-106 891
Repayments of loans receivable	62 415	71 347
Cash flow from investing activities	**15 789**	**-50 109**
Cash flow before financing activities	**10 557**	**-41 398**
Non-current borrowings raised	125 006	137 365
Non-current borrowings repaid	-102 316	-116 194
Current borrowings raised	5 385	13 438
Current borrowings repaid	-40 825	-58 097
Increase/decrease in commercial paper programme	13 761	66 724
Dividends paid	-9 345	-12 094
Redemption of treasury shares	-8 000	-
Group contributions received	9 700	10 100
Cash flow from financing activities	**-6 634**	**41 242**
Change in cash and cash equivalents	**3 923**	**-156**
Cash and cash equivalents on 1 January	23 608	23 764
Cash and cash equivalents on 31 December	**27 531**	**23 608**
CHANGE IN WORKING CAPITAL:		
Increase (-) / decrease (+) in current operating receivables	5 707	2 035
Increase (+)/decrease (-) in current non-interest bearing liabilities	960	96
Total	**6 667**	**2 131**

Notes to the parent company's financial statements

Basic information about the entity

HKScan Corporation is a Finnish public limited company established under the law of Finland. The Company is domiciled in Turku.

HKScan Corporation comprises Group management and Group administration.

HKScan Corporation's A Share has been quoted on the NASDAQ OMX Helsinki since 1997.

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.

Copies of HKScan Corporation's financial statements are available at the company's registered office at Lemminkäisenkatu 48, 20520 Turku.

Accounting policies

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish Accounting Standards (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2012.

The parent company complies with the accounting policies of the Group whenever possible. Goodwill in the parent company's balance sheet is depreciated on a straight-line basis over a period of five years. In other respects, the accounting policies are the same as those of the Group.

The amounts in the parent company income statement and balance sheet are in euros and the amounts in the cash flow statement and notes are in thousands of euros.

TRANSACTIONS IN FOREIGN CURRENCY

Foreign currency denominated transactions are recognised at the exchange rates valid on the transaction date. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the functional currency at the closing rate quoted by the European Central Bank on the balance sheet date. Gains and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognised in financial income and expenses in the income statement.

DERIVATIVE CONTRACTS

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted on the balance sheet date. Changes in the value of foreign exchange contracts hedging commercial flows are recognised through profit or loss in other operating income or expenses, and changes in the value of foreign exchange contracts hedging financial items are recognised in the income statement in foreign exchange gains and losses from financing operations. Realised gains or losses on interest rate swaps hedging variable-interest loans are presented under financial expenses in the income statement.

PENSION PLANS

HKScan Corporation employees' statutory pension provision has been organised through insurance in a pension insurance company. Statutory pension expenses have been charged in the year to which the contributions relate.

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

Hannu Kottonen started as the company's CEO on 1 March 2012. His predecessor Matti Perkonoja retired on 29 February 2012.

The remuneration of the new CEO consists of a fixed monthly salary, benefits, supplementary pension benefits and possible incentive awards under the company's incentive scheme. Under the terms of the CEO's executive agreement, the CEO's employment may be terminated by the company and the CEO at six months' notice. In the event that the company terminates the CEO's executive agreement, the CEO will receive an amount that equals 12 months' salary, in addition to the salary for the period of notice.

In 2012, CEO Hannu Kottonen was paid a total salary and supplementary pension benefits of EUR 0.6 million.

INCOME TAXES

Consolidated accounting principles are applied to income taxes and deferred tax assets and liabilities when allowed under Finnish accounting principles. The deferred tax liability on depreciation difference is disclosed as a Note.

LEASES

All leasing payments have been treated as rent. Leasing payments based on unpaid leasing agreements are shown in contingent liabilities in the financial statements.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses consist of Group contributions received, which are eliminated in the consolidated financial statements.

ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of change in depreciation difference. The difference in depreciation according to plan and accounting depreciation is shown as an appropriation in the income statement and the accumulated difference in depreciation according to plan and accounting depreciation is shown in the balance sheet as accumulated appropriations.

Notes to the income statement (EUR 1 000)

	2012	2011
1. Breakdown of net sales		
Sales in Finland	-	-
2. Other operating income, total		
Rental income	3	7
Other operating income	2 124	1 049
Gain on disposal of non-current assets	56 264	21
Other operating income, total	**58 391**	**1 077**
Employees, average	27	18
3. Staff costs		
Salaries and fees	-3 633	-2 693
Pension expenses	-708	-494
Other social expenses	-314	-209
Staff costs	**-4 655**	**-3 396**
Management salaries, fees and benefits		
Managing directors and their deputies	945	944
Members of the Board of Directors	226	207
Total	**1 171**	**1 151**
4. Depreciation and impairment		
Depreciation according to plan on non-current assets and goodwill	-650	-312
Total depreciation and impairment	**-650**	**-312**
5. Other operating expenses		
Rents/leases	-827	-589
Losses on disposal of fixed assets, tangible assets total	-5	-5
Losses on disposal of non-current assets	-5	-5
Audit fees, ordinary audit	-89	-122
Audit fees, other expert services	-35	-98
Audit fees	**-124**	**-220**
Non-statutory staff costs	-374	-286
Energy	-92	-79
Maintenance	-33	-77
Advertising, marketing and entertainment costs	-314	-265
Service, information management and office costs	-2 886	-3 275
Other expenses	-1 173	-417
Total other operating expenses	**-5 828**	**-5 213**
6. Financial income and expenses		
Financial income		
Dividends from Group companies	1 403	6 370
Dividends from participating interests	4 234	3 469
Dividends from others		0
Income from units	**5 637**	**9 839**
Interest income on non-current financial assets from participating interests	19	24
Interest income from other non-current financial assets	**20**	**24**
Other interest and financial income from Group companies	22 765	18 625
Other interest and financial income from others	4 128	9 039
Other financial income	**26 893**	**27 664**
Foreign exchange gains	**10 499**	**9 879**
Unrealised gains on fair value assessment	**-364**	**-**
Total financial income	**42 685**	**47 406**
Financial expenses		
Other interest and financial expenses payable to Group companies	-477	-485
Other interest and financial expenses payable to participating interests	-	-5
Other interest and financial expenses payable to others	-32 484	-31 919
Total other interest and financial expenses	**-32 961**	**-32 409**
Foreign exchange losses	**-11 487**	**-6 299**
Unrealised losses on fair value assessment	**-397**	**-**
Total financial expenses	**-44 844**	**-38 708**
Financial income and expenses, total	**-2 159**	**8 698**

7. Extraordinary items		
Extraordinary income, Group contributions	-	9 700
Total extraordinary items	**-**	**9 700**
8. Appropriations		
Increase (-) or decrease (+) in depreciation difference	-97	18
Total appropriations	**-97**	**18**
9. Direct taxes		
Income tax on ordinary operations	-	2 355
Income tax on extraordinary items	-	-2 522
Tax for previous financial periods	3	-95
Change in deferred tax liabilities and assets	4 172	-43
Other direct taxes	-50	-46
Income tax on ordinary operations	**4 125**	**-351**

Notes to the balance sheet

10. Non-current assets

Intangible assets 2012

	Intellectual property rights	**Goodwill**	**Other long-term expenditure**	**Total**
Acquisition cost on 1 Jan.	1 502	-	136	1 638
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	-	-	104	104
Decrease	-	-	-136	-136
Transfers between items	70	-	248	318
Acquisition cost on 31 Dec.	**1 572**	**-**	**352**	**1 924**
Accumulated depreciation on 1 Jan.	-1 102	-	-111	-1 213
Accumulated depreciation of disposals, Intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	136	136
Depreciation for the financial period	-75	-	-66	-141
Impairment	-304	-	-	-304
Accumulated depreciation on 31 Dec.	**-1 481**	**-**	**-41**	**-1 523**
Carrying amount on 31 Dec.	**91**	**-**	**311**	**401**

Intangible assets 2011

	Intellectual property rights	**Goodwill**	**Other long-term expenditure**	**Total**
Acquisition cost on 1 Jan.	1 349	-	136	1 485
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	86	-	-	86
Decrease	-	-	-	-
Transfers between items	67	-	-	67
Acquisition cost on 31 Dec.	**1 502**	**-**	**136**	**1 638**
Accumulated depreciation on 1 Jan.	-950	-	-84	-1 034
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	-	-
Depreciation for the financial period	-152	-	-27	-179
Impairment	-	-	-	-
Accumulated depreciation on 31 Dec.	**-1 102**	**-**	**-111**	**-1 213**
Carrying amount on 31 Dec.	**400**	**-**	**25**	**425**

Tangible assets 2012

	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	504	380	863	1 747
Decrease intra-Group corporate arrangements	-	-	-	-	-	-
Increase	-	-	432	-	62	494
Decrease	-	-	-99	-	-	-99
Transfers between items	-	-	546	-	-863	-317
Acquisition cost on 31 Dec.	**-**	**-**	**1 383**	**380**	**62**	**1 825**
Accumulated depreciation on 1 Jan.	-	-	-182	-289	-	-471
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	53	-	-	53
Accumulated depreciation on disposals and reclassifications	-	-	-	-	-	-
Depreciation for the financial period	-	-	-184	-20	-	-204
Value adjustments	-	-	-	-	-	-
Accumulated depreciation on 31 Dec.	**-**	**-**	**-313**	**-309**	**-**	**-622**
Carrying amount on 31 Dec.	**-**	**-**	**1 070**	**71**	**62**	**1 203**

Financial assets 2012

	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	373 476	-	47	16	373 539
Increase	6 702	-	-	-	6 702
Decrease	-39 536	-	-	-	-39 536
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**340 642**	**-**	**47**	**16**	**340 705**
Carrying amount on 31 Dec.	**340 642**	**-**	**47**	**16**	**340 705**

Tangible assets 2011

	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	501	379	137	1 018
Decrease intra-Group corporate arrangements	-	-	-	-	-	-
Increase	-	-	170	1	793	964
Decrease	-	-	-168	-	-	-168
Transfers between items	-	-	-	-	-67	-67
Acquisition cost on 31 Dec.	**-**	**-**	**504**	**380**	**863**	**1 747**
Accumulated depreciation on 1 Jan.	-	-	-157	-269	-	-428
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	89	-	-	89
Depreciation for the financial period	-	-	-113	-20	-	-133
Value adjustments	-	-	-	-	-	-
Accumulated depreciation on 31 Dec.	**-**	**-**	**-182**	**-289**	**-**	**-471**
Carrying amount on 31 Dec.	**-**	**-**	**322**	**90**	**863**	**1 276**

Financial assets 2011

	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	359 866	-	47	16	359 929
Increase	13 610	-	-	-	13 610
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**373 476**	**-**	**47**	**16**	**373 539**
Carrying amount on 31 Dec.	**373 476**	**-**	**47**	**16**	**373 539**

	2012	2011
Intangible assets		
Intellectual property rights	90	400
Goodwill	-	-
Other long-term expenditure	311	25
Intangible assets	401	425
Tangible assets		
Land and water areas	-	-
Buildings and structures	-	-
Machinery and equipment	1 070	322
Other tangible assets	70	90
Payments on account and tangible assets in the course of construction	62	863
Tangible assets	**1 202**	**1 276**
Financial assets		
Holdings in Group companies	340 642	373 476
Holdings in associates	-	-
Receivables from participating interests	47	47
Other shares and holdings	16	16
Financial assets	**340 705**	**373 539**
Total non-current assets	**342 308**	**375 240**

11. Non-current receivables

Non-current loan receivables	2 818	2 736
Deferred tax assets	6 880	1 935
Other receivables	1 121	456
Total	**10 819**	**5 127**
RECEIVABLES FROM GROUP COMPANIES		
Non-current Group loan receivables	426 631	354 122
Non-current receivables from Group companies	**426 631**	**354 122**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Non-current loan receivables from participating interests	198	198
Non-current receivables from participating interests	**198**	**198**
Total non-current receivables	**437 648**	**359 447**

12. Current receivables

	2012	2011
Trade receivables	0	0
Short-term prepayments and accrued income (from others)	1 444	3 734
Total	**1 444**	**3 734**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	164	144
Loan receivables	8 906	10 466
Prepayments and accrued income (within Group)	61	6 267
Other receivables	681	10 213
Total	**9 812**	**27 090**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Trade receivables	-	1
Loan receivables	168	280
Other receivables	12	10
Short-term receivables from participating interests	**180**	**291**
Total current receivables	**11 436**	**31 115**
MAIN ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Accrued financial items	475	1 436
Accrued staff costs	3	2
VAT receivables	238	234
Other prepayments and accrued income	728	2 062
Total	**1 444**	**3 734**

13. Equity

Equity in 2012

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	151 076	2 118	14 838	308 234
Increase	-	-	-	-	-	38	-	38
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-8 000	-2 373	-	-10 373
Dividend distribution	-	-	-	-	-	-	-9 345	-9 345
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	49 127	49 127
Equity on 31 Dec. 2012	**66 820**	**73 420**	**-**	**-38**	**143 076**	**-217**	**54 620**	**337 681**

Equity in 2011

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	151 076	2 527	16 712	310 517
Increase	-	-	-	-	-	37	-	37
Decrease	-	-	-	-	-	-447	-	-447
Dividend distribution	-	-	-	-	-	-	-12 094	-12 094
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	10 220	10 220
Equity on 31 Dec.2011	**66 820**	**73 420**	**-**	**-38**	**151 076**	**2 118**	**14 838**	**308 234**

Distributable assets	2012	2011
Contingency reserve	360	323
Treasury shares	-38	-38
Reserve for invested unrestricted equity	143 076	151 076
Retained earnings	5 492	4 618
Profit/loss for the period	49 127	10 220
Distributable assets	**198 017**	**166 199**
Accumulated appropriations		
Depreciation difference	**140**	**44**
Total appropriations	**140**	**44**

14. Accumulated appropriations

Depreciation difference	140	44
Total appropriations	**140**	**44**

The unrecognised deferred tax liability on depreciation difference is EUR 34 000.

15. Statutory provisions

Provisions for pensions	3 113	3 126
Statutory provisions, total	**3 113**	**3 126**

16. Non-current liabilities

Deferred tax liability	367	363
Loans from financial institutions	284 255	303 305
Other liabilities	-	1 008
Total	**284 622**	**304 676**
Total non-current liabilities	**284 622**	**304 676**
Interest-bearing		
Amounts owed to others	284 255	303 305
Non-current interest-bearing liabilities	**284 255**	**303 305**
Non-interest bearing		
Amounts owed to others	367	1 371
Non-current non-interest-bearing liabilities	**367**	**1 371**
Total non-current liabilities	**284 622**	**304 676**

17. Current liabilities

Loans from financial institutions	162 529	145 501
Trade payables	695	718
Accruals and deferred income	10 210	9 221
Other liabilities	324	307
Total	**173 758**	**155 747**

AMOUNTS OWED TO GROUP COMPANIES		
Trade payables	44	44
Accruals and deferred income	203	52
Other liabilities	19 364	17 487
Total	19 611	17 583
AMOUNTS OWED TO PARTICIPATING INTERESTS		
Accruals and deferred income	-	-
Other liabilities	-	-
Total	-	-
Total current liabilities	**193 369**	**173 330**
Interest-bearing		
Current amounts owed to Group companies	19 364	17 487
Current amounts owed to participating interests	-	-
Amounts owed to others	162 529	145 501
Current interest-bearing liabilities	**181 893**	**162 988**
Non-interest bearing		
Current amounts owed to Group companies	247	97
Current amounts owed to participating interests	-	-
Amounts owed to others	11 229	10 245
Current non-interest-bearing liabilities	**11 476**	**10 342**
Total current liabilities	**193 369**	**173 330**
MAIN ITEMS (NON-CURRENT AND CURRENT) INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Accrued staff costs	951	927
Accrued interest expenses	1 815	1 122
Accrued income taxes	-	-
Accrued changes in value of derivatives	7 072	6 840
Other accruals and deferred income	372	332
Total	**10 210**	**9 221**
LIABILITIES DUE IN FIVE YEARS OR MORE		
Loans from financial institutions	-	-
Pension loans	7 857	6 429
Other long-term liabilities	-	-
Liabilities due in more than five years	**7 857**	**6 429**

18. Commitments and contingent liabilities

	2012	2011
DEBTS SECURED BY MORTGAGES AND SHARES		
Loans from financial institutions	322 190	-
Total	**322 190**	**-**
Real estate mortgages	-	-
Floating charges	5 046	5 046
Pledged securities	-	-
Total	**5 046**	**5 046**
SECURITY FOR DEBTS OF SUBSIDIARIES AND OTHER GROUP COMPANIES		
Guarantees	52 134	51 259
Total	**52 134**	**51 259**
SECURITY FOR DEBTS OF PARTICIPATING INTERESTS		
Guarantees	5 250	5 190
Total	**5 250**	**5 190**
SECURITY FOR DEBTS OF OTHERS		
Guarantees	4 445	4 945
Total	**4 445**	**4 945**
OTHER CONTINGENCIES		
Leasing commitments		
Maturing in less than a year	42	3
Maturing in 1-5 years	31	7
Maturing in over 5 years	-	-
Total	**73**	**10**
OTHER RENT COMMITMENTS		
Maturing in less than a year	847	730
Maturing in 1–5 years	3 388	2 918
Maturing in over 5 years	6 998	7 296
Total	**11 233**	**10 944**
Other commitments	15	8
Total other contingencies	**11 321**	**10 962**

The parent company has pledged the shares of its subsidiaries, HK Ruokatalo Oy and Scan AB, as collateral for its loans.

19. Derivative instruments

Nominal values of derivative contracts

	2012	2011
FOREIGN EXCHANGE DERIVATIVES		
-Currency futures	71 894	49 163
-Currency options	-	-
INTEREST RATE DERIVATIVES		
-Interest rate swaps	258 408	268 344
COMMODITY DERIVATIVES		
-Electricity forwards	10 669	11 149
Total	**340 971**	**328 656**

Fair values of derivative instruments

	2012 Fair value positive	2012 Fair value negative	2012 Fair value net	2011 Fair value net
Foreign exchange derivatives				
-Currency futures	190	-1 339	-1 149	13
-Currency options	0	0	0	0
Interest rate derivatives				
-Interest rate swaps	84	-24 208	-24 124	-22 581
Commodity derivatives				
-Electricity futures	10	-1 317	-1 307	-1 081
Total	284	-26 864	-26 580	-23 649

Derivative instruments to which hedge accounting applies

	2012 Nominal value	2012 Fair value eff.portion	2011 Nominal value	2011 Fair value eff.portion
Foreign exchange derivatives				
-Currency futures	0	0	27 426	-662
Commodity derivatives				
-Electricity futures	10 669	-501	11 149	-774
Interest rate derivatives				
-Interest rate swaps	206 566	-18 354	234 766	-17 513
Total	217 235	-18 855	273 341	-18 949

Signatures to the financial statements and report of the Board of Directors

Vantaa, 14 February 2013

Juha Kylämäki Chairman of the Board	Niels Borup Deputy chairman of the Board	Tero Hemmilä Member of the Board	
Gunilla Aschan Member of the Board	Teija Andersen Member of the Board	Henrik Treschow Member of the Board	Hannu Kottonen President and CEO

Auditor's report

TO THE ANNUAL GENERAL MEETING OF HKSCAN CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of HKScan Corporation for the year ended 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Turku, 14 February 2013

PricewaterhouseCoopers Oy
Authorized Public Accountants

Johan Kronberg APA	Petri Palmroth APA

Share and shareholders

One of the key financial targets of HKScan is to distribute as dividend at least 30 per cent of the year's net profit. The dividend of EUR 0.10 per share for 2012 proposed by the Board is equivalent to 36.2 per cent of the undiluted and diluted result. The corresponding figure in 2011 was 92.1 per cent.

SHARES

The HKScan Group's registered and fully paid-up share capital at the beginning and the end of 2012 was EUR 66 820 528.10. The total number of shares issued was 55 026 522, and it was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares 5 400 000 (9.81%). The A Shares are quoted on the NASDAQ OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

According to the Articles of Association, each A Share conveys one vote, and each K Share 20 votes. Each share gives equal entitlement to a dividend. The shares have no nominal value.

HKScan's market capitalisation at the end of the year stood at EUR 199.7 million. The Series A shares had a market value of EUR 180.1 million and the unlisted Series K shares a calculated market value of EUR 19.6 million.

In 2012, a total of 9 084 494 of the company's shares, with a total value of EUR 40 218 018, were traded. The highest price quoted was EUR 6.40 and the lowest EUR 3.17. The median price was EUR 4.34. At the end of 2012, the closing price was EUR 3.63.

HKScan has a market-making agreement with FIM Pankkiiriliike Oy which meets the requirements of NASDAQ OMX's Liquidity Providing (LP) operation.

SHAREHOLDERS

At the end of 2012, the shareholder register maintained by Euroclear Finland Ltd included 12 254 shareholders. Nominee-registered and foreign shareholders held 19.6 (20.1) per cent of the company's shares.

NOTIFICATIONS OF CHANGES IN HOLDINGS

HKScan did not receive any notifications of changes in holdings during 2012.

TREASURY SHARES

At the beginning of the financial year 2012, HKScan held 53 734 treasury A Shares. The company acquired 1 000 000 A shares on 6 August 2012. The repurchase pertains to the share purchase agreement of the Danish company Rose Poultry A/S, announced on 9 September 2010 and specified on 4 June 2012.

At year end, HKScan held 1 053 734 treasury A Shares. They had a market value of EUR 3.80 million and accounted for 1.91% of all shares and 0.67% of all votes at year end.

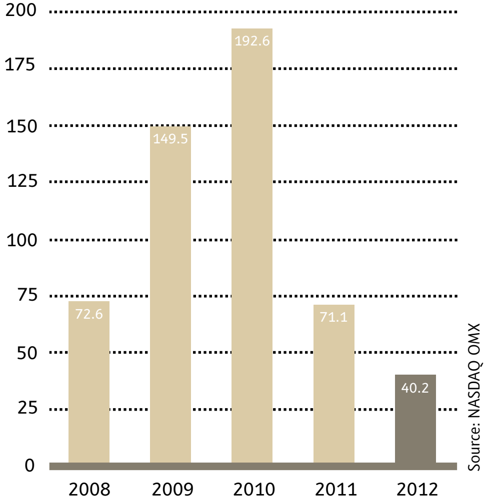
SHARE-BASED INCENTIVE SCHEMES

HKScan announced in December a new share-based incentive plan for the Group key personnel. The aim of the new plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the company, to commit the key personnel to the company, to increase their share ownership in the company, and to offer them a competitive reward plan based on earning and holding the company's shares. The incentive plan and conditions are described in detail in the stock exchange release dated 20 December 2012.

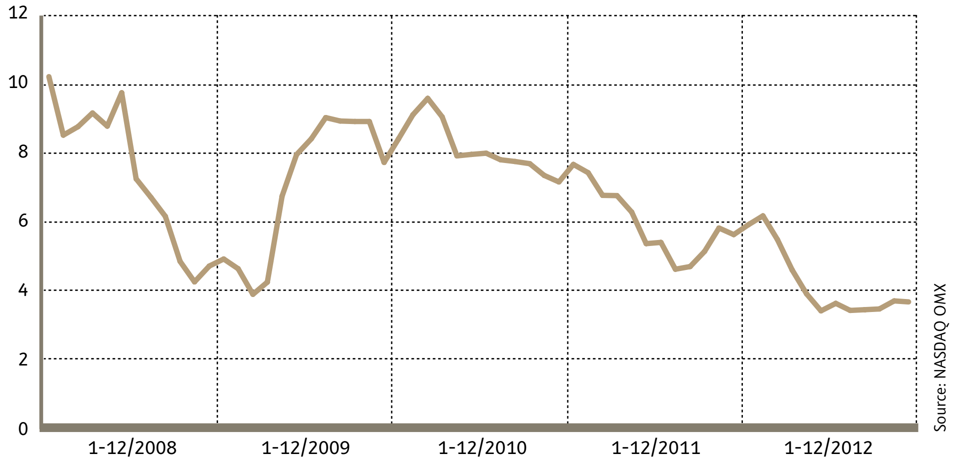
SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND THE CEO

At the end of 2012, members of the Board of Directors and the company's CEO and his deputy as well as their related parties owned a total of 16 680 A Shares, corresponding to 0.03 per cent of the total number of shares and 0.01 per cent of the votes.

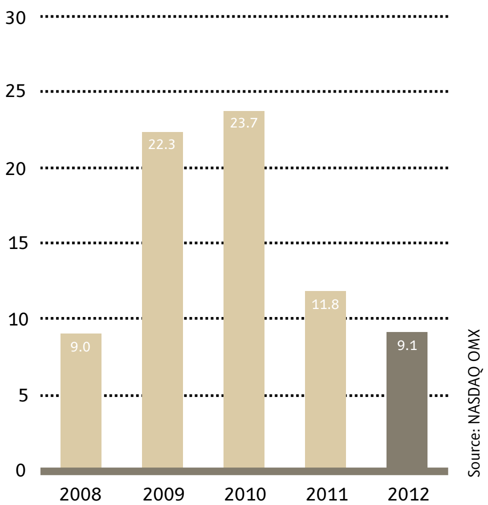
Shares traded 2008–2012
(value, EUR million)



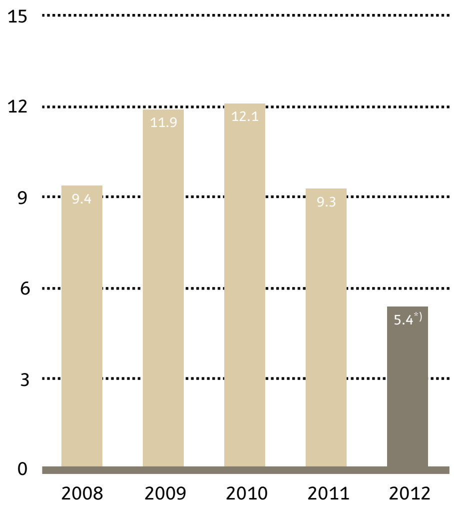
Share price development 2008–2012
(middle price in euros each month)



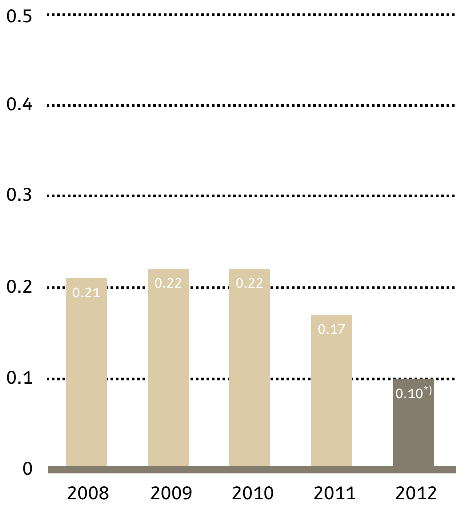
Shares traded 2008–2012
(amount in millions)



Dividends 2008 - 2012 (EUR million)
*) Board's proposal to AGM



Dividend/share 2008 - 2012 (euros)
*) Board's proposal to AGM



Ownership breakdown on 31 December 2012

Minim.	Maxim.	Share-holders	Share-holders, %	Shares	Shares, %	Votes	Votes,%
1	100	2 983	24	156 009	0.28	156 009	0.10
101	500	4 849	40	1 373 053	2.50	1 373 053	0.87
501	1 000	2 054	17	1 556 174	2.83	1 556 174	0.99
1 001	5 000	1 997	16	4 257 041	7.74	4 257 041	2.70
5 001	10 000	202	2	1 430 379	2.60	1 430 379	0.91
10 001	50 000	125	1	2 629 818	4.78	2 629 818	1.67
50 001	100 000	18	0	1 161 802	2.11	1 161 802	0.74
100 001	500 000	13	0	2 819 712	5.12	2 819 712	1.79
500 001	-	13	0	39 506 084	71.80	142 106 084	90.15
Total		12 254	100	54 890 072	99.75	157 490 072	99.91
of which nominee registered		11		3 089 712	5.62	3 089 712	1.96
General account				136 450	0.25	136 450	0.09
Number of shares issued				55 026 522	100	157 626 522	100

Owner breakdown by sector on 31 December 2012

	Share of owners, %	Share of shares, %	Share of votes, %
Corporates	4.28	42.08	71.8
Finance and insurance companies	0.19	2.81	2.9
Public entities	0.08	12.77	4.5
Households	94.51	18.36	6.4
Non-profit organisations	0.71	4.14	1.4
Domestic sectors. total	99.77	80.16	87.0
Abroad	0.23	13.98	12.9
All sectors. total	100	94.14	99.9
General account		0.25	0.09

At year end 2012, foreign and nominee shareholders held 19.6% of shares (20.1% at year end 2011).

Major shareholders on 31 December 2012

	A Shares	K shares	Of total shares, %	Of total votes, %
LSO Osuuskunta	14 458 884	4 735 000	34.88	69.25
Sveriges Djurbönder Ek. För.	6 234 750	665 000	12.54	12.39
Varma Mutual Pension Insurance Company	3 752 806	0	6.82	2.38
The Local Government Pensions Institution	1 335 812	0	2.43	0.85
HKScan Corporation	1 053 734	0	1.91	0.67
Tapiola Mutual Pension Insurance Company	1 029 640	0	1.87	0.65
FIM Fenno Investment Fund	850 000	0	1.54	0.54
The Central Union of Agricultural Producers and Forest Owners (MTK)	836 414	0	1.52	0.53
Investment fund Taaleritehdas Arvo Markka Osake	650 000	0	1.18	0.41
Danish Crown A/S	540 458	0	0.98	0.34
Nordea Life Assurance Finland Ltd	500 850	0	0.91	0.32
The State Pension Fund	500 000	0	0.91	0.32
Mandatum Life	453 500	0	0.82	0.29
OP-Suomi Arvo investment fund	282 545	0	0.51	0.18
Ilmarinen Mutual Pension Insurance Company	218 298	0	0.40	0.14
Suhonen Jyrki	213 812	0	0.39	0.14
Säästöpankki Kotimaa investment fund	213 686	0	0.39	0.14
Paistipoika Oy	179 826	0	0.33	0.11
Laihonen Sirpa	139 876	0	0.25	0.09
4Capes Oy	135 245	0	0.25	0.09
Other shareholders, total	16 046 386	0	29.16	10.18
All shares, total	**49 626 522**	**5 400 000**	**100**	**100**

Share capital by share series on 31 December 2012

Share series	Shares	Share of equity, %	Share of votes, %
A-shares	49 626 522	90.19	31.48
K-shares	5 400 000	9.81	68.52
Total	**55 026 522**	**100.00**	**100.00**

Information for the shareholders

ANNUAL GENERAL MEETING

HKScan Corporation's Annual General Meeting will be held starting at 11 am on Wednesday, 24 April 2013 in the Turku Fair and Congress Centre; address: Messukentänkatu 9 – 13, 20210 Turku. Registration of the shareholders who have notified the company of their intention of attending the meeting will commence at 10 am. Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 4 pm Finnish time on 19 April 2013 either through HKScan Corporation's website www.hkscan.com or by phone +358 (0)10 50 6218 (weekdays 9 am-4 pm) or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 12 April 2013 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd.

DIVIDEND

The Board of Directors is to recommend to the Annual General Meeting that a dividend of EUR 0.10 per share be distributed for 2012. The dividend decided by the Annual General Meeting will be paid to those shareholders entitled to such dividend who are registered in the share register at 29 April 2013. The proposed payment date for the dividend is 7 May 2013. Shareholders whose shares are not registered in the book-entry securities system at the record date, 29 April 2013, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHAREHOLDER REGISTER

The register of HKScan Corporation's shareholders is maintained by Euroclear Finland Ltd, PO Box 1110, FI-00101 Helsinki, Finland (visiting address Urho Kekkosen katu 5 C, 00100 Helsinki), telephone +358 (0)20 770 6000 and email info.finland@euroclear.eu.

Shareholders should notify any changes of name and address in the book-entry securities register where their book-entry account is registered.

FINANCIAL INFORMATION

In 2013, HKScan publishes interim reports as follows:

- January-March on Tuesday, 7 May 2013
- January-June on Friday, 9 August 2013
- January-September on Tuesday, 6 November 2013.

The interim reports are published as stock exchange releases in Finnish, English and Swedish. Copies of the interim report will be sent by mail or as an attachment to email upon request.

ANNUAL REPORT

The Annual Report 2012 is published in Finnish and English at the end of March. Printed versions of the annual report will be posted automatically to shareholders with at least 750 shares and who are registered in the company's share register kept by Euroclear Finland Ltd.

Annual and interim reports may be ordered via HKScan's website under HKScan > Feedback, by letter to HKScan Corporation, Communications, PO Box 50, FI-20521 Turku, Finland, by phone +358 (0)10 570 100 / Communications or
by email to hk.viestinta@hkscan.com.

The annual reports, interim reports and other stock releases are available on the company's website www.hkscan.com.

SILENT PERIOD

HKScan observes a silent period of three weeks prior to the release of its interim reports and financial statements bulletin. During this time, the company will not comment on its financial standing.

HKScan Corporation's corporate governance statement 2012

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, HKScan's Articles of Association and the Finnish Corporate Governance Code (the "Code"), as well as the charter and rules of procedure adopted by the Company's Board of Directors. HKScan furthermore complies with the rules and regulations of the Stock Exchange and the Finnish Financial Supervisory Authority.

This corporate governance statement has been drafted in accordance with recommendation 54 of the Code that entered into force on 1 October 2010 and with Chapter 2:6 of the Finnish Securities Markets Act. The corporate governance statement is issued separately from the Board's Review 2012.

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 26: Tero Hemmilä, member of the Audit Committee, is not independent of the Company because his employment contract with the Company ended less than three years ago.
- Recommendation 28: Members of the Nomination Committee may be appointed also from outside the Board of Directors in order to bring additional knowledge and expertise to bear on key appointments within the Company.

AVAILABILITY OF CORPORATE GOVERNANCE CODE

HKScan's corporate governance statement may be viewed on the Company's website at www.hkscan.com under "Investor information". The website also gives access to the register of the Company's public insiders, a list of the Company's largest shareholders, the notifications of changes in holdings submitted to the Company and the Company's Articles of Association. The Code is available for review on the Securities Market Association website at www.cgfinland.fi.

Board of Directors

The Board of Directors is responsible for the administration and the proper organisation of the operations of the Company. The duties and accountability of the Board are determined primarily under the Articles of Association and the Finnish Limited Liability Companies Act. The Board's meetings procedure and duties are described in the charter adopted by the Board for each year.

Board members are elected annually by the AGM based on a proposal put forward by the Board's Nomination Committee. The Articles of Association contain no mention of any special order of Board member appointments. The Board comprises 5-7 members, all of whom possess the particular competence and independence consistent with the position. The term of Board members begins at the end of the General Meeting at which they were elected and ends at the end of the General Meeting first following their election. The Board of Directors elects a chairman and deputy chairman from among its number.

The Board conducts an annual evaluation of the independence of its members in accordance with recommendation 15. A member of the Board is required to submit to the Company the information necessary to conduct the evaluation of independence. A Board member is also required to notify the Company of any changes in information relating to independence.

The following persons were elected to the Board by the AGM held on 25 April 2012:

Juha Kylämäki, chairman of the Board of Directors, b. 1962
Law student
Farm entrepreneur, broiler meat producer, Marttila, Finland

Niels Borup, deputy chairman, b. 1964
M.Sc. (Econ. & Bus. Admin.)
Farm entrepreneur, pork and milk producer, Lapinjärvi, Finland

Teija Andersen, b. 1957
M.Sc. (Agr. & For.), eMBA
Managing director of Adviso TMA Oy, Finland

Gunilla Aschan, b. 1960
M.Sc. (Agriculture, Econ.)
Farm and forestry entrepreneur, beef producer, southeast Sweden
Farm & Forest Department, manager, Nordea Sweden, Stockholm

Tero Hemmilä, b. 1967
M.Sc. (Agr. & For.)
Managing director of Yara Suomi Oy, Laitila, Finland

Henrik Treschow, b. 1946
MBA
FoodMan Advisor AB, Lund, Sweden

All members of the Board of Directors, except Tero Hemmilä, are independent of the Company.

All members of the Board of Directors, except Gunilla Aschan, are independent of the Company's major shareholders.

- Detailed introductions to the Board members are available at www.hkscan.com > Board of Directors and Auditors

During 2012, the Board held 11 meetings. The average attendance rate of Board members was 92 per cent. The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the COO, the CFO and the Administrative and Legal Director as secretary to the Board also regularly attend the Board meetings.

CHARTER OF THE BOARD

The work of the Board of Directors is based on the provisions of the Finnish Limited Liability Companies Act and the Company's Articles of Association as well as on the charter adopted by the Board.

According to the charter, the following key matters are among those to be resolved by the Board of Directors at HKScan:

- appointments and dismissals of the CEO and senior executives, and decisions on the terms of employment of management
- terms of employment of managing directors of Group companies and senior management
- Group management's and personnel's incentive schemes and bonus criteria
- Group and organisation structure, commencement of new business, changes and discontinuation of central business
- Group strategy, business plan and performance targets for the following year, and related underlying assumptions
- Group's significant investments, as well as company, business

- and real estate arrangements, and sales and outsourcing of significant equipment and machinery
- other significant contracts of the Group
- dividend policy and division proposal to the Annual General Meeting
- principles of risk management and communication related to Group's business and follow up of the legality of business operations
- approving of investment plans and approval of relevant investments deviating from the plan
- taking out Group loans and giving securities
- giving procurations and other representative rights of the Company

The meetings of the Board of Directors follow the annually agreed management calendar. Extra meetings may be convened if required. The chairman of the Board convenes the Board meetings and prepares the meeting agenda together with the CEO.

PERFORMANCE EVALUATION OF THE BOARD

The Board conducts an annual evaluation of its performance and working methods in the interests of enhancing its operations. The evaluation addresses the composition and processes of the Board, the quality of the Board's performance, cooperation between the Board and operative management, and the expertise and participation of Board members.

BOARD COMMITTEES

Four committees have been set up in HKScan to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairmen of the committees from among its members, except for the Nomination Committee, to which members may be selected from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company.

Audit committee

The Board elects at least three members of the Audit Committee from among its members. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. The Audit Committee assists the Board by preparing matters within its remit for the consideration of the Board and by submitting proposals or recommendations for Board resolution.

The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with recommendation 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan's Board of Directors include, among other things, the following:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal auditing and risk management system;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- to monitor the statutory audit;
- to evaluate the independence of auditors and the provision of related services to the Company in particular; and
- to prepare the proposal for resolution on the election of the auditors.

The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee and submits for the information of the Board the minutes of the committee's meeting. The CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee is chaired by Tero Hemmilä and its members are Gunilla Aschan, Niels Borup and Juha Kylämäki. From the Audit Committee members Tero Hemmilä is dependent of the Company and Gunilla Aschan is dependent of the Company's major shareholders.

The Audit Committee held 5 meetings during 2012. The average attendance rate of Committee members was 95 per cent. Committee meetings are also regularly attended by the Company's CEO and CFO and by its external auditors. The chairman of the Audit Committee prepares the agenda for the meeting based on a proposal made by the CFO and convenes the meetings, under normal circumstances with at least one week's notice.

Nomination committee

The Board elects the three members of the Nomination Committee. The members of the Committee need not be Board members. The CEO of the Company or other senior executives may not be elected to the Nomination Committee.

The duties of the Nomination Committee are defined in its charter adopted by the Board. The Committee is tasked with preparing the proposals to be presented to the General Meeting of Shareholders concerning the number, appointment and remuneration of Board members. The Nomination Committee convenes at least once before the General Meeting of Shareholders and reports on its work to the Board of Directors immediately following the meeting of the Committee.

The members of the Nomination Committee are Tiina Teperi-Saari (chair), Lars Gustafsson and Juha Kylämäki.

The Nomination Committee held 2 meetings during 2012. The average attendance rate of Committee members was 100 percent.

Introductions:

Tiina Teperi-Saari (b. 1960)
BSc (Agriculture), pork producer, Alastaro, Finland
Lars Gustafsson (b. 1956)
Degree in Economics at Lund University of Agricultural Sciences
Farm entrepreneur, pork producer, Knislinge, Sweden

Compensation committee

The Board elects at least three members of the Compensation Committee from among its members. The majority of the members of the Compensation Committee must be independent of the Company. The CEO of the Company or other senior executives may not be elected to the Compensation Committee.

The duties of the Compensation Committee are defined in its charter adopted by the Board of Directors. The Compensation Committee is tasked with preparing matters pertaining to the Company's compensation schemes. The Compensation Committee convenes at least twice a year and reports on its work to the Board following the meeting of the Committee and submits for the information of the Board the minutes of the Committee's meetings.

The Committee is chaired by Niels Borup and its members are Teija Andersen, Juha Kylämäki and Henrik Treschow. All members of the Compensation Committee are independent of the Company.

The Compensation Committee held 4 meetings during 2012. The average attendance rate of Committee members was 100 percent. The Compensation Committee has used external consultants in its work.

Working committee

Within the Working Committee the Board considers matters without the presence of the operative management.

The duties of the Working Committee are defined in its charter adopted by the Board of Directors. The Working Committee is tasked with promoting the efficient accomplishment of the duties of the Company's Board of Directors. The aim of the Committee is to advance compliance with the Finnish Corporate Governance Code in HKScan Corporation.

The Committee is chaired by Juha Kylämäki and its members are Tero Hemmilä and Niels Borup. The members of the Working Committee, except Tero Hemmilä, are independent of the Company. All members are independent of the Company's significant shareholders.

The Working Committee held no meetings during 2012.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and possible deputy CEO of the Company are appointed by the Company's Board of Directors. The CEO is tasked with managing the Group's business activities and administration in accordance with the Articles of Association, the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors. The CEO is accountable to the Board of Directors for the implementation of the objectives, plans, procedures and goals laid down by the Board.

The Company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the Group's financial performance, financial position, solvency and market position. He or she also presents the materials of the financial statements and interim reports to the Board. The CEO furthermore reports to the Board on the implementation of the Board's resolutions and on the measures and outcomes to which these have given rise.

The CEO of the Company was Matti Perkonoja until 29 February 2012. Hannu Kottonen started as the CEO on 1 March 2012. In managing the Group, the CEO is supported by the Group Management Team.

Main features of the internal control and risk management systems pertaining to the financial reporting process

INTERNAL CONTROL FRAMEWORK

The Company's internal control framework is within the remit of HKScan Corporation's Board of Directors. Group management is responsible for maintaining and further developing effective internal control. Internal control aims to ensure compliance with laws and regulations as well as the Group's values and internal policies and guidelines. The internal control system has the further objective of supporting activities in line with the Group's strategy. The reliability of financial reporting and measures in the service of this goal are an integral component in the Company's internal control framework.

CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2012 to developing internal auditing, and updating of the Group's internal guidelines and policies continued.

The Board of Directors and the Audit Committee in particular monitor the Company's financial position and the quality of the financial reporting. The Board carries out its duty by including adoption of the Group's risk management policy and determination of the objectives and principles of internal control. The Group's CEO and CFO are responsible for maintaining and further developing an effective control environment relating to financial reporting.

At HKScan, the internal audit is a management tool for the accomplishment of supervision. In addition to this, the Company's SVP, administrative and legal director especially ensures that all operations are lawful. S/he reports directly to the CEO of the Company. At the end of 2010, an internal audit development project was initiated. In accordance with the decision of the Board of Directors, internal auditing was carried out with an external partner using the so-called co-sourcing model in 2012.

The aims of internal auditing are integrally linked with the Company's management system built on a principle of ongoing improvement. The implementation of corrective and preventative measures is a key part of the function of the entire process.

RISK MANAGEMENT

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. The risks faced by the Group are by nature strategic (e.g. acquisitions), operative (e.g. animal

Meeting attendance of Board members

Attendance	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Juha Kylämäki	11/11	5/5	2/2	4/4	
Niels Borup	10/11	4/4		4/4	
Tero Hemmilä	9/11	5/5			
Matti Karppinen *	3/4	1/1			
Otto Ramel *	3/4				
Henrik Treschow	11/11			4/4	
Gunilla Aschan **	7/7	3/4			
Teija Andersen **	7/7			1/1	
Tiina Teperi-Saari			2/2		
Lars Gustafsson			2/2		

* Member of the Board of Directors until 25 April 2012. The Board held 4 meetings between 1 January and 25 April 2012.

** Member of the Board of Directors as of 25 April 2012. The Board held 7 meetings between 25 April and 31 December 2012.

diseases), financial (e.g. currency exchange rates and interest rates) and risks of damage (e.g. accidents and interruptions in production).

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group, and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The Group Treasurer is responsible for the management of financial risks and the Group insurance policies.

The Company has implemented a systematic Enterprise Risk Management (ERM) process which comprises consistent principles and systematic practices for risk management. The aim of the ERM process is to promote risk awareness in HKScan and effective risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The ERM process is an integral component of the management system and strategy process. The risk management policy is applied in all of the companies in the HKScan Group which carry out business operations.

Risk management is a key element in the Group's financial reporting process. At the Group level, the Company strives to identify and assess, at least once a year, all significant risks inherent in material balance sheet and income statement items and to determine the key controls for risk prevention.

CONTROL MEASURES

Control measures are designed to ensure that

- the Company's business is managed efficiently and profitably;
- the Company's financial reporting is accurate, transparent and reliable; and
- the Company complies with laws and regulations and all internal principles.

Control measures can take the form of manual or automated system controls. Examples of controls to ensure the reliability of financial reporting include reconciliations, approvals, reviews, analyses and the elimination of high-risk combinations of duties.

The Group's financial administration has determined, via risk assessment, the controls central to financial reporting. These cover the financial reporting process. The implementation and effectiveness of the controls is the responsibility of financial administration in the segments. The Group has in place a self-evaluation process which seeks to ensure the function and effectiveness of controls relating to financial reporting. The Group's major subsidiaries provide the Group's financial administration with an annual report on the effectiveness of key controls. In addition to ensuring control effectiveness, self-evaluation also seeks to locate possible gaps and areas for further development in the controls.

MONITORING

The Group's earnings performance is monitored in meetings of the Board and the Group Management Team with the help of monthly reporting. The Audit Committee evaluates and the Board approves all interim reports and financial statements prior to their release to the market. In addition, the statutory auditors provide the Audit Committee with an annual report on their audit plans and a quarterly report on their audit observations and the functioning of internal control. The Audit Committee in turn conducts an annual evaluation of the performance and independence of the auditors.

In 2012, the internal control framework development work continued. It includes updating of internal guidelines, specification of the Group processes and preparation of charters for the various bodies. The outcomes of the work will be reported to the Audit Committee and the Management Team.

Risk management

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations.

Risk management has been organized as part of the management system at HKScan and it is based on the consistent identification, assessment and reporting of risks throughout the Group. The company has implemented a systematic ERM process which aims to promote risk awareness and effective, proactive risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The risk policy approved by the Board is applied in all of the companies in the HKScan Group which carry out business operations.

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The Group Treasurer is responsible for the management of financial risks and the Group insurance policies.

At HKScan, risks have been divided into four main categories: strategic risks, operative risks, economic risks and risks of damage. Strategic risks are assessed as a part of the annual strategy process and in connection with major business decisions. Economic risks and risks of damage are minimized to the extent possible by using policies and guidelines drafted for this purpose. Operative risks are assessed not only in connection with the annual plans but also as a part of day-to-day business operations.

HKScan's most significant risks

STRATEGIC RISKS

Fluctuation in the availability and prices of raw materials

The prices and availability of raw materials, such as feed, pork, poultry and beef, which are needed for the production of HKScan products, vary. Global overproduction of feed and raw materials decreases the prices of raw materials and increases their availability, while underproduction leads to lower availability and rising prices of raw materials. Economic cycles, the EU's Common Agricultural Policy, trade barriers and subsidy changes affect the balance of supply and demand in the long term.

Factors rapidly affecting supply, like animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of products sold by the company to retail are agreed months ahead in Finland, Sweden and the Baltics, and under these circumstances, rises in the prices of raw materials cannot potentially be passed on to product prices quickly enough. Passing higher raw material prices on to product prices may also be difficult even in situations where prices have not been agreed in advance.

Fierce competition in the meat industry and the constant state of flux in the structure of the perishable goods market

On top of the industry competition in HKScan's market areas, retail chains have increasingly entered the food market to compete with their own products and brands. Besides local competitors, competition is also made fiercer by international companies and companies operating in lower-cost countries. The company is responding to increased competition through, for example, brands and innovation, the efficiency of its core processes, high-quality products, supply reliability, knowing the producer and utilizing better the Group synergies.

Adaptation of operations to possible changes in legislation or regulation and dependence on the authorities

HKScan's operations are regulated by the legislation of the company's respective countries of operation. Regional and supranational regulation, such as EU legislation, also affects the company's operations. The company's management considers that, at present, the company is in compliance with legislation and other regulations. Legislation and other regulations and the interpretations thereof may change, however, and the company cannot guarantee that it would be compliant with such changed requirements without taking material action. In its operations, the company is also dependent on the authorities in its countries of operation. The procedures of the authorities may also vary considerably in the company's various sectors of operation.

Acquisitions and integration of businesses acquired

As a part of the development of its business, HKScan may acquire, either in its current market areas or in new geographical areas, companies which enhance its competitive position. Risks relating to acquisitions include potentially unknown liabilities, possible inability to integrate and manage the business operations and personnel acquired, and the risk of the benefits or synergies of mass production not being realized. In addition, exclusion from industry consolidation might have an adverse effect on HKScan's strategic competitive position. Expansion into new geographical areas might also cause problems relating to exchange rate fluctuations, unexpected changes in statutory requirements, changes in and compliance with local legislation and regulations, as well as political risks.

OPERATIVE RISKS

Animal diseases

An outbreak of animal disease, such as avian influenza, Newcastle disease, foot-and-mouth disease, or BSE, may affect the company's business and demand for its products. Animal diseases may affect consumer behaviour for a long time, although HKScan's management believes that consumption is usually normalized within a reasonable period of time after the discovery of any outbreak of animal disease. The animal disease risk is evened out to some extent by consumption transferring to the company's other meat product groups. In a fully integrated value chain, such as in the bulk of the company's Baltic operations, discovery of an animal disease may temporarily sever, in the worst-case scenario, the supply of raw materials if substitute raw material sources such as imports from abroad do not exist.

Dependence on production plants and the uninterrupted operation of distribution chain

HKScan is dependent on the uninterrupted operation of its production plants and distribution centres. If one of the key production plants of the company is destroyed or closed, regardless of the reason, if its equipment is damaged in a significant manner or other disruptions occur in production, this is likely to cause delays in HKScan's ability to produce and distribute its products as scheduled. Depending on the product, it may be possible for HKScan to transfer production to other locations, thus avoiding any significant interruptions to its operations. Changes in production of this kind may, however, be more difficult to implement in respect of some product groups and may lead to significant delays in the deliveries of products and to lost sales, and give rise to additional expenditure before insurance coverage.

The delivery of orders on very short lead times is characteristic of the company's industry. Short lead times increase the significance of an effective and dependable supply chain and underscore the need to be able to anticipate consumer behaviour. Likewise, the significance of the reliability of logistics systems and other technological systems is high. If distribution centres are damaged, destroyed or taken out of commission for whatever reason, or if the products held in the distribution centres suffer significant damage, HKScan will have to come up with an alternative method of delivering products to customers until such time as the damaged distribution centre can again be made available for operations.

Possible product quality issues

Food safety risks concern the purity of raw materials (residues, foreign substances); the healthiness of products; packaging materials intended to come into contact with food; and microbiological purity. Particular attention is paid to the prevention and control of bacteria which cause food poisoning. In addition to rigorous in-house controls, the facilities of all industry operators in the value chain are subject to strict scrutiny by the authorities. HKScan's high standard of requirements and rigorous internal control notwithstanding, the company cannot have absolute assurance of the risk-free management of the entire value chain. The realisation of a risk relating to product safety or product liability may have an adverse material effect on the demand for the company's products among customers and consumers.

Reliance on skilled management and employees

HKScan's success is materially dependent on the professional expertise of the company's management and other personnel, as well as on the company's ability to foster the commitment of current management and other personnel and recruit new, skilled employees in the future too.

HKScan is also vulnerable to potential legal or illegal strikes in the value chain or in its own operations. The risks are mitigated by developing well-being at work and alternative supply structures and processes.

RISKS OF DAMAGE

Unforeseeable factors

Natural disasters, fires, bioterrorism, sabotage, pandemics, exceptional weather conditions or other factors beyond the company's control may have an adverse effect on the health and growth of production animals or hamper the company's operations due to power outages, damage to production and property, disruptions in distribution chains, or other reasons.

ECONOMIC RISKS

Financial risks

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. The company's financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances.

As a rule, HKScan's funding is obtained through the parent company, while funding to subsidiaries is arranged by the Group Treasury through intra-Group loans in the local currency of each subsidiary.

External and internal funding of the Group is centralized in the Group Treasury function. Part of the Group's profits and costs are denominated in foreign currencies. Additionally some investments and earnings are denominated in foreign currencies. Thus the Group is exposed to foreign exchange risks arising from movements in exchange rates. The most significant exchange risks in the company's business arise from the euro, Swedish krona, Polish zloty, US dollar and Japanese yen. The largest equities of the companies in the HKScan Group are in euros, Swedish krona, Polish zloty and Danish krone. The Group's financial risks are presented in more detail in Note 25 to the financial statements.

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HKScan Corporation is not liable for any evaluations presented in the analyses.

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