THE NORDIC MEAT EXPERTS

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HKSCAN **ANNUAL REPORT** 2014

A TASTE OF THE FUTURE

HKSCAN

ANNUAL REPORT

2014

A TASTE OF THE FUTURE

In this annual report we introduce you to our future consumer, a person who we ourselves are learning from every day. Ideas and values related to food and eating are changing. But while there are a variety of perspectives on the topic, what is common among them is a growing desire for quality, healthiness and sustainability – without compromising on taste. We at HKScan want to be where consumers are, to understand them and respond to their needs today as well as in the future. It's a continuing effort. In this publication we share with you our first successes as One HKScan and give you a taste of where we are heading.

HKSCAN IN BRIEF

HKSCAN IS THE LEADING NORDIC MEAT EXPERT. We sell, market and produce high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, away-from-home and export sectors, and our home markets comprise Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. HKScan is committed to economically, socially and environmentally sustainable development as well as to enhancing animal welfare in its strategy and operations.

KEY INDICATORS 2014

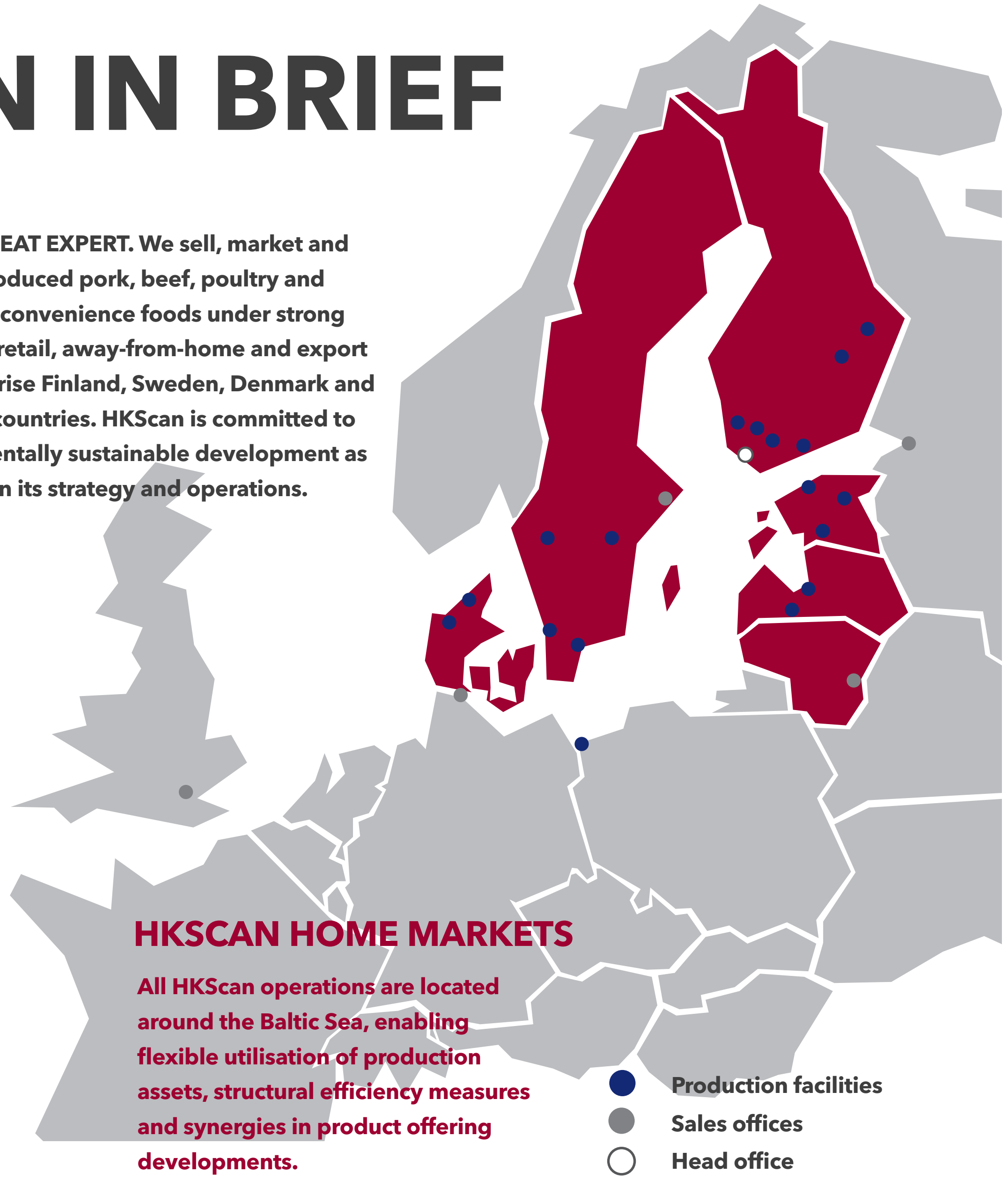
1 988.7
NET SALES
MILLION EUR

12.4
EBIT
(EXCL. NON-RECURRING ITEMS)
EUR MLLION

0.6
EBIT MARGIN
(EXCL. NON-RECURRING ITEMS)
%

7 662
EMPLOYEES
AVERAGE

#1–2
MARKET POSITION
IN HOME MARKETS



HKSCAN HOME MARKETS

All HKScan operations are located around the Baltic Sea, enabling flexible utilisation of production assets, structural efficiency measures and synergies in product offering developments.

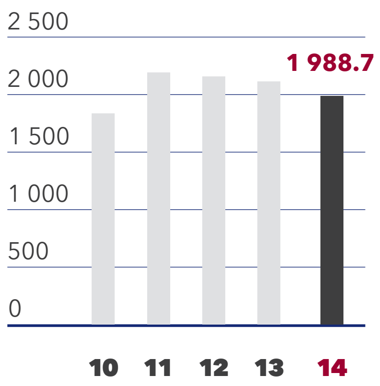
SWEDEN NET SALES 911 MEUR OPERATING PROFIT* 13.4 MEUR PERSONNEL 2 305 MEAT TYPE	**FINLAND** NET SALES 787 MEUR OPERATING PROFIT* 8.9 MEUR PERSONNEL 2 771 MEAT TYPE
DENMARK NET SALES 204 MEUR OPERATING PROFIT* -4.4 MEUR PERSONNEL 817 MEAT TYPE	**BALTICS** NET SALES 173 MEUR OPERATING PROFIT* 4.8 MEUR PERSONNEL 1 769 MEAT TYPE

* Excluding non-recurring items

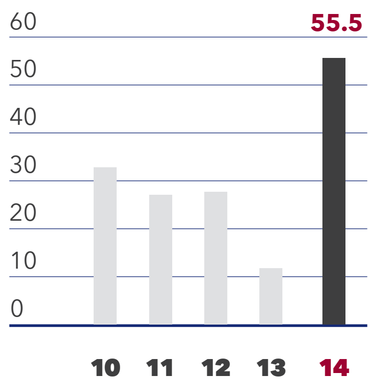
KEY FIGURES

	2014	2013
Net sales, EUR million	1 988.7	2 113.2
Operating profit/loss (EBIT), EUR million	55.5	11.7
- % of net sales	2.8	0.6
Profit/loss before taxes, EUR million	51.2	6.7
- % of net sales	2.6	0.3
Return on equity (ROE), %	13.4	2.4
Return on capital employed before taxes (ROCE), %	9.7	4.0
Equity ratio, %	51.5	37.1
Net gearing ratio, %	31.8	82.0
Gross investments, EUR million	48.7	42.2

NET SALES 2010–2014
EUR MILLION



OPERATING PROFIT 2010-2014
EUR MILLION



HOUSE OF BRANDS

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TOWARDS PROFITABLE GROWTH

HKScan has completed a major strategic transformation process. We are currently in the final stages of restructuring our operations, and our balance sheet is strong. We will continue building synergies by intensifying our collaboration, by working to improve our productivity, and by investing in our top brands and growing, value added product segment. Our strategic target is profitable growth.

Last year saw excellent progress in our work of building One HKScan, which began in 2012. We made reforms on many fronts, and although our goals were ambitious, our restructuring process is now in the home stretch thanks to the diligent efforts of our personnel. We have radically simplified and streamlined the Group's legal structure and production set-up. The Group-wide unification process was supported by the renewal of HKScan's brand identity, which saw the launch of a fresh and integrated Group visual identity at the start of the year. Our company names were also harmonised across all geographies.

We successfully completed our strategic development programme for 2014, the goal of which was to achieve cost savings in excess of EUR 20 million and a EUR 50 million reduction in our net debt. Now that we have completed our strategic development programmes for 2013 and 2014, we will focus on anchoring a culture of continual improvement throughout the organization.

Thanks to our successful structural reforms and working capital management, our balance sheet is currently among the strongest in the industry and our financing costs are lower. Our most significant divestment was the sale of our 50 per cent indirect holding in our Polish joint venture, Sokołów. This move will increase our agility and enable us to intensify our focus on the Group's other home markets.

The business climate was not favourable for HKScan Group, however. The recession weakened consumer demand, with shoppers favouring meat products in lower price categories. Russia's embargo on EU pork imports was followed by a further ban on the import of all agricultural goods from the west. The export bans resulted in a global pork oversupply, which has negatively impacted our sales profits and volumes, both on our home markets and in exports.

Our goal for the near future is to focus our exports in a more demand-driven direction. We will also work to seize new export opportunities, focusing mainly on our close-by markets and the launch of direct exports to China.

Despite the gloomy market outlook, our financial results improved at the end of the year. Our year-on-year profit performance doubled in the fourth quarter. We continued the roll-out of our new brand strategy with the launch of Flodins®, our new Group-wide brand, on all our home markets. In autumn, we kicked off a preliminary feasibility study in preparation for major investments in two production facilities in Finland and Estonia. Supporting the renewed Group strategy, both investments are designed to consolidate the Group's foothold in growing product segments.

Toward the end of the year we completed our first Group-wide Employee Engagement Survey. The response rate was high and the results will serve as a basis for strengthening our management on the individual, team and Group levels. The results were analysed as a basis for action plans that are being rolled out across all regions and functions, actively monitored by the Group Management Team.

I would like to express my gratitude to our personnel for the excellent, valuable work they have done over the past year. I am also indebted to all the consumers, customers, partners, producers and owners who have shared HKScan's story and who, through their choices and ongoing support, have contributed to a busy year pushing for profitable growth. Let us continue working together to build a solid future for safe, healthy and pure Nordic meat.

Turku, 6 March 2015
Hannu Kottonen
President and CEO, HKScan Group

STAYING AHEAD

Changes in the operating environment and consumer behaviour drive our business and guide our development.

Key trends are shaping HKScan's operating environment and driving our business. In order to stay up to date on shifts in consumer behaviour, we closely monitor research and market data on our home and export markets. In addition, we work closely with our suppliers to develop our products and find opportunities to implement new technologies. By continuing to respond effectively to changes in the market, we can improve our profitability and develop our operations sustainably, bringing value to our business as well as to consumers, our partners and other stakeholders.

+53 MILLION TONS

Globally, the demand for meat is growing. Total meat demand amounted to 286 million tonnes in 2010 and is forecast to grow to 339 million tonnes by 2020. Meat consumption per capita is expected to reach 36.3 kg in retail weight by 2023, 2.4 kg more than in the base period. (OECD)

+29% MARKET GROWTH

Urban lifestyles raise demand for convenience foods. There is a growing desire for food that can be served in the shortest amount of time. The global market for food that is quick to prepare is expected to grow to USD 617.6 billion in 2019, from USD 477.1 billion in 2013. (Transparency Market Research)

5x LESS ANTIBIOTICS

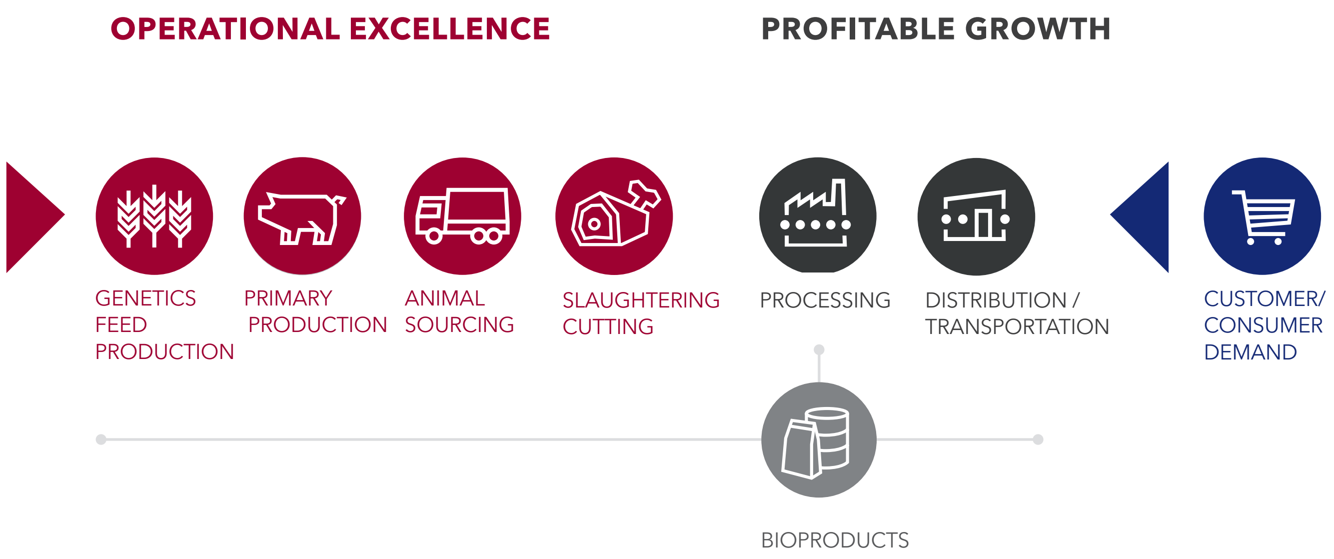
Consumers value pure and sustainable Nordic meat. Nordic meat is sustainably produced, and according to the European Medicines Agency, considerably lower volumes of veterinary antimicrobials are used in meat production in the Nordic and Baltic countries (28.5 mg/PCU) than in the rest of Europe (141.1 mg/PCU).

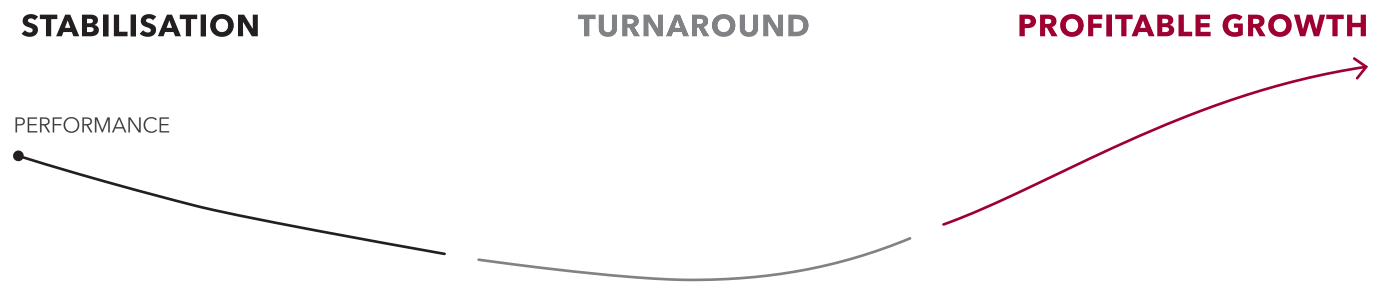
INVESTING IN GROWTH

HKScan has succeeded in the rollout of the strategy we adopted in 2012. We have substantially streamlined our production set-up and legal Group structure. We have completed a major restructuring of our operations, and today we stand as a stronger, more consolidated Group. Now we are ready for the next phase – that of profitable growth.

Building a more solid, unified Group was the key theme of our prior strategic period (2012–2014), which brought major structural and cultural changes to our company. We boosted and harmonised our operational efficiency, simplified our production set-up and Group structure, eliminated overlaps and divested non-core businesses. This work was undertaken on all our home markets. We also built up and allocated resources for new Group-level support functions, and we adopted common processes and ways of working. Read more in the CEO's review on pages 4–5.

The four focus areas of our previous strategic period – our Must-Win Battles – were: Building brand value and demand; Upgrading Group operational efficiency; Actively managing future business dynamics; and Improving capital structure and Group reporting. We made good progress in our efforts to sharpen our focus in all four areas.





PROFITABLE PERFORMANCE STRATEGY
2012–2015

MUST-WIN BATTLES
- Building brand value and demand
- Upgrading Group operational efficiency
- Actively managing future business dynamics
- Improving capital structure and Group reporting

PROFITABLE GROWTH STRATEGY
2015–2018

MUST-WIN BATTLES
- Renew customer, consumer and channel approach
- Develop brands and offerings
- Invest for growth
- Drive continuous improvement

LONG-TERM FINANCIAL TARGETS
- Operating profit (EBIT): over 4 per cent of net sales
- Return on capital employed (ROCE): over 12 per cent
- Net gearing: under 100 per cent
- Dividends: at least 30 per cent of net profit

HKScan updated its strategy during 2014. We regard ourselves as having already won the latter two Must-Win Battles. We will continue building brand value and demand and upgrading our operational efficiency during the new strategic period now at hand (2015–2018). We have identified new opportunities for leveraging Group-wide synergies more efficiently and comprehensively. Our ongoing work to maximise synergies will continue in 2015 and beyond.

"Towards profitable growth" is the theme of our updated Group strategy for 2015–2018. The focus areas we have identified as our new strategic "Must-Win Battles" are as follows: Renew customer, consumer and channel approach; Develop brands and offerings; Invest for growth; Drive continuous improvement.

HKScan is seeking to capture growth with strong brands and products of higher added value. This is also where we will be targeting our upcoming investments. With a clearer strategic focus on the higher-value end of the meat value chain, we will be placing a greater emphasis on innovation, proactive category development and brand marketing.

We have many assets favouring our success with our new strategy: a strong balance sheet, market leadership on all our home markets, strong brands, unsurpassed meat industry expertise and the synergies offered by our advantageous geographical location. Our ongoing efforts to improve profitability also work in favour of our successful strategy implementation. There are also various market drivers supporting our transition to our new profitable growth strategy. These include global growth in meat protein consumption, growing appreciation for pure, wholesome, responsibly produced Nordic meat, and lifestyle trends that are boosting demand for higher value products.

We will implement our new strategy in line with our Group mission, brand promise and values, Trust, Team, Improve. We are the leading Nordic meat experts. Our offering comes with a promise of delicious food, Nordic purity, quality and ethical responsibility. The same promise applies to every link in our value chain and every team member in our process – from farm to fork.

DEEPENING THE DIALOGUE WITH OUR STAKEHOLDERS

Understanding the expectations of our stakeholders is essential to the development of HKScan's operations.

In February and March 2014, we conducted a comprehensive stakeholder dialogue to examine the expectations of various stakeholders on HKScan's corporate responsibility and assess how well we are able to meet them through developments we are undertaking in our operations.

The expectations of consumers and other stakeholders on HKScan are numerous and partly diverse. The growing awareness on the impacts of meat companies continues to raise stakeholders' requirements with regard to open and transparent communication. Consumers are seeking better alternatives, whether in terms of healthiness or ecological soundness. In addition to expecting food to be safe, healthy and of good quality, there is increasing interest in the origins of ingredients.

Over the years, cooperation with our value chain and stakeholders, as well as deep collaboration with our suppliers, authorities, various organisations and research institutes has given HKScan insight into trends that are relevant in our operational environment and among our stakeholders. The objective of our stakeholder dialogue project was to gather information to update the Group's corporate responsibility framework. In addition, we wished to carry out more focused collaboration with our key stakeholder groups on sustainability related themes in all markets where we operate.

An online dialogue was conducted in Finland, Sweden, Denmark, Latvia and Estonia. Representatives of personnel, customers, consumers, producers, media as well as sub-contractors and other partners were invited to participate in the web-based dialogue, which was conducted in seven languages. Answers were provided by close to 1 200 respondents, of which 70 per cent were consumers. Personnel made up the second largest participant group, accounting for 10 per cent of respondents. In addition to these stakeholders, customers (5 per cent) and primary producers (4 per cent) are defined as significant stakeholders with relation to HKScan's responsibility work. For this reason, they are also strongly represented in the dialogue. The results verified our understanding of stakeholders' expectations. The three most important specific topics related to offering products that are safe to eat, compliance with legislation, and valid product information and labelling.

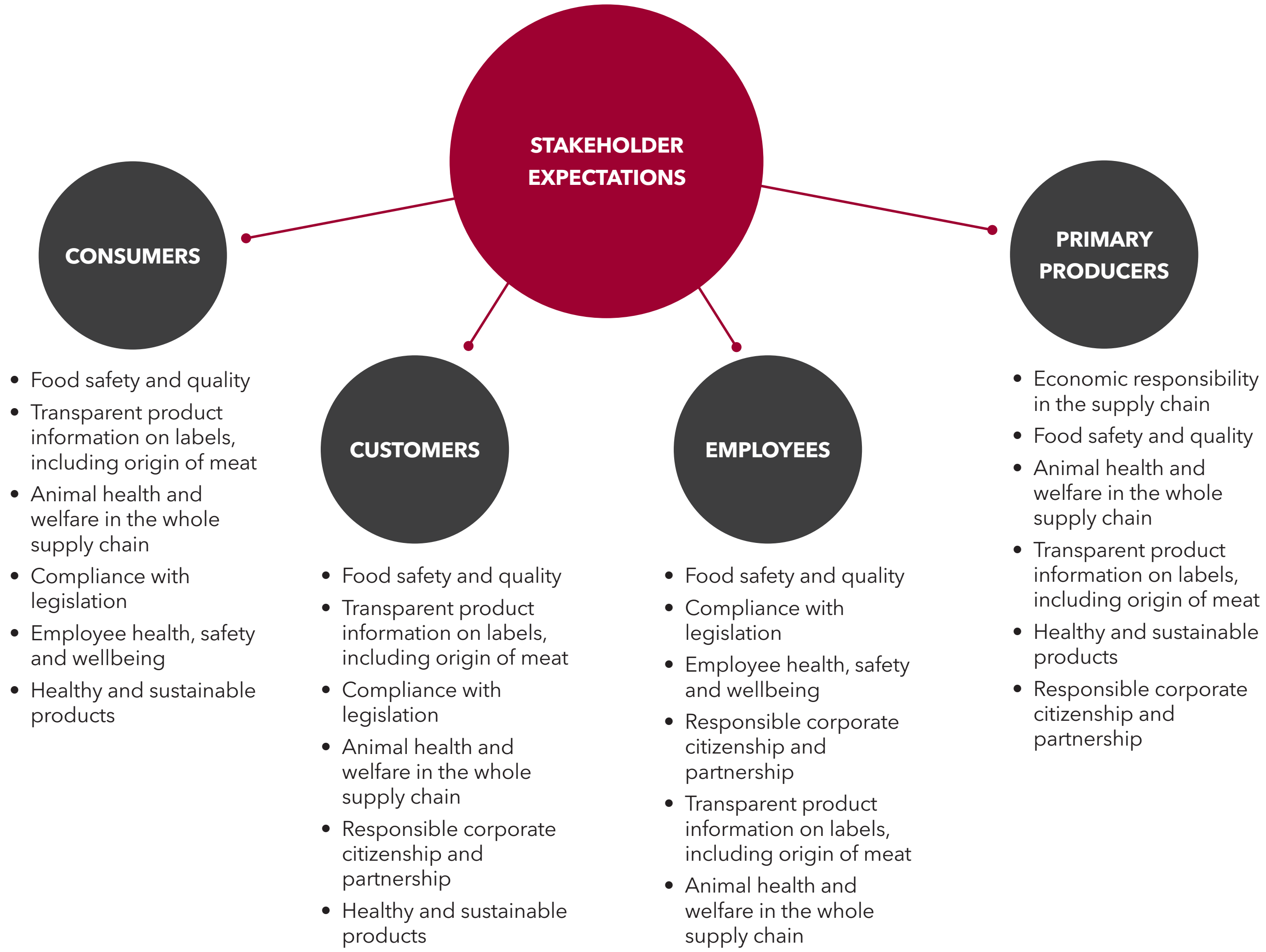
Animal health and welfare seen as most important area

Based on the results, stakeholders consider animal health and welfare as the most important corporate responsibility focus area for HKScan. Key topics in this area include the control of animal diseases such as salmonella, and animal welfare in primary production, as well as the proper treatment of animals in slaughterhouses.

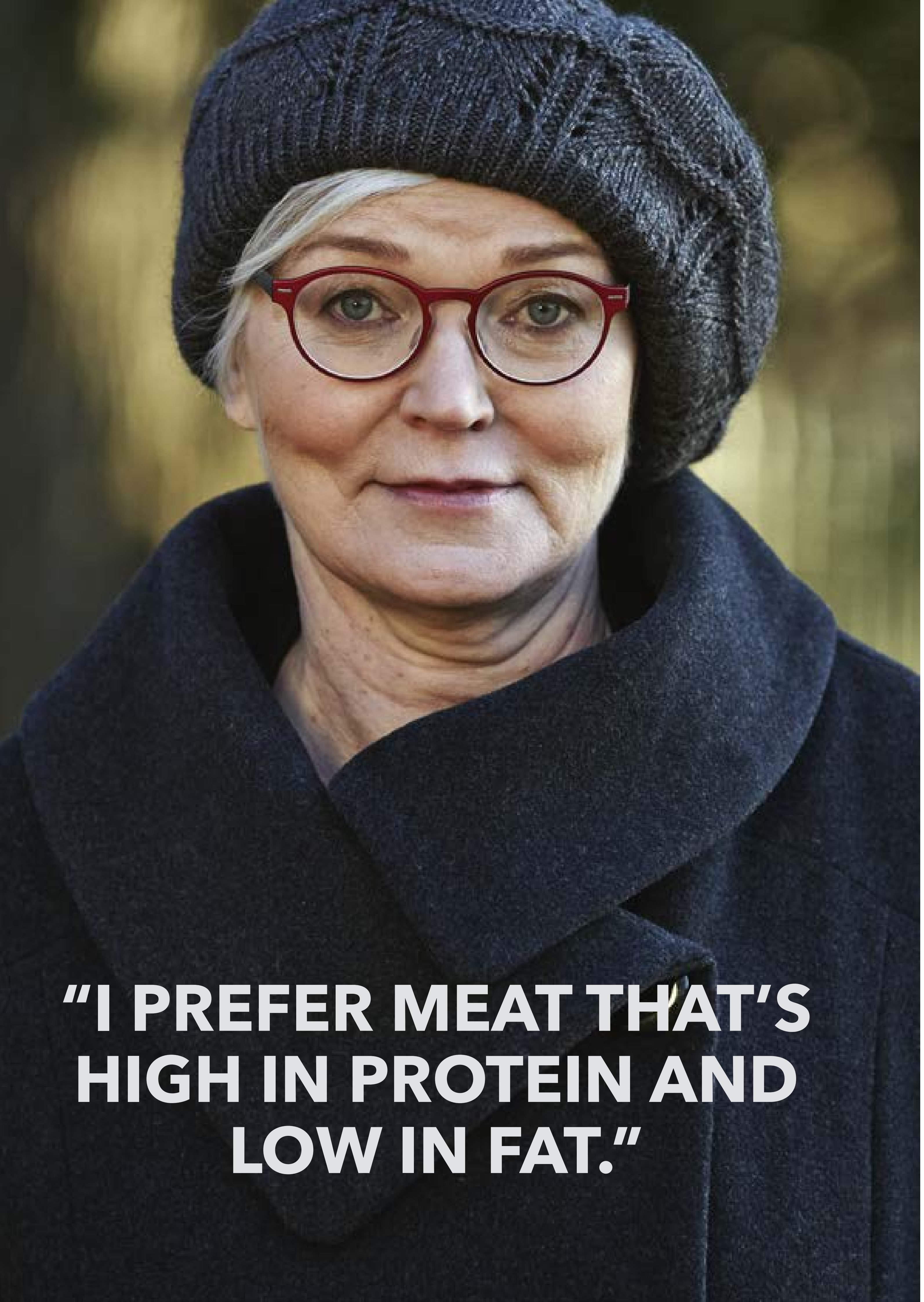
All stakeholder groups surveyed expect HKScan to treat animals in an ethical manner throughout the whole supply chain. In addition, the transparency of the supply chain and Group-wide management of corporate responsibility are also widely valued. The most important topics concerning transparency relate to product information and comprehensive information on labels, including the origin of meat.

For employees, customers and consumers, the top priorities were similar. Only primary producers highlighted economic responsibility, particularly the wellbeing of producers. Understandably, for employees, their own wellbeing was among the key topics.

To read more about the work we have done in response to the most important focus areas and topics, such as animal health and welfare, and food safety, go to pages 26–29, of the section "Systematically improving our responsibility".



HKScan's Corporate Responsibility strategy covers economic, social and environmental sustainability as well as animal welfare within our value chain. In our development work, we focus on the same areas that stakeholders highlighted as most important in the dialogue. The project deepened our understanding of the significance of corporate responsibility to our different stakeholders, and gave us important information which will guide us in developing our Corporate Responsibility programme and communications. The programme's targets, actions and measures are integrated into the daily management and operations of the Group. We intend to continue to closely evaluate the expectations of our stakeholders in order to better anticipate and respond to their demands in the future.



MARKET INSIGHT DRIVES INNOVATION

HKScan works continuously to respond to changes in consumer demand. As a market leader, we maintain the high quality of our trusted consumer brands and offer completely new products that anticipate or create new trends on the market.

To maintain our leading status as the Nordic meat experts, it is vital for us to understand both the consumer and our customers in retail, food service, industrial and export sectors. Research and market data is carefully analysed to see how trends and behaviour are developing. In addition to this, we work closely with our suppliers to keep up with new innovations and global trends, for instance, in technology and packaging. Investigating the opportunities offered by developing technologies is a Group-level priority, as consumers and customers are increasingly expecting more convenience from products and packaging.

New Group-wide brand strategy
In 2014, we focused on developing our brand strategy. In addition, our corporate brand was unified early in the year. While the renewed corporate brand HKScan supports sales and marketing to retail and HoReCa customers and in export, individual product brands remain in the focus for our consumers. The brand development work, which began in late 2013, has included clarifying the roles and positioning of our main brands. This has included communicating the brand promise of using only domestically produced meat in HK®, Scan® and Kariniemen® products, and the launch of our first Group-wide brand Flodins®. Brands for export markets have also been clarified. Although development has now been carried out on a larger scale, the work with tactical branding and concepts is a continuous process, as consumer demand and our operating environment continue to change.

Strong local brands backed up by international insight
Throughout our home markets we are known for our strong local brands, which, depending on the country have been on the market for over 50 years. These

trusted and beloved traditional brands are essential to our business. To complement their product ranges, we launched our first Group-level brand in 2014. Flodins® offers consumers convenient, medium- to-premium level products that supplement the offering of our national brands. Flodins® makes use of meat from our own producers or contract producers from our home markets, which allows more flexibility in our portfolio without compromising traceability.

Operating in several countries is a big advantage for us, as it enables us to utilise the knowledge on consumers and products that we have gathered from several markets. Regular meetings as well as Group-wide innovation and marketing days create opportunities to share insights on our brand portfolio and our most successful products across markets. Centrally developed cross-border concepts improve speed to market and enable saving in New Product Development costs.

The consumer is where it all starts

Consumer demand is becoming more fragmented. On the other hand, consumers look for convenience during the working week and indulgence and quality on the weekends, when people come together to eat. Another trend is the demand for more natural food containing fewer additives. People are also becoming more open to new tastes.

Before launching a new concept, we carry out comprehensive consumer studies, including market studies, concept tests and brand tests, to ensure its success. As product innovation and consumer understanding go hand in hand, we merged our Group Marketing and Group New Product Development functions in 2014. The resulting new function was renamed Group Strategic Marketing and Innovation.

Tasty and convenient products are the key to success

The changing trends are reflected in new HKScan products we launched in 2014. We introduced a new range of additive-free products in Finland, and a range of barbeque sausages with different world tastes was a success in Finland and in Sweden. For consumers looking for indulgent flavours, Flodins® Pulled Pork products offered a new, convenient option to all of HKScan's home markets. In the convenience segment, Kariniemen "Poppis®" chicken nuggets in two different flavours were a major success in Finland. Similar success was seen in launching premium poultry cutlets, such as Cheese pockets, Kiev cutlets, and Cordon Bleu in the Baltic markets. In the Danish market we launched a welfare corn-fed chicken under the Majs Kylling label.

Health-consciousness is increasingly driving consumer behaviour. For HKScan, meat that is low in fat and rich in protein, such as poultry has been in strategic focus in all countries. Rypsiporsas® and Rapsgris® range in Finland and Sweden also offer products with improved fat-quality.

First developed to offer consumers pork with a healthier fat consistency, Rypsiporsas® was re-launched in Finland in 2014. The new Rypsiporsas® is pork wherein the soy protein in the animal feed has been replaced with mainly domestic rapeseed peas and beans.

Sharing recipes and product innovations across country borders, thereby utilising Group synergies, is increasingly important in meeting changing consumer expectations in a cost-efficient manner. Therefore, this is an area for further development at HKScan over the coming years.

CASE COOP: COOPERATION MAKES US STRONGER

"For Coop as a retailer, it is of utmost importance to be able to meet consumers' expectations regarding food safety – to provide them with domestic, Swedish meat whose quality and traceability can be guaranteed. Consumers today appreciate a demonstrable commitment to sustainable production. The suppliers who we work together with need to respond to these high standards of quality and sustainability."

This, said by **Karolina Hagberg**, Director of Purchasing & Category at Coop Sverige AB, captures the essentials of HKScan and Coop's cooperation.

Consumers value domestically produced meat, and a growing number want to know the origin of raw materials. In today's operating environment, retailers' and food industry members' "license to operate" depends heavily on food safety. For this reason, a network of trusted partners is highly valued at both sides.

Sustainability a mutual interest

HKScan wants to grow closer to consumers to be better able to understand their needs. Cooperation with customers is one of our most important means for listening to and learning from consumers. This is why the Group's goal is to be customers' most trusted partner by delivering products that fulfil, or exceed, their expectations with regard to quality, price, quantity and delivery, and increasingly also sustainability.

HKScan cooperates with all leading grocery retailers in its home markets. In Sweden, HKScan has a long-time partnership with Coop Sverige AB. Coop is one of Sweden's leading grocery retailers, which operates 700 stores throughout the country. In 2014, we renewed our cooperation with Coop Sverige AB with a five-year upgraded framework agreement that covers developing the pre-packaged fresh meat product category further.

The cooperation is beneficial for both parties, strengthening HKScan's foothold on the Swedish market and ensuring a good availability of Swedish meat raw material for Coop.

As a retailer, Coop has a strong track record in sustainability, to which HKScan can contribute with its high product quality and sustainable way of working. Coop and HKScan are both strongly committed to animal welfare, the traceability of meat raw material and responsible production methods.

Partnership improves stability in the meat value chain

Over the past two years, HKScan has intensified its efforts to streamline its operational structure, improve its efficiency and boost productivity along the entire meat value chain. Through the long-term agreement, HKScan can ensure that meat produced in Sweden maintains its established footing on the Swedish retail market. This will also support Swedish animal producers, bringing job security and stability to the Swedish meat industry.

BUILDING A STRONGER GROUP

The development of One HKScan Group and improving operational efficiency are at the heart of the Group’s strategic agenda. Thus, in 2014, we placed a key focus on developing an efficient supply chain and industrial operations, backed by a solid business platform and sustainable people management.

Targeting a demand-driven supply chain

Efficient supply chain management plays a vital role in creating profitable growth, and demand is the key driver of supply chain management. Driven by demand, HKScan can steer its product portfolio, procurement, production and inventories in the right direction. A well-managed supply chain management system connects all the links in HKScan’s value chain and ensures lean flow, and seamless collaboration between the different phases of the process.

Since 2013, we have systematically harmonised and standardised the Group’s supply chain management. This has resulted in improved collaboration and information sharing across country and function borders as well as substantial improvements in our meat balance and inventory levels in 2014.

The food industry requires large amounts of meat and other raw materials, energy, water, packaging materials, and various services. For this reason, the sourcing function has a significant impact on the Group’s overall cost structure and efficiency. To improve efficiency, we launched a programme to simplify and streamline sourcing in 2013. In 2014, we finalised the analysis of Group-level purchases and completed the training of sourcing personnel, contributing to initially already significant cost savings. Rationalisation measures continue.

In addition, imports of externally sourced meat were evaluated during the year. Following this evaluation, all Group imports from third parties were centralised and operationally integrated including quality, and producer and supplier audit. The imported meat sold in our home markets strengthens the Group’s offering especially in the product categories where availability of raw material is limited. Lamb is, for instance, imported from New Zealand.

To better manage supply and demand HKScan has increased internal sourcing of raw material within its home markets. This also strenghtens the Group’s varied offering, and guarantees complete traceability of raw material.

Efficient industrial operations

We continuously assess our industrial operations, not only to improve our production structure and efficiency, but also to ensure food safety and the safety of our employees.

Efficiency is pursued through optimisation of the Group’s production footprint as a whole – for instance, by improving the utilization rate of production capacity and the efficiency of the logistics between our various units and customers.

HKScan’s Structural Efficiency Programme focuses on rationalising the Group’s production network and technologies, facilitating recipe and production asset transfers, and improving automation and capacity usage, also across borders. Rationalisation of the production structure involves finding the most suitable roles for the different production units with contract manufacturing and joint venture companies included. Technology-based rationalisation is among the most important ways for us to improve cross-border utilisation of production capacity. In practice, this means that in the future every product category will have its own optimal production unit and production line.

In 2014, the Structural Efficiency Programme continued with restructuring the production set-up especially in Sweden. We centralized the production and technology footprint at four key locations; namely, Kristianstad, Linköping, Halmstad and Skara, each of which specialises in specific products and processes. Additionally, we renewed contracts with Swedish pig producers to create more harmonised and demand-driven pig purchasing practices.

Investments for profitable growth

Over the past few years, the demand for poultry products has grown steadily. To meet this demand, HKScan has an investment programme ongoing in Finland, the Baltics and Denmark.

In 2014, our entire poultry production of the Baltics area was centralised to the Estonian Tabasalu production facility of which renewal and expansion was finalised in 2013. We made a major step in the investment programme by initiating the planning of two new production investments in Western Finland and in Rakvere, Estonia. New, state-of-the-art technology would enable HKScan to develop new products for changing consumer preferences while also significantly improving productivity and energy and material efficiency. The Finnish facility would increase poultry production capacity, and the planned Estonian facility is geared particularly toward developing the added value offering of the new Group brand, Flodins®. The planning phase is scheduled to run until summer 2015, after which the final decisions related to the investments will be made.

HKScan is also actively evaluating entirely new ways to create profitable business. In recent years, we have improved the profitability of our operations by optimising the use of by-products. In 2014, operations related to biotechnology and by-products were centralised under a new Group Biotech Business Line. The business line develops opportunities to further commercialise by-products such as hides, bones and fats. Biotech products can be utilised as raw material in pharmaceuticals, the cosmetic, leather, and biofuel industries, for example.

Building a solid business platform

We initiated an important Group-wide business process transformation journey in 2014 to further improve our operational efficiency. As a first step we started to consolidate and streamline our ICT infrastructure. The focus is being switched from functional solutions to Group-level processes, as one Group-wide business platform is a prerequisite for first-class operational efficiency.

Business processes at every phase of our value chain will be defined and harmonised in a customer-oriented manner. We will proceed with this step once the rationalization of our operational footprint is finalised.

Sustainable people management supports growth

Employees are instrumental in delivering on HKScan's strategy. For this reason, we have paid considerable attention to people management issues over the past few years.

Performance dialogues, introduced at HKScan in 2013, are an important channel for regular, two-way communication between employees and line managers as well as a tool for systematically implementing change. In 2014, all white-collar employees took part in performance dialogues. For blue-collar employees, implementation is ongoing.

We also enhanced internal communications by investing in the coaching of our line managers in their daily work, an area which will continue to be an important focus area in the coming years.

Successful Implementation of HKScan Values – Trust, Team, Improve – continued in 2014 through workshops. In addition to shared values, we see harmonised HR processes and a coordinated reporting system as the backbone of well-functioning, performance-oriented people management. We continued building of the Job Architecture job grading system in 2014, bringing clarity and structure to jobs, positions and the respective accountabilities. Job Architecture also improves the transparency of HR practices, such as the recruiting process, throughout the Group.

The first Group-wide Employee Engagement Survey was conducted in 2014, providing important information on personnel's engagement and attitudes. The participation rate was remarkably high at 82.5 per cent. The results and related development actions have been handled in the Group Management Team and country and function management teams, and the next phase will be a discussion on all levels of the organization starting in 2015, and actions taken accordingly by the end of March 2016.

The majority of HKScan employees do physical work in production, putting especially the body's musculoskeletal system under pressure. Therefore, promoting workplace health will be an important focus area in 2015. In addition to promoting employee engagement, this will also decrease the number of accidents and sick days in the Group. Leadership and performance management will also be emphasised in 2015.

CASE: EMPLOYEE ENGAGEMENT SURVEY

"The Employee Engagement Survey (EES), executed in 2014, was a firm step towards systematically measuring Group-wide employee engagement and developing the factors that influence it. The response rate of 82.5 per cent shows that we are motivated to continue developing HKScan further."

This message was highlighted by HKScan European Works Council (EWC) representatives **Mattias Axelsson** from Sweden and **Jukka Kieleväinen** from Finland. Both see the survey as a good start to a deeper cooperation between HKScan's management and employees.

They also welcomed the proposal for the results to be included on the agenda of EWC meetings, where issues and new ideas can be discussed directly with the Group President and CEO and other Group management representatives.

The goal of EES is to monitor the level of engagement among personnel and to provide a channel for feedback. Several studies show a strong correlation between employee engagement – or the People Power Index– and performance, productivity, the number of sick days, and customer satisfaction. However, engagement cannot be influenced directly. Instead, attention should be given to factors impacting wellbeing in general, such as people management and workplace safety.

A good start for joint development work

When compared to other European peer companies, the engagement level at HKScan is at an average level, which is considered a good result for a baseline survey. The overall results and the high response rate imply that while there is room for improvement, the personnel is also highly motivated to participate in developing the Group further.

The Group Executive Vice President for HR held a webcast to announce the results in November. The communication will continue face-to-face at all organization levels in 2015. Special coaching is available for line managers to support them in interpreting the results and in discussing them with the teams. Line managers and teams are encouraged to use both regular team meetings and special development workshops to determine concrete ways to improve working conditions and the Group's corporate culture.

While it is important that everybody can participate in the development work, it is equally important for Group Management to grandfather the process. EES follow-up will be a regular item on the Group Management Team agenda. The next EES will be conducted in 2016.

ANTICIPATING TRENDS BEGINS ON THE FARM

At HKScan, responding to consumers' changing needs begins well before the process of product development starts. Primary production responds to changes in demand and consumer trends, implementing changes that can be seen even in the feed animals are given.

As consumers become increasingly conscious about issues relating to health, food safety and responsible production, we work systematically with our entire value chain to ensure its functionality, sustainability, profitability and competitiveness. Working closely together with our contract producers in developing practices allows us to respond to consumer needs without compromising profitability.

Feed matters

The aim of putting pork back on the plates of health-conscious consumers led to the development of HKScan's successful Rypsiporsas® and Rapsgrisen® products. By changing the pigs' feed to contain rapeseed oil rich in Omega 3 fatty acids, we could offer consumers a better product, with a healthier proportion between unsaturated and saturated fats. Better fat quality also improves taste and leaves the meat tenderer when cooked.

In 2014, Rypsiporsas® was even further refined, as a new type of feed was introduced. The new feed mix consists of domestic grain and protein raw materials instead of imported soy, making it unique globally.

Consumers are also more and more interested in the sustainability of meat production. What the animals eat is an important part of this. Soy is a key ingredient in all feed mixes. In addition to exploring domestic options to it, we are committed to furthering our use of more sustainably produced soy.

The Round Table on Responsible Soy (RTRS) is an initiative created by multiple stakeholders, involving the mainstream soy industry. It develops and implements globally applicable standards for the responsible production, processing and trade of soy. In Sweden, we are committed to replacing the soy we use with RTRS certified soy by the end of 2015. By the end of 2018, all soy used by HKScan will be RTRS certified.

Setting the standards for hygiene and quality

In line with consumers' increasing health-consciousness, the demand for lean meat, or meat that is low in fat but high in protein, is on the rise. Poultry is gaining in popularity both in the Nordic and the Baltic regions. At the same time, consumers want to be assured of the hygiene and safety of their meat products.

In 2014, we reviewed our entire poultry chain in Finland. Hygiene and product safety were found to be the highest in the world even though no antibiotics are used. Zero tolerance on salmonella combined with extremely high reporting and evaluation standards ensure that high-quality Nordic poultry has a clear advantage in the increasingly competitive global market. Our high standards result both from stricter legislation and voluntary measures.

We offer our contract producers support in various ways, for instance, through our Group-level veterinarians. Our veterinarians oversee that production standards are in line with the Group's goals. In the Baltic countries, our vertically integrated value chain allows for regulated in-house control at all stages.

Increasing internationalisation increases risks of diseases, which makes the work done by our veterinarians all the more important. The quality and hygiene practices created in Finland and Sweden have proven to be very successful in the fight against such diseases as salmonella.

Enhanced animal welfare and profitability through better practices

Our experienced advisors work together with our contract producers to develop their processes in terms of functionality and sustainability. Producers are given advice on feeding, animal welfare and profitability. Careful planning and optimisation of feeding, for instance, can have a significant effect both on the wellbeing of animals and production volumes.

In 2014, we launched a project in Sweden to develop animal feed and practices in pork production. The aim is to increase the volume of domestic pork in Sweden. Our objective is to implement best practices in Sweden and create feeding solutions that improve animal welfare and profitability. The programme started in June 2014 on five pilot farms, where feeding practices were monitored. Based on these findings, a product range will be developed to respond to specific needs of Swedish pork production. The range of products will be launched in spring 2015.

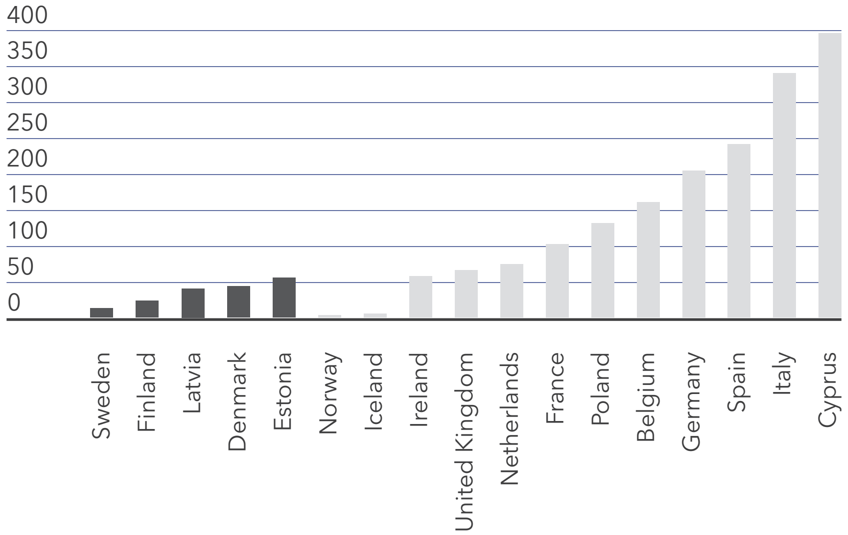
Changing demand is reflected in production

An increasing number of consumers are paying more attention to the origin of their food. Our HK®, Scan® and Kariniemen® products carry a promise of domestic origin, which is valued by consumers in all markets. In all of our market areas, we are committed to developing and preserving domestic production. This trend can also be seen in the increased interest in locally and ecologically produced food.

Organic production is increasing, especially in Sweden, where consumers are able to choose from a variety of organically produced meat. The demand for organic beef is currently greater than actual production. Organic production guarantees the use of natural processes and raw materials in meat production. Organically grown animals have more space, are able to move around, and are guaranteed outdoor access year round.

In Denmark we offer consumers organically produced poultry as well as corn-fed chicken. The corn-fed chicken products we introduced in 2014 offer an alternative for consumers concerned with animal welfare, as the birds are given more space and stimuli, such as straw, compared to conventional poultry production. The birds are given feed containing at least 50 per cent corn. Hygiene standards are high. In addition to animal welfare, the production process makes the meat tender and juicy.

SALES OF THE VARIOUS VETERINARY ANTIMICROBIAL CLASSES FOR FOOD PRODUCING PIECES, MG/PCU



HKScan home markets
Other markets

PCU = population correction unit

Source: European Medicines Agency, 2012

CASE RTRS: COMMITTED TO RESPONSIBLE SOY

"It is wonderful that HKScan, a company with such a well-established footprint across Northern Europe, has chosen to lead by example and promote ethical responsibility throughout the food production chain, paving the way for others to follow."

This was the delighted feedback voiced by **Liisa Rohweder,** Secretary General of WWF Finland, upon the announcement of HKScan's commitment to increasing the use of responsible soy. The WWF recommends that all companies should adopt common standards of responsible production such as RTRS certification, which takes into account both the key environmental and social impacts of soy agriculture. Rohweder expressed the hope that other operators in the food supply chain will carry on this important work to promote environmental sustainability.

By joining the Round Table on Responsible Soy Association (RTRS), HKScan has committed itself to ensuring that all soy used throughout the Group's meat production value chain will comply with the RTRS's strict standards by 2018.

Soy is an important source of protein in livestock feed. HKScan's commitment to responsible soy is a key mainstay of sustainable meat production. It also answers stakeholders' call for ethical responsibility throughout the meat production chain.

"It is gratifying to see that, day by day, our stakeholders are taking a growing interest in responsible meat production. Our commitment to using sustainable soy is an important step forward," says HKScan's President and CEO **Hannu Kottonen.**

Fair working conditions and environmental responsibility

Most of the soy used in Europe is imported from South America. The RTRS lays down a set of agreed principles, criteria and third-party auditing practices ensuring that soy production complies with international and local legislation. The RTRS also works to promote fair working conditions, environmental responsibility and sustainable agriculture.

Conventional soy production threatens biodiversity, and production related changes to land use and deforestation disrupt natural ecosystems and exacerbates global warming. Also, uncontrolled use of pesticides exposes the local community and workers to toxins. Land expropriation from local farmers and underpayment of wages are among other ethical issues on the RTRS agenda.

Following Sweden's lead

HKScan Sweden was the first HKScan company to take concrete steps towards adopting responsible soy by joining Svenska Sojadialogen, a voluntary network of food industry organizations, feed producers, foodstuff producers and retail chains.

Members of the Swedish soy network have pledged that at least 60 per cent of soy in the animal feed or in food products will be responsibly farmed by 2014, with the target rising to 100 per cent in 2015.

Finland, the Baltic countries and Denmark will gradually switch to responsible soy on a phased basis over the next five years.

GOVERNANCE AND MANAGEMENT SYSTEM STREAMLINED

The adoption of common Group-wide policies in 2014 marked an important step forward in the harmonisation of HKScan operating model and ways of working. These common policies are an important resource for putting our Code of Conduct into practice and reaching our business goals.

Since 2012, we have been renewing our Group-level policies at HKScan. A significant milestone was the adoption of the Group Code of Conduct in 2012. Its purpose is to ensure that common ethical working principles are observed throughout HKScan Group. The principles provide a general framework that guides the Group in what constitutes appropriate business conduct and working behaviour.

The Code covers the following areas: compliance with laws and regulations, transparency and open communications, confidential information, conflicts of interests, stakeholders and the environment, anti-corruption, competition, prevention of fraudulent activities and financial Information.

Additional instructions for the application of the Code of Conduct are provided in Group-wide policies and guidelines.

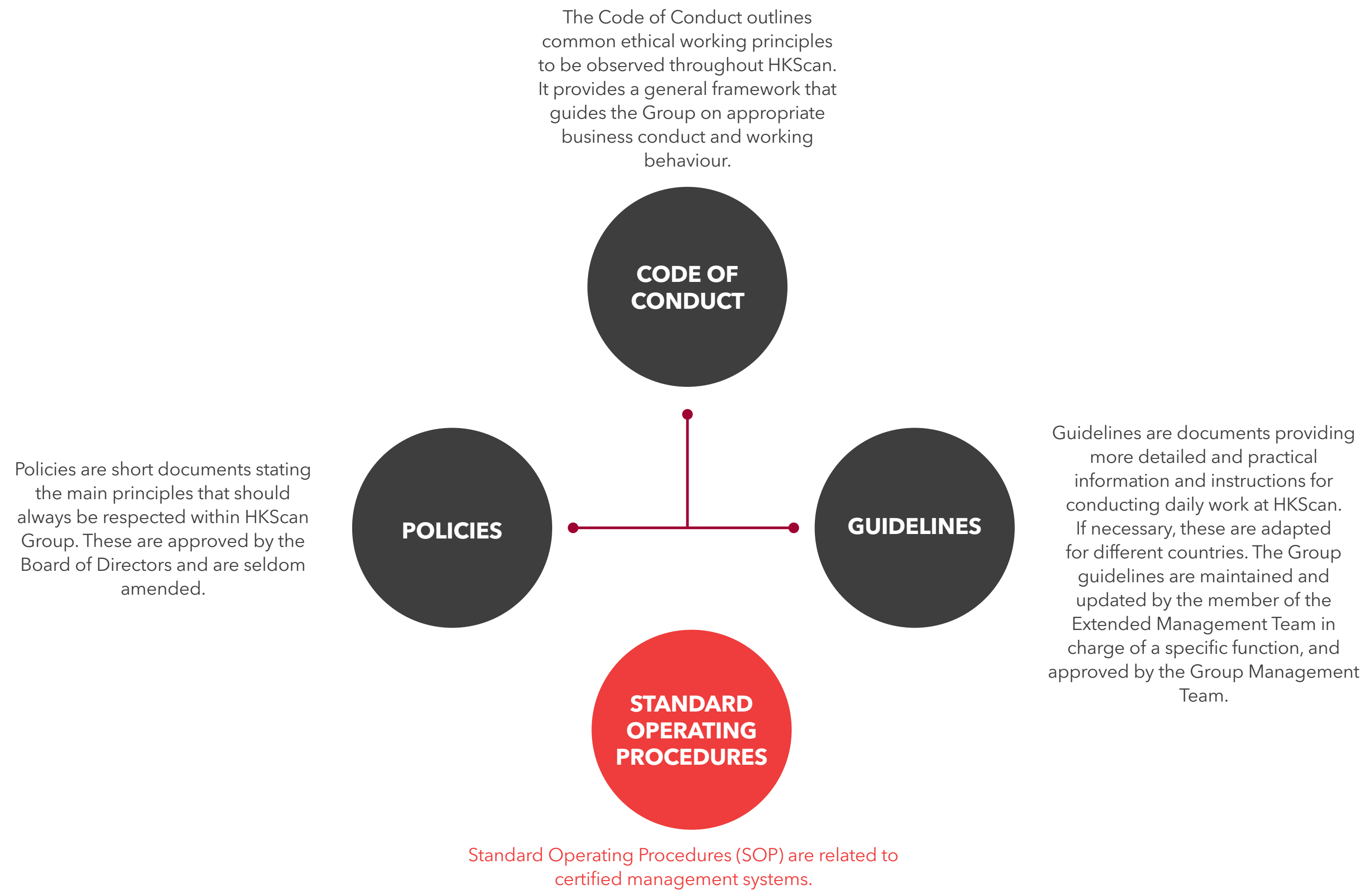
HKScan's corporate policies guide all key functions and units across the Group in the implementation of common ways of working. Like the Code of Conduct, the corporate policies are approved by the Group Board of Directors, with the full commitment of the Group Management Team. Each policy has an owner who is responsible for keeping it up-to-date.

There are altogether 15 Group-wide policies which have replaced the earlier country- and function-specific policies. At the same time, the total number of policies has been reduced and overlaps have been eliminated to help streamline and simplify governance and management at HKScan.

Some policies are public and available through the corporate website, whereas others are meant for internal use only.

Sustainability emphasised

Many of the policies address areas of sustainability, such as animal welfare, quality, product safety and environmental management. This reflects the goals of



the HKScan Corporate Responsibility programme as well as the aspirations that were expressed by our key stakeholders in the Stakeholder Dialogue conducted in 2014.

HKScan's success has always been founded on expertise and good management of these areas of responsibility. Harmonizing our ways of working takes this a step further. A further significant factor is that most international environmental and quality certification frameworks, such as ISO 9001 and ISO 14001 require companies certifying their management systems to adopt and adhere to Group-wide policies.

Our Group-wide policies address the following: Approval, Finance, Treasury, Governance, HR, Risk, IPR, Commercial, Purchase, Animal Purchase, Communications, Quality, Food Safety, Environmental and Animal Welfare.

Standard Operating Procedures (SOP) are also part of HKScan's governance and management system and, are reguired by the international environmental and quality certification frameworks.

From policies to measurable targets

The Group policies provide a top-level framework guiding HKScan businesses in their daily work. In other words, the policies form a common starting point that is translated into practice and measureable targets steering the continuous development and improvement of operations. The policies were rolled out in 2014 and will be an important focus area in 2015.

The policies will be supplemented by Group-wide guidelines providing more detailed and practical information and instructions for conducting daily work. They can, if necessary, also be adapted to meet the specific needs of different countries. The Group guidelines are maintained and updated by the member of the Extended Management Team in charge of a specific function, and approved by the Group Management Team. Streamlining of the existing guidelines and the creation of common Group-wide guidelines will be a focus area in 2015.

For more information on the Code of Conduct and policies, please visit www.hkscan.com

SYSTEMATICALLY IMPROVING OUR RESPONSIBILITY

HKScan Group strives to produce, sell and market meat and meat products in a responsible and ethical way. We are committed to systematically improving the sustainability of our business through our strategy, operations and actions.

To ensure that common ethical working principles are applied throughout HKScan, the Group has adopted a Code of Conduct. The principles provide a general framework for guiding the Group in what constitutes appropriate business conduct and working behaviour both by HKScan and its business partners.

In 2014, we integrated our Group-wide corporate responsibility programme into our strategy and operations, with the objective of building value for the whole company, our primary producers and suppliers as well as our customers, consumers and other stakeholders. Responsible operations apply to every link in our supply chain.

Economic responsibility

HKScan contributes significantly to local economies by investing in and operating production plants and providing employment. The Group also purchases production animals, materials and services, thereby contributing substantially to local economies and agriculture. Moreover, the company also has a significant direct and indirect tax footprint. Hence, improving the long-term profitability of our entire value chain is of great importance.

HKScan's production is based in our home markets and tightly connected to local primary production through either long-term cooperation contracts or ownership. We work together with primary producers to develop the productivity of their operations. The Group is monitoring and anticipating fluctuations in the price of feed and other commodities in order to better foresee their economic impacts on the chain.

In 2014, HKScan took significant steps in improving its economic standing. The stake in the Polish joint venture Sokołów was sold which reduced the Group's net gearing considerably. Furthermore, the Group issued a EUR 100 million bond whose proceeds were used for extending debt maturity. These transactions enable the Group to accelerate its strategic investments in the strong brand offering and on related production facilities and technologies, and thereby creating sustainable ground for future profitable growth. Executing the strategy, planning of two new investment projects in Finland and Estonia was initiated in 2014. Read more on page 18.

Social responsibility

We aim to ensure that social responsibility issues are identified and handled correctly, enabling us to manage risk as well as create value for our stakeholders. A key aspect relating to our responsibility towards society is our maintenance of strict standards with regard to food safety. All our manufacturing sites are certified according to international food safety management system standards. In 2014, our efforts in this area were further validated when all of HKScan's production sites in Finland, Sweden and Denmark were certified by an independent third party according to Global Food Safety Initiative (GFSI) recognised standards for food safety management systems. HKScan's goal is to implement the same standards and guidelines for the entire Group in all our operating countries. By harmonising our guidelines and procedures and sharing best practices, we can respond as a Group to stakeholders' high expectations, and improve improve our efficiency today and in the future.

An important element of responsibility is transparent product information for consumers. Therefore we want to ensure that we know our value chain from farm to fork.

As a major employer in multiple countries, the wellbeing, engagement, equality and diversity of our personnel is essential to HKScan. We develop the competences of our personnel through knowledge sharing and training. Our processes in Human Resources are continuously developed according to our Group-wide HR roadmap. Read more on page 18.

Animal health and welfare

We promote positive development in animal health and welfare by meeting the expectations and requirements we have set for ourselves as well as those set by our customers and stakeholders, by the industry itself as voluntary norms, and also by legislation and other regulations. We examine the latest research and the development of regulations, advise producers and share knowledge on best practices. Our aim is to use our strong competence in utilising common indicators for monitoring the welfare of production animals of all species throughout our operating countries.

We proactively assess the situation regarding a range of animal diseases and their possible effects on the supply chain. In addition, while the use of antibiotics in our operations is already very low, we continue to carefully and systematically monitor their use within our primary production as well as in our contract production. We conduct our own auditing and supervision of slaughterhouses on top of the continuous surveillance of local authorities and inspections carried out by national and EU authorities and required by legislation.

Environmental responsibility

Environmental issues are critical to HKScan's stakeholders. The expectations of the customers and consumers in particular are increasing. In 2014, HKScan developed a Group-wide Environmental Policy to further harmonise ways of working. By the end of 2014, we were close to achieving our target of gaining ISO 14001 certifications at all of our production sites.

CERTIFIED OPERATIONS

	Finland						Baltics				Sweden					Denmark		Poland
Production sites	Vantaa	Forssa	Mellilä	Eura	Outokumpu	Mikkeli	Tabasalu, Estonia	Rakvere, Estonia	Viiratsi, Estonia	Jelgava, Latvia	Kristianstad	Linköping	Skara	Örebro	Halmstad	Vinderup	Skovsgaard	Swinoujscie
ISO 9001	●	●	●	●	●	●			●		●	●	●	●	●			
ISO14001	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			●
FSSC 22000	●	●	●	●	●	●					●	●	●	●	●			
IFS																●	●	
BRC																●	●	●
ISO 22000							●	●		●								
Remarks						1					2	2	2		2	3	3	1

[1] Organic certificate

[2] Krav – Organic certificate in Sweden

[3] Certified KIK quality assurance system for chicken production in Denmark

We continually measure our impacts on the environment and work to decrease them, especially in the areas of energy efficiency, wastewater, chemical use, and waste management. In 2014, the Group started to measure greenhouse gas emissions according to the Greenhouse Gas (GHG) Protocol, Scope 1 and 2. Together with our suppliers, we have implemented a system to closely monitor the chemicals in use and their environmental and health effects.

In 2014, our efforts to decrease emissions concentrated on wastewater treatment. Increasing recycling and minimising landfill waste were also emphasised. In addition, the Group made investments in renewable energy in Skara and Kristianstad in Sweden, partly converting from the use of oil and LPG to district heating and biogas. A review of energy efficiency at HKScan sites is scheduled for completion in 2015. Over the next three years, we will be implementing a major energy saving project Group wide. This will include investments targeted at decreasing our energy consumption by 10 per cent.

In addition, we established a new Group Biotech Business Line in 2014. Its target is to reduce waste and optimise the recycling of biomass further.

Sustainable and transparent supply chain
We improve the transparency of our supply chain and enhance the traceability of our products by systematically identifying and managing corporate responsibility risks. Our suppliers are evaluated in the areas of food safety, quality, sourcing processes, as well as on other corporate responsibility matters. This requires that communication between the HKScan Group, its stakeholders and authorities is open, transparent and factual.

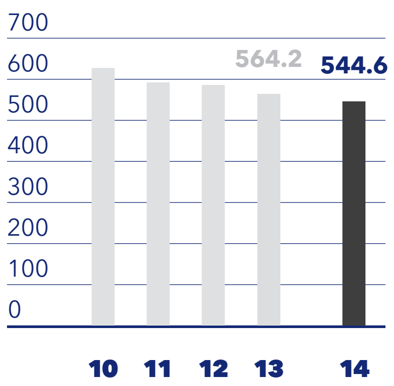
Most of the meat HKScan uses in its production is of domestic origin and is produced by our long-term contract producers. For the imported meat, which comprises three per cent of our need, we strictly monitor the origins of the meat and collaborate with audited slaughterhouses only.

In 2014, HKScan became a member of the Round Table on Responsible Soy (RTRS), committing to use only responsibly sourced soy in the animal feed in Sweden by 2015 and in the whole Group by the end of 2018. Even though we use very little palm oil in our supply chain, we recognize that the use of palm oil is an important aspect for our stakeholders. Therefore, we have begun the process of joining the Roundtable on Sustainable Palm Oil (RSPO).

Stakeholder cooperation and communications
In 2014, HKScan implemented a comprehensive stakeholder dialogue to verify our corporate responsibility focus areas. We plan to further promote cooperation with our stakeholders by providing more information online and collaborating more closely with communities, other organizations and new initiatives locally and globally. In the future, our reporting will present a materiality matrix, which will provide information about stakeholders' expectations on HKScan's corporate responsibility work, as well as the importance of the issues to HKScan's business. Our future goal is to use the Global Reporting Initiative GRI 4 standard as a guideline for our CR reporting.

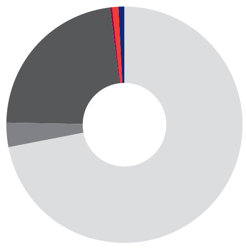
Read more on our stakeholder dialogue on pages 10–11.

ENERGY CONSUMPTION GWH



From 2010 to 2014 HKScan's energy consumption has decreased by 13 per cent.

GREENHOUSE GAS EMISSIONS 2014 TONS CO_2e



72% ELECTRICITY
3% FREEZING
23% HEATING
218 151 TOTAL
0.4% REFRIGERANTS
0.6% TRANSPORT
0.8% TRAVEL

Scope 1 and 2 according to the Greenhouse Gas Protocol. More details are presented on www.hkscan.com from 8th of April 2015.

FOCUS AREA	GOALS	ACHIEVEMENTS
Economic sustainability	• Improve and share long-term economic performance with our stakeholders • Increase the profitability, cash flow and productivity of primary production	• New production facility investments planned in Estonia and Finland. Read more on page 18. • Stronger balance sheet and improved net gearing • Bond enabling debt and maturity structure restructuring • Systematic collaboration with primary producers to improve primary production best practices and economic performance
Social sustainability	• Produce safe and tasty products • Improve personnel wellbeing and engagement • Identify significant social responsibility issues and handle them from risk management and continuous improvement perspectives	• 100% of sites were certified according to third party food safety management standards • Harmonised Group-wide food safety guidelines put in place • Group-wide Employee Engagement Survey (EES) and related development actions. Read more on page 19. • Common Group-wide HR policy and guidelines • Improvement in common HR processes and HR roadmap
Animal health and welfare	• Develop animal health and welfare • Prevent animal diseases and manage related risks • Retain the very low level and continuously monitor and control the usage of antibiotics and other medication • Increase collaboration and best practice sharing in the Group	• Internal working group established to assess risks related to animal diseases • Animal welfare and animal sourcing policies put in place • Animal health and welfare monitoring implemented throughout the value chain, including production, transport and slaughtering; common KPIs developed • Systematic collaboration started within primary production and between countries • Self-audits regarding animal welfare conducted in slaughtering operations in selected countries
Environment	• Work proactively to prevent damage to the environment • Reduce the Group's overall environmental impact by decreasing emissions to air, land and water	• Decreased environmental impact and greenhouse gas emissions through energy effiency activities and increased use of renewable energy • Investments in renewable energy production in Skara and Kristianstad • Enhanced material efficiency and recycling • Improved wastewater treatment through investments in HKScan's sewage plants
Sustainable and transparent supply chain	• Improve sustainability of the supply chain through systematic risk identification and management • Evaluate suppliers in food safety, quality and corporate responsibility, especially in risk countries • Manage risk materials such as soy and palm oil	• Supplier evaluation and audit processes included in the Group-wide sourcing process • Round Table on Responsible Soy membership achieved • Work started on membership to Roundtable on Sustainable Palm Oil • Meat suppliers audited
Stakeholder cooperation & communications	• Execute more organised stakeholder dialogue and develop cooperation • Improve understanding of stakeholders' needs • Provide transparent communications focusing on material issues	• Stakeholder dialogue project initiated • Materiality analysis started • Collaboration between primary producers and HKScan continued

GROUP MANAGEMENT TEAM

1. Hannu Kottonen (b. 1957), President and CEO of HKScan as of 2012

M.Sc. (Econ.); Finnish national

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

Main Board memberships and public duties: Confederation of Finnish Industries EK, Member of the Trade Policy Committee 2014–; Finnish Food and Drink Industries' Federation ETL, Member of the Board and executive committee 2012–, Helsinki Region Chamber of Commerce, Member of delegation at Finland Chamber of Commerce 2013–; in addition, board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2014: 23 000

2. Aki Laiho (b. 1972), HKScan's Chief Operating Officer (COO) responsible for the development of technology and production, Deputy to the CEO as of 2012

M. Sc. (Eng.), CSCP; Finnish national

Key employment history: Aalto University, BIT Research Centre, Researcher and Project Manager 2008–2012; SunKumppani Oy, Partner, 2009–2012; Sauer-Danfoss ApS, Director, Global Supply Chain 2005–2008; Nokia Corporation, Head of Mobility Office 2004–2005; Head of DSN Strategy and Advanced Development 2002–2004

Main Board memberships and public duties: Rolan Oy, Chairman of the Board 2010–

Shareholding in HKScan Corporation on 31 December 2014: 7 500

3. Tuomo Valkonen (b. 1967), Chief Financial Officer (CFO) of HKScan as of 2012

M.Sc. (Econ.); Finnish national

Key employment history: 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 management positions in finance, sawn timber division 1995–2001

Shareholding in HKScan Corporation on 31 December 2014: 5 500

4. Samuli Eskola (b. 1974), Executive Vice President of HKScan's consumer business in Finland and the Baltics as of 2013

M.Sc. (Econ.); Finnish national

Key employment history: HKScan Group, Senior Vice President, Strategy and Strategic Projects 2012–2013; HKScan, various management positions 2007–2012; Lännen Tehtaat, various management positions 2005–2007; Atria, various management positions 2000–2005

Main Board memberships and public duties: Finnish Meat Board, Chairman of the Board 2014–; Lihatiedotus ry, Chairman of the Board 2014–; Chilled Food Industries' Association, Member of the Board 2009–; in addition, board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2014: 1 000

5. Göran Holm (b. 1958), Executive Vice President of HKScan's consumer business in Scandinavia as of 2012

DIMH diploma in marketing, Stockholm IHM Business School; Swedish national

Key employment history: Coca-Cola Enterprises Sverige AB, Managing Director 2005–2012; Deputy Managing Director 2003–2005, and Commercial Director 2001–2005; Johnson & Johnson Consumer, Scandinavia, Managing Director 1995–2001; various other positions, including Commercial Director 1993–1995

Main Board memberships and public duties: Svenska Köttföretagen AB (network of Swedish slaughtering companies), member of the board 2014–; 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–; in addition, board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2014: 7 500

6. Jukka Nikkinen (b. 1962), Executive Vice President of HKScan's Away from Home (AfH) Business as of 2012

M. Sc. (Econ.); Finnish national

Key employment history: Rautakirja Oy, Senior Vice President, Business development and strategy, member of Rautakirja Group's management team 2004–2012; Kiosk trade, Director, international business, member of Kiosk trade business' management team 2002–2004; Leaf Suomi and Leaf Group, various duties 1988–2001, latest as Export Director 1999–2001

Shareholding in HKScan Corporation on 31 December 2014: 7 500

7. Sari Suono (b. 1968), Executive Vice President HR of HKScan as of 2013

Master of Law, EMBA; Finnish national

Key employment history: Head of HR at A-Katsastus Group Oy 2011–2013; Itella Plc, Mail Communication, Vice President HR 2007–2011; Group HR, HRM, Director 2006–2007; Group HR, Legal Counsel 2003–2006; Finnair Plc, various positions 1988–2003, latest as HR Director 2001–2003

Main Board memberships and public duties: Les Amis de l'École française ry, Member of the Board 2014–; The Finnish Association for Human Resources Management - HENRY ry, Member of the Board 2015–

Shareholding in HKScan Corporation on 31 December 2014: 5 500

8. Anne Mere (b. 1971), Chief Marketing Officer (CMO) of HKScan as of 2013

MBA; Estonian national

Key employment history: Executive Vice President of HKScan's business segments of Finland and the Baltics 2012–2013; AS Rakvere Lihakombinaat, Managing Director 2008–2012; 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

Main Board memberships and public duties: Board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2014: 7 500

9. Markku Suvanto (b. 1966), Executive Vice President, Legal and Administration of HKScan as of 2011

LL.M. trained on the bench; Finnish national

Key employment history: 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

Main Board memberships and public duties: LTK cooperative, Managing Director (act.) 2014–; in addition, board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2014: 5 500

Extended Management Team of HKScan comprises in addition to the Management Team members:

Marja-Leena Dahlskog, Senior Vice President, Communications

Mika Huhtanen, Senior Vice President, Supply Chain

Veli-Matti Jäppilä, Senior Vice President, Animal Sourcing and Producer Services

Keijo Keränen, Senior Vice President, Treasury

Orvokki Knuutinen, Senior Vice President, Sourcing

Tero Lindholm, Senior Vice President, Business Process Solutions

Juhan Matt, Senior Vice President, Strategy and Strategic Projects

Pia Nybäck, Senior Vice President, Quality and Sustainability

Anders Jensen, General Manager, Denmark

Magnus Lindholm, General Manager, Sweden

Teet Soorm, General Manager, Baltics

BOARD OF DIRECTORS

1. Juha Kylämäki (b. 1962), Chairman of the Board as of 2011

Law student; Finnish national; Farm entrepreneur, broiler meat producer, Marttila, Southwest Finland

Public duties previously undertaken: Sokołów S.A., Member of the Supervisory Board 2013–2014; LSO Osuuskunta, Member of the Supervisory Board 1996–2011; Vice Chairman of the Supervisory Board 1997–2007, Suomen Siipikarjaliitto ry (Finnish Poultry Association), Chairman of the General Assembly 2004–2010; Suomen Broileriyhdistys ry (Finnish Broiler Association) Chairman 2000–2002

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: 5 044

2. Niels Borup (b. 1964), Deputy Chairman of the Board as of 2011

M.Sc. (Econ. & Bus. Admin.); Finnish national; Farm entrepreneur, pork and milk producer, Lapinjärvi, South Finland

Main Board memberships and public duties: Finnpig Oy, Member of the Board 2014–; Federation of Employers in Agriculture, Member of the Board 2008–; Finlands Svenska Jordägarförbunds stiftelse (Finland's Swedish Landowners' Federation Foundation), Member of the Board 2008–

Public duties previously undertaken: Scan AB, Member of the Board 2011–2012; LSO Osuuskunta, Member of the Board of 2008–2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: 8 000

3. Tero Hemmilä (b. 1967), Member of the Board as of 2011

M.Sc. (Agr. & For.); Finnish national; 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, executive positions 1997–2008

Main Board memberships and public duties: 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 31 December 2014: 3 500

4. Henrik Treschow (b. 1946), Member of the Board as of 2011

MBA; Swedish national

Main Board memberships and public duties: Abacus Sportswear AB, Chairman of the Board 2010–; Ingleby Farms and Forests, Vice Chairman of the Board 2005–; Skabernäs HB, Member of the Board 2007–; Sperlingsholms Gods AB, Chairman of the Board 2000–; Wanås Gods AB, Chairman of the Board 2000–

Public duties previously undertaken: Federation of Swedish Landowners, Chairman of the Board; Treschow-Fritzöe Industries, Member of the Board

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: 1 200

5. Teija Andersen (b. 1957), Member of the Board as of 2012

M.Sc. (Agr. & For.), eMBA; Finnish national; Etelä-Hämeen Lomat Oy, CEO 2013–

Key employment history: Adviso TMA Oy, CEO 2012–2014; Oy Karl Fazer Ab, SVP, Strategic Marketing, Brands and R&D 2009–2011; Fazer Amica Oy, Managing Director 2003-2007; Deputy Managing Director, marketing and sales 2003; Fazer Amica, Managing Director 2005–2008; Candyking Finland Oy (Fazer Group), Managing Director 2000–2002; Fazer Suklaa Oy, Sales Director 1997–2000

Main Board memberships and public duties: Finnish Committee for Unicef, member of the Board 2014–; Paletti Oy, Member of the Board 2009–; Are Oy, Member of the Board 2012–

Public duties previously undertaken: Diacor Oy, Member of the Board 2009–2014; Technopolis Plc, Member of the Board 2009–2013; 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 31 December 2014: -

6. Gunilla Aschan (b. 1960), Member of the Board as of 2012

M.Sc. (Agriculture, Econ.); Swedish national; Farm and forestry entrepreneur, beef producer Southeast Sweden; Farm & Forest Department, Manager, Nordea Sweden, Stockholm

Main Board memberships and public duties: Hushållningssällskapet Östergötland, Member of the Board

Public duties previously undertaken: Sveriges Djurbönder, Member of the Board until 2013; 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 and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: -

Mikko Nikula (b. 1972), Deputy member of the Board as of 2013

M.Sc. (Physics); Finnish national; Farm entrepreneur, broiler meat producer, Rusko, Finland

Key employment history: Privanet Securities, Operative Director 2012; TUTO Hockey Oy, General Manager 2011; Nokia Corporation, Project Manager, global sales 2008–2009, Customer Manager, global sales 2007, Manager, sales operations, EMEA region 2004–2007, Product Manager, global marketing 2000–2004, R&D, team leader 1998–2000

Main Board memberships and public duties: Suomen purjelaivaosakeyhtiö (Sailing ships of Finland Ltd.), Member of the Board 2012–

Public duties previously undertaken: LSO Osuuskunta, Member of the Board 2012–2013; General Assembly of Suomen Siipikarjaliitto ry (Finnish Poultry Association), Vice Chairman 2010–2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: -

Per Nilsson (b. 1973), Deputy Member of the Board as of 2013

Lantmästare, Swedish University of Agricultural Sciences (SLU)
Mast., Agriculture University of St. Paul Minnesota, USA;
Swedish national; Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

Key employment history: Swedish Lantmännen, Salesman 1998–1999; Work on different farm companies 1980–1998

Main Board memberships and public duties: Memberships in various local boards in Sweden 1999–

Public duties previously undertaken: Swedish Meats ek. för. 2006–2008; The head board of the Swedish Federation of Farmers Union, LRF 2004–2006; Swedish Lantmännen, member of the local marketing board 2002–2004; Swedish Federation of Young Farmers 2000–2003; The student organization of SLU Alnarp, Chairman 1997–1998

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2014: 570

Markku Suvanto, Executive Vice President, Legal and Administration of HKScan, serves as secretary to the Board of Directors.

Auditors for the 2014 financial year: Authorised public accountants PricewaterhouseCoopers Oy, with Jouko Malinen, B.Sc. (Econ. & Bus. Admin.), APA, as principal auditor

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2014

- Net sales were EUR 1 988.7 (2 113.2).
- Reported EBIT was EUR 55.5 (11.7) million, and the EBIT margin was 2.8 (0.6) per cent. Comparable EBIT excluding non-recurring items for the year was EUR 12.4 (11.2) million, and the corresponding EBIT margin was 0.6 (0.5) per cent.
- Cash flow before debt service was EUR 201.7 (86.8) million.
- Profit before taxes was EUR 51.2 (6.7) million.
- EPS was EUR 1.05 (0.16).
- Net financial expenses were EUR 15.5 (23.6) million.
- Net debt was EUR 141.5 (335.3) million, and net gearing was 31.8 (82.0) per cent.
- Outlook for 2015: HKScan expects the operating profit (EBIT) excluding non-recurring items to improve from 2014, and anticipates the last quarter to be the strongest.
- The Board's proposal for dividend is EUR 0.10 (0.10) per share. The Board proposes also an additional dividend of EUR 0.39 per share.

GROUP OVERVIEW

Net sales for 2014 were down six per cent on the previous year. Improved profitability in the fourth quarter lifted the full-year EBIT slightly over the previous year. Due to the good fourth quarter, Sweden and Finland improved on last year, but the converse applied to Denmark and the Baltics. Considering the circumstances, pleasing progress was made in inventory management throughout the whole year, with stocks clearly lower than the previous year.

Retail market demand showed negative growth whereas demand was more stable in away from home markets. HKScan won some market share with its branded products, but in general, private label products increased their market share. Both value but especially volume decreased, with both domestic and export markets being affected by pork oversupply. The continuing Russian ban on pork imports from the EU countries increased the surplus in the pork meat balance globally. Pork meat inventories remained high throughout Europe, and global market prices remained dissatisfactory.

Animal purchasing prices continued to decrease, but this failed to offset the deficit in sales prices. The rebalancing of volume to meet a more profitable volume level continued in all market areas except the Baltics, where there was some growth in volume. The lowered volume supported decrease of unprofitable export sales.

The revised strategy for profitable growth advanced to the implementation stage. The Group's strategic must-win-battles are to be modified to place a sharper focus on profitable growth in the coming years. The execution of the strategy calls for a greater emphasis on value-added products, continuous improvement and new, innovative ways to meet customer and consumer expectations.

Feasibility studies announced in October concerning new production facilities in Finland and in Estonia are to be carried out by next summer. The prospective investments are estimated to total EUR 55–85 million depending on the scale of the chosen options.

The development programme for 2014 was completed as planned and the annual profit improvement target of over EUR 20 million and reduction target of over EUR 50 million in net debt by 2015 were achieved. This includes production restructuring programmes in Sweden and Finland, where cost savings will exceed EUR 11 million from 2015 onwards. These measures and programmes were necessary to mitigate the negative impact of challenging business environment.

The Group's financial position grew significantly stronger in 2014. The Group sold its 50 per cent stake in Saturn Nordic Holding AB, owner of Sokołów S.A., to Danish Crown A/S in June. Net financial expenses decreased following the repayment of syndicated term loans in the second quarter. The maturity structure of the interest-bearing debt was also rebalanced by a successful bond issuance of EUR 100 million in November.

Group marketing was strengthened with the merging of Group Marketing and Group New Product Development. The new function was renamed Group Strategic Marketing and Innovation. One of its top priorities is to build the common Group-level product brand Flodins®, which was launched in three product categories. Flodins® is a significant step in the Group's brand strategy to clarify and strengthen the HKScan Group brand and to update its product and concept brand portfolio for wider markets.

The Corporate Responsibility programme launched in 2013 was integrated with HKScan's strategy and operations in 2014. In the second quarter, the Group deepened its understanding of stakeholder expectations through a comprehensive stakeholder dialogue conducted in five countries. In the third quarter, the Group conducted its first-ever Group-wide Employee Engagement Survey, providing important information on organizational strengths and development areas.

HKScan further developed its sustainable meat value chain – a key focus area of the Corporate Responsibility programme – by becoming a member of the Round Table on Responsible Soy Association (RTRS). The Group is now committed to an ethically responsible soy supply chain.

The 'One HKScan' initiative gained visibility with the renewal of the Group identity and revision of the Group mission, vision, values and visual identity. Also, the legal entity naming structure was harmonized.

REVIEW BY MARKET AREA

Net sales and EBIT by market area

(EUR million)	2014	2013
NET SALES		
- Finland	787.2	804.1
- Baltics	173.0	175.1
- Sweden	911.0	966.5
- Denmark	204.3	225.3
- Between segments	-86.8	-57.7
Group total	**1 988.7**	**2 113.2**
EBIT		
- Finland	-4.5	3.2
- Baltics	2.8	7.7
- Sweden	1.7	8.0
- Denmark	-11.9	3.6
- Between segments	-	-
Segments total	-11.9	22.5
Group administration costs	67.4	-10.7
Group total	**55.5**	**11.7**

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 and Denmark.

Market area Finland

In Finland, net sales were EUR 787.2 (804.1) million and EBIT excluding non-recurring items was EUR 8.9 (6.9) million in 2014.

The total market volume for Finland decreased in 2014. The retail business sector suffered most. Russia's ban on EU pork imports further weakened the overall demand. Oversupply led to the tough sales price competition in both the domestic and export market.

Despite the low level of demand, some market share was gained in branded products and in total. Christmas sales were good, to which Kivikylän products contributed pleasingly. Volumes and the product mix were adapted to match decreased demand and altered consumer behaviour, which showed a preference for lower value products. Demand and supply, customer delivery and inventory management improved. As a result, financial performance improved towards the end of the year, resulting in better year-on-year profit for the fourth quarter and the full year.

Statutory negotiations concerning the white-collar organization were completed at the end of September. As a result of that and statutory negotiations at the Mellilä plant as well as other savings measures, a cost reduction of EUR 5 million is to be achieved in 2015.

Chinese authorities conducted audits at Finnish pig slaughterhouses including HKScan's Forssa facility in the third quarter. The authorities have announced that the Forssa facility is going to gain export certification from the Chinese food authorities for direct pork exports from Finland to China.

In the second quarter HKScan decided to change and align its chicken breed in Finland with other market areas and to tackle related quality and cost issues. It was also announced that HK Rypsiporsas® rapeseed pork is completely GMO-free as of September 2014.

On top of the re-launch of improved Rypsiporsas® rapeseed pork, several new products were launched in 2014, such as a range of HK® barbeque sausages and Kariniemen® "Poppis®" chicken nuggets. One highlight was 'HK Meat School' (HK Lihakoulu®), which was arranged in several cities to provide information on meat handling, especially Rypsiporsas® rapeseed pork.

The common Group identity was adopted in Finland under a new legal name, HKScan Finland Oy (formerly HK Ruokatalo Oy) in the first quarter.

Market area the Baltics

In the Baltics, net sales were EUR 173.0 (175.1) million and EBIT excluding non-recurring items was EUR 4.8 (7.7) million in 2014.

The Baltic market suffered the most acutely from Russia's ban on EU pork imports. The market situation caused pork oversupply and a decline in sales prices, which decreased profitability despite lower costs in primary production. On a positive note, poultry and branded value added products showed profit improvement. In accordance with IFRS, the revaluation of biological assets in primary production had a negative profit impact of EUR 1.3 million on the full-year profit compared to the previous year.

The market position was maintained and further strengthened on the part of branded products, but continuing difficulties were encountered in exports. Despite the difficult market situation, demand and supply were managed well and frozen stock kept under control.

African Swine Fever was detected in Estonia in the third quarter, posing an external business risk. The high-level mitigation actions implemented in all pork primary production locations have been effective.

New product launches included premium poultry cutlets, such as Cheese pockets, Kiev cutlets and Cordon Bleu, as well as the new Group brand Flodins® in three product categories.

AS Rakvere Lihakombinaat and AS Tallegg were merged to form AS HKScan Estonia in the second quarter as part of the legal entity renaming process. Company names were also harmonized in Latvia and Lithuania.

Market area Sweden

In Sweden, net sales were EUR 911.0 (966.5) million and EBIT excluding non-recurring items was EUR 13.4 (10.2) million in 2014.

Total market demand showed negative growth in the latter part of 2014. As a whole, some market share was lost to private label products in Sweden. However, Christmas sales were reasonable, and market share was gained with branded products in certain processed meat and convenience food categories.

The declining market and oversupply drove down sales prices, a trend that was especially marked in red meat and cold cuts. Sales of Svensk Rapsgris® (Swedish rapeseed pork) and fresh chicken progressed well, but frozen chicken products did not perform as well as expected.

Frozen stock levels were clearly below the prior year, which was supported by lowered pork sourcing volumes in line with the rebalancing plan. Production efficiency continued to improve.

Production restructuring designed to improve operational efficiency and competitiveness was completed as planned. Production has now been centralised and integrated at four key locations: in Kristianstad, Linköping, Halmstad and Skara. The new production set-up targets an annualised profit improvement in excess of EUR 7 million. Strategic reviews have now been finalized in Sweden.

In June, HKScan and Sweden's Lantmännen signed a letter of intent (LOI) for initiating a strategic partnership offering innovative feed solutions and advisory services to Swedish pig producers.

A five-year framework agreement for ongoing cooperation was signed with Coop Sverige AB, which operates 700 retail stores, holding over 21 per cent of the Swedish grocery retail sector. The deal brings stability both to HKScan and the entire Swedish meat industry.

New products in Sweden included Scan®'s fresh sausages and premium beef burger.

As part of the new common Group identity, the Swedish business adopted a new legal name, HKScan Sweden AB (former Scan AB).

Market area Denmark

In Denmark, net sales were EUR 204.3 (225.3) million and EBIT excluding non-recurring items was EUR -4.4 (-2.8) million in 2014.

The market and competition remained tough for the whole of 2014. Fresh chicken products generated satisfactory margins, but lower volumes than expected for 2014 mainly due to sales price increases that did not go through as planned. Frozen products continued to face sales price competition and some low margin products were lost leading to a lower production volume. Challenges to adjust the supply chain decreased the margin on these competitive products. These imbalances have been addressed in the ongoing restructuring of the production set-up, and HKScan Denmark has now reached a production level on which to build the profitable growth strategy.

The renewed Rose® brand design and packages were launched in the first quarter to strengthen brand recognition and sales of branded products. The target is to update the product portfolio with innovative new concepts. New products included Majs Kylling corn-fed chicken.

Short- and long-term turnaround efforts are in progress driven by the new management team. The announced restructuring of the production set-up, which involves the discontinuation of slaughtering and cutting in Skovsgaard, aims to achieve cost savings and profit improvement of more than EUR 5 million annually. The restructuring centralises poultry slaughtering and cutting at the modernized Vinderup facility.

The new legal name of the Danish business, HKScan Denmark A/S (former Rose Poultry A/S), was adopted as part of new common Group identity.

Investments

The Group's net investments in 2014 came to EUR 48.7 (42.2) million. Their breakdown by market area was as follows:

(EUR million)	2014	2013
Finland	14.7	15.2
Baltics	11.7	8.7
Sweden	7.6	6.1
Denmark[1]	14.7	12.1
Total	**48.7**	**42.2**

[1] The 2013 investments include rebuilding of the Vinderup plant.

A substantial proportion of investment planned and executed in 2014 focused on improving productivity and efficiency. In Sweden, the majority of investment focused on the successful restructuring of operational footprint, resulting in the centralisation of operations at four focused production plants and substantial efficiency improvements. In Denmark, good progress was made in efficiency upgrades and automation in the latter part of the year. Operational efficiency programmes were executed in Finland and the Baltics, with further headway made in the upgrade of Rakvere Farmid. Additionally, a Group-wide quality & food safety investment programme was initiated and the first strategic investments were made in added value production.

Financing

The Group's interest-bearing debt at year-end stood at EUR 158.1 (404.4) million. Net debt decreased to EUR 141.7 (335.7) million mostly due to the closing of the Sokołów divestment in June, when HKScan repaid all syndicated loans amounting to approximately EUR 190 million.

The Group's liquidity has been good throughout the financial year. Undrawn committed credit facilities at 31 December 2014 stood at EUR 136.5 (161.5) million. In addition, the

Group had other uncommitted overdraft and other facilities of EUR 22.3 (22.6) million. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 11.0 (129.0) million.

HKScan issued an unsecured five-year bond of EUR 100 million during the last quarter.

Net financial expenses decreased significantly due to the lower loan sum and were EUR -3.7 (-7.6) million in the last quarter and EUR -15.5 (-23.6) million in 2014. Costs in the fourth quarter include a EUR 1.1 million loan receivable write-down in a Swedish associated company. In addition, costs in the second quarter include one-time financial restructuring expenses of EUR 1.1 million.

Research and development

Research and development in 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 3.7 (3.2) million was spent on R&D, equal to 0.2 (0.2) per cent of net sales.

Delivering on the Group innovation strategy, work to streamline Group processes and develop common platforms continued in 2014. The Group Marketing and Group New Product Development functions were merged and the new function was renamed Group Strategic Marketing and Innovation. A significant outcome of the enhanced internal co-operation, and of executing the Group's brand strategy, was the launch of HKScan's first Group brand, Flodins® in three convenience food product categories for both home markets and exports. Target is to substantially intensify innovation and marketing efforts along the new strategy implementation.

HKScan R&D is based on sharing information in a collaborative and networking model, and the Group's cooperation with research institutes will continue in order to expand expertise in developing new meat-based concepts.

Research and development of the rapeseed pork (HK Rypsiporsas® in Finland and Svensk Rapsgris® in Sweden) concept continued in 2014, and as of September 2014, Rypsiporsas® rapeseed pork has been completely GMO-free. On top of the re-launch of improved Rypsiporsas® rapeseed pork and Flodins®, several other new products were launched in 2014.

Corporate responsibility

In 2014, HKScan integrated its corporate responsibility programme launched in 2013 into strategy and operations. The most important areas of corporate responsibility at HKScan are economic responsibility, social responsibility, animal welfare and environment. Furthermore, the Group wants to ensure transparency and sustainability of its supply chain, as well as efficient stakeholder cooperation and communication.

Economic sustainability refers to the long-term profitability of HKScan and its stakeholders. In 2014, HKScan improved its economic standing significantly.

A key social responsibility issue is maintenance of strict standards in food safety. All HKScan production sites in Finland, Sweden and Denmark are certified under internationally recognised food safety management systems by an independent third party, and these systems were further developed in 2014.

As a major employer in multiple countries, the wellbeing, engagement, equality and diversity of the personnel is essential high priority. In 2014, the Group conducted a Group-wide Employee Engagement Survey. The results will be utilized to identify organizational strengths and potential areas for improvement.

In 2014, HKScan promoted animal health and welfare by continuing proactive assessment of animal diseases and their possible effects on the supply chain both internally and globally. Also the use of antibiotics was systematically monitored.

HKScan continually monitors its impacts on the environment, focusing on energy efficiency, water consumption, chemical use, and waste management. In 2014, the Group began monitoring greenhouse gas emissions under the Greenhouse Gas (GHG) Protocol, Scope 1 and 2. Also waste-water treatment, recycling and minimisation of landfill were improved. The Group invested in renewable energy in Sweden, partly replacing oil and LPG to district heating and biogas. Investment in environmental responsibility is also promoted by the new Group Biotech Business Line, which aims to reduce waste and further optimise recycling of biomass.

An important tool promoting the transparency of the supply chain and traceability is the evaluation of the Group's suppliers in the areas of food safety, quality, sourcing processes, as well as other corporate responsibility matters. HKScan regularly implements its own audits at supplier slaughterhouses and only collaborates with those that meet the requirements. In 2014, HKScan became a member of the Roundtable on Responsible Soy (RTRS), committing itself to using only responsibly sourced soy in animal feed in 2015 in Sweden and by the end of 2018 across the whole Group. The process of joining the Roundtable for Sustainable Palm Oil (RSPO) was kicked off.

Stakeholder cooperation and communication was enhanced through a comprehensive stakeholder dialogue conducted in five countries to verify HKScan's corporate responsibility focus areas.

Annual General Meeting and Board of Directors' authorizations

The Annual General Meeting of HKScan Corporation held on 10 April 2014 in Helsinki adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2013. The AGM resolved that a dividend of EUR 0.10 per share be paid for 2013.

The existing Board members, Juha Kylämäki, Niels Borup, Teija Andersen, Gunilla Aschan, Tero Hemmilä and Henrik Treschow, were re-elected and Mikko Nikula and Per Nilsson were re-elected as deputy members. At the organizational meeting after the AGM, the Board re-elected Juha Kylämäki as Chairman and Niels Borup as Vice Chairman.

PricewaterhouseCoopers Oy, an audit firm chartered by the Central Chamber of Commerce, with APA Jouko Malinen as the main auditor, was elected as the actual auditor until the close of the next Annual General Meeting. The remuneration of the auditor will be paid in accordance with the auditor's invoice approved by the company.

The AGM gave the following two authorisations to the Board: The Board of Directors was authorised to decide on share issue, as well as issue of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Companies Act. The authorisation is effective until 30 June 2015 and it revokes that granted on 24 April 2013 by the Annual General Meeting to the Board of Directors to acquire the company's own Series A shares and/or to accept as pledge.

During 2014, the Board did not exercise the authorisations given by the AGM.

The resolutions of the Annual General Meeting have been published in full in a stock exchange release on 10 April 2014, and they are also available on the web at www.hkscan.com.

Group Management Team

The Management Team of the Group is as follows: Hannu Kottonen, CEO; Aki Laiho, COO; Tuomo Valkonen, CFO; Samuli Eskola, EVP Consumer Business in Finland and the Baltics; Göran Holm, EVP Consumer Business in Scandinavia; Jukka Nikkinen, EVP Away from Home Business; Sari Suono, EVP HR; Anne Mere, CMO; and Markku Suvanto, EVP Legal and Administration, who also acts as the Group Management Team's secretary.

Changes in the Group structure

In order to minimize administration and promote internal process harmonization, HKScan continued streamlining and clarifying its corporate structure.

In February, HKScan signed an agreement to sell all its shares (50 per cent) in Saturn Nordic Holding AB to Danish Crown A/S. The transaction was finalized in June. Saturn Nordic Holding AB holds 100 per cent of the shares in Sokołów S.A. As a result, HKScan no longer holds an indirect stake in Sokołów.

In December, HKScan signed an agreement to sell its Estonia's egg business, OÜ Koks Munatootmine, to Danish DAVA Foods Holding A/S. The divestment is subject to the approval of the competition authorities. Furthermore, HKScan Finland Oy signed an agreement with Danish DanHatch AS involving the sale of HKScan Finland's hatchery business and related property to DanHatch Finland Oy in which HKScan will have a 20 per cent stake.

In June, HKScan merged its Estonian subsidiaries AS Rakvere Lihakombinaat and AS Tallegg, creating one company, AS HKScan Estonia.

Several divestments were executed in Sweden, including HKScan's small wholly-owned subsidiary Bertil Erikssons Slakteri AB and a share in Nyhléns & Hugosons Chark AB. HKScan owns a 24 per cent share in Svenska Köttföretagen Holding AB, a newly established industry organization which comprises several small businesses which HKScan divested.

Other changes in the Group structure are described in the events after the reporting period.

Shares and shareholders

Shares

HKScan Group's registered and fully paid-up share capital at the beginning and end of 2014 was EUR 66 820 528. 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 per cent of the total number of shares) and K Shares 5 400 000 (9.81 per cent). The A Shares are quoted on the Nasdaq 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 176.5 (202.9) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 158.8 (182.6) million, and the unlisted Series K shares EUR 17.7 (20.3) million correspondingly.

In 2014, a total of 13 990 124 of the company's shares, with a total value of EUR 52 494 495, were traded. The highest price quoted was EUR 4.49 and the lowest EUR 3.12. The average price was EUR 3.74. At the end of 2014, the closing price was EUR 3.27.

Shareholders

At the end of 2014, the shareholder register maintained by Euroclear Finland Ltd included 11 423 (12 159) shareholders. Nominee-registered and foreign shareholders held 20.1 (20.2) per cent of the company's shares.

Notifications of changes in holdings

On 1 April 2014, Varma Mutual Pension Insurance Company submitted notification that as a result of a share sale and purchase concluded on 1 April 2014, its holding in HKScan had fallen under 5 per cent of all shares in the company.

Treasury shares

At the beginning and end of the financial year 2014, HKScan held 1 053 734 treasury A Shares. At the end of 2014, they had a market value of EUR 3.45 million and accounted for 1.92 per cent of all shares and 0.67 per cent of all votes.

Share-based incentive scheme

HKScan has a share-based incentive plan for the Group's key personnel for 2013–2015. The aim of the plan is to align the objectives of shareholders and key personnel in order to enhance the company's value, to commit 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.

Shareholding of the Board of Directors and the President and CEO

At the end of 2014, members of the Board of Directors and the company's President and CEO and his deputy as well as their related parties owned a total of 48 814 A Shares, corresponding to 0.09 per cent of the total number of shares and 0.03 per cent of the votes.

Personnel

In 2014, HKScan had an average of 7 662 (7 774) personnel.

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

	2014	2013
Finland	2 771	2 685
Baltics	1 769	1 761
Sweden	2 305	2 459
Denmark	817	869
Total	**7 662**	**7 774**

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

	31 Dec. 2014	31 Dec. 2013
Finland	2 644	2 572
Baltics	1 766	1 760
Sweden	2 152	2 248
Denmark	765	838
Total	**7 327**	**7 418**

Claim by Oy Primula Ab's bankruptcy estate

As announced in a stock exchange release published on 7 September 2012, HKScan Corporation and HK Ruokatalo Oy (now HKScan Finland 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 costs.

In February 2015, the District Court of Southwest Finland issued its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy.*

Short-term risks and uncertainty factors

The most significant uncertainty factors in HKScan Group's business are connected – through price increases for feed raw material in particular and other production inputs related to primary production – to price trends and the availability of local meat raw material, as well as to the adequacy of sales price increases in relation to cost trends.

The risks include various unexpected actions by the authorities that may impose restrictions on the business. The risk of animal diseases in the food industry's raw meat supply or any international or regional food scandals impacting on 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 www.hkscan.com under "Investor information" on week 12/2015.

Events after the reporting period

On January 5, HKScan announced that the Group aims to improve operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting will be centralised at the Vinderup facility, and packaging and warehousing will remain in Skovsgaard. The targeted annualised cost reduction and profit improvement is in excess of EUR 5 million from the second quarter 2015 onwards. On January 28, HKScan announced that the related statutory employee negotiations were concluded, resulting in a net headcount reduction of 88 positions.

On 16 January, HKScan announced that it will soon begin exporting Finnish pork to China. HKScan Finland's pork slaughtering facility in Forssa is going to gain export certification from the Chinese food authorities following inspections carried out in August 2014.

On 26 January, HKScan announced that statutory employee negotiations at its Mellilä pig slaughtering house in Finland were concluded, resulting in a headcount reduction of 23 positions. The negotiations were related to the increased surplus in pork meat due to the continuing Russian ban on pork imports from the EU countries.

On 2 February, HKScan announced that the District Court of Southwest Finland had issued its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy by the bankruptcy estate of Oy Primula Ab.*

Outlook for 2015

HKScan expects operating profit (EBIT) excluding non-recurring items to improve from 2014, and anticipates the last quarter to be the strongest.

HKScan expects the economic and demand outlook and, accordingly, sales price competition to remain tough in 2015. However, the Group's strategy work, restructuring and development programmes together with active sales margin management should contribute to better financial performance.

Board of Directors' proposal on distribution of profit

The parent company's distributable equity stands at EUR 302.4 million including the reserve for invested unrestricted equity, which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.10 per share for 2014, and an additional dividend of EUR 0.39 per share, i.e. a total of approximately EUR 26.4 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.

Annual General Meeting 2015

HKScan Corporation's Annual General Meeting 2015 will be held at 11 am on 14 April 2015 in Turku. To be eligible to attend the Annual General Meeting, shareholders should be registered by 31 March 2015 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd. Notice to the meeting and Board proposals to the Annual General Meeting will be published at a later date.

* Primula has not made an appeal to the Court of Appeal and therefore, the ruling made by the District Court on 2 February is now final and binding.

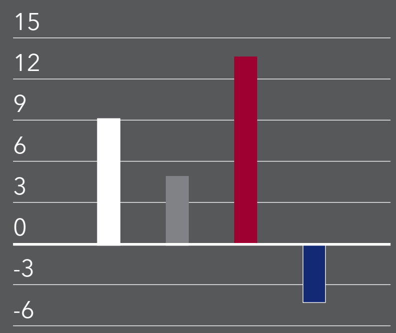
KEY DATA

NET SALES IN 2014 BY MARKET AREA* EUR MILLION

- 787.2 FINLAND
- 173.0 THE BALTICS
- 911.0 SWEDEN
- 204.3 DENMARK
- 2 075.5 TOTAL

* Internal net sales included.

OPERATING PROFIT IN 2014* BY MARKET AREA EUR MILLION



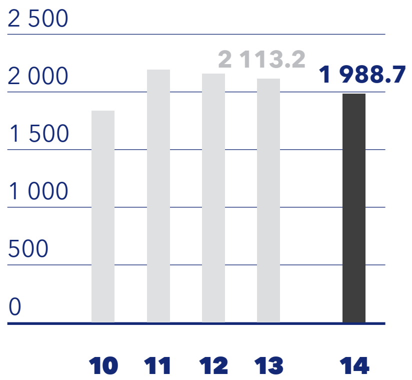
- 8.9 FINLAND
- 4.8 THE BALTICS
- 13.4 SWEDEN
- -4.4 DENMARK
- 12.4 TOTAL

* Excluding non-recurring items.

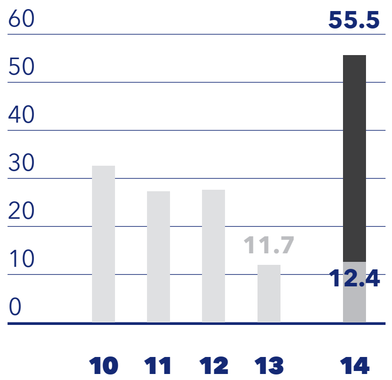
PERSONNEL IN 2014 BY MARKET AREA AVERAGE NUMBER

- 2 771 FINLAND
- 1 769 THE BALTICS
- 2 305 SWEDEN
- 817 DENMARK
- 7 662 TOTAL

NET SALES 2010-2014 EUR MILLION

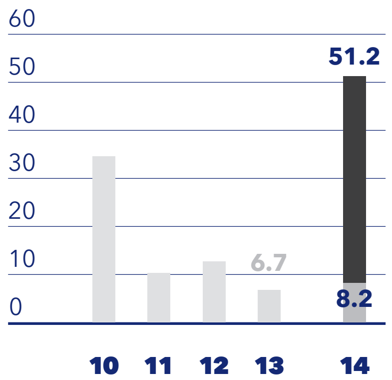


OPERATING PROFIT 2010-2014 EUR MILLION



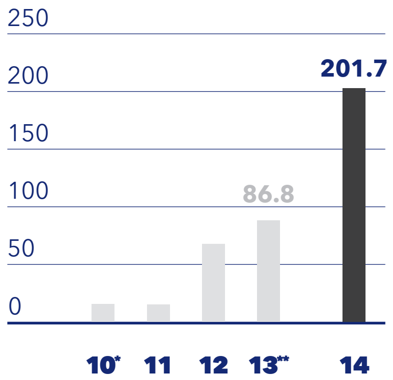
NON-RECURRING ITEMS

PROFIT BEFORE TAX 2010-2014 EUR MILLION



NON-RECURRING ITEMS

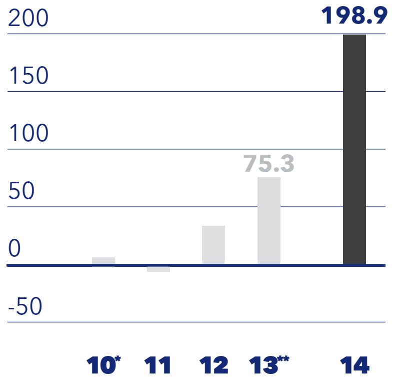
CASH FLOW BEFORE DEBT SERVICE 2010-2014 EUR MILLION



* Excluding acquisition price of Rose Poultry A/S.

** Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

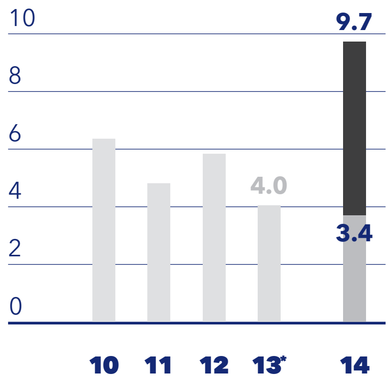
CASH FLOW BEFORE FINANCING ACTIVITIES 2010-2014 EUR MILLION



* Excluding acquisition price of Rose Poultry A/S.

** Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

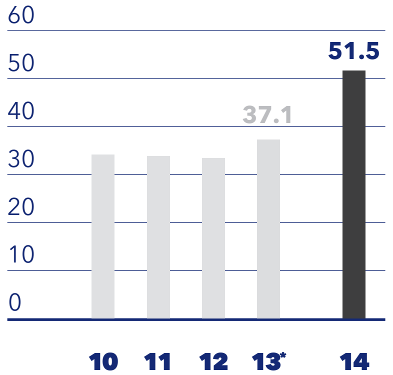
RETURN ON CAPITAL EMPLOYED (ROCE) 2010-2014 %



NON-RECURRING ITEMS

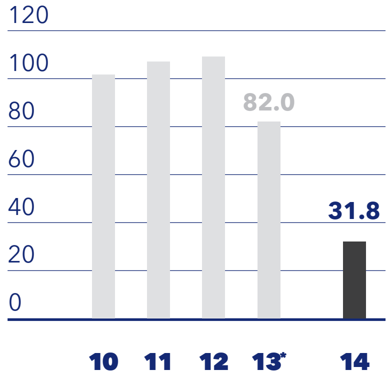
* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

EQUITY RATIO 2010-2014 %



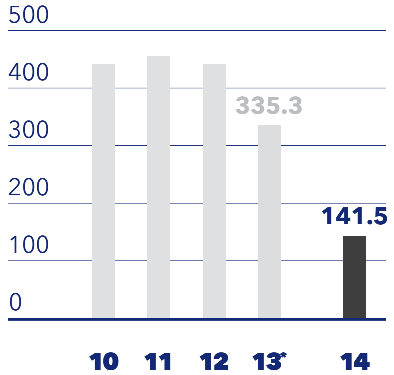
* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

NET GEARING 2010-2014 %



* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

NET DEBT 2010-2014 EUR MILLION



* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012-2010 not available.

KEY FIGURES

Financial indicators	2014	2013	2012	2011	2010
Net sales, EUR million	1 988.7	2 113.2	2 159.4	2 193.0	1 835.8
Operating profit/loss (EBIT), EUR million	55.5	11.7	27.3	27.0	32.5
- % of net sales	2.8	0.6	1.3	1.2	1.8
Profit/loss before taxes, EUR million	51.2	6.7	12.4	10.0	34.3
- % of net sales	2.6	0.3	0.6	0.5	1.9
Return on equity (ROE), %*	13.4	2.4	4.3	2.9	7.4
Return on capital employed before taxes (ROCE), %*	9.7	4.0	5.8	4.8	6.3
Equity ratio, %*	51.5	37.1	33.1	33.6	34.0
Net gearing ratio , %*	31.8	82.0	109.2	107.2	101.7
Gross investments, EUR million*	48.7	42.2	76.6	61.0	70.7
- % of net sales*	2.4	2.0	3.5	2.4	3.3
R&D expenses. EUR million*	3.7	3.2	10.5	11.2	9.6
- % of net sales*	0.2	0.2	0.5	0.4	0.5
Employees, average	7 662	7 774	7 836	8 287	7 491

Per share data	2014	2013	2012	2011	2010
Earnings per share (EPS), undiluted, EUR	1.05	0.16	0.30	0.18	0.52
Earnings per share (EPS), diluted, EUR	1.05	0.16	0.30	0.18	0.52
Equity per share, EUR	8.09	7.41	7.31	7.67	7.63
Dividend paid per share, EUR	0.49**	0.10	0.10	0.17	0.22
Dividend payout ratio, undiluted, %	46.7**	62.1	33.2	92.1	42.6
Dividend payout ratio, diluted, %	46.7**	62.1	33.2	92.1	42.6
Effective dividend yield, %	15.0**	2.7	2.8	3.0	3.1
Price-to-earnings ratio (P/E)					
- undiluted	3.1	23.3	12.0	30.6	13.9
- diluted	3.1	23.3	12.0	30.6	13.9
Lowest trading price, EUR	3.12	3.29	3.17	4.08	7.07
Highest trading price, EUR	4.49	4.28	6.40	7.98	10.20
Middle price during the period, EUR	3.74	3.70	4.34	6.05	8.18
Share price at the end of the year, EUR	3.27	3.76	3.63	5.64	7.15
Market capitalisation, EUR million	176.5	202.9	195.9	310.0	393.1
Trading volume (1 000)	13 990	7 670	9 084	11 765	23 674
- % of the average volume	25.9	14.1	16.7	21.4	43.8
Adjusted number of outstanding shares (1 000)					
- average during financial period	53 973	53 973	54 556	54 973	54 015
- at the end of financial period	53 973	53 973	53 973	54 973	54 973
- fully diluted	53 973	53 973	53 973	54 973	54 973

* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012–2010 not available.

** Based on the Board of Directors' proposal. Includes EUR 0.39 additional dividend.

CALCULATION OF FINANCIAL INDICATORS

Return on equity (%) $= \dfrac{\text{Profit}}{\text{Total equity (average)}} \times 100$

Return on capital employed (ROCE) before tax (%) $= \dfrac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$

Equity ratio (%) $= \dfrac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$

Gearing ratio (%) $= \dfrac{\text{Interest-bearing liabilities}}{\text{Total equity}} \times 100$

Net gearing ratio (%) $= \dfrac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$

Earnings per share $= \dfrac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$

Equity per share $= \dfrac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$

Dividend per share $= \dfrac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$

Dividend payout ratio (%) $= \dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield (%) $= \dfrac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial year}} \times 100$

P/E ratio $= \dfrac{\text{Closing price on the last trading day of the financial year}}{\text{Earnings per share}}$

Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year
Cash flow before debt service	Cash flow before financing activities and financial items
Employee numbers	Average of workforce figures calculated at the end of calendar months

IFRS CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY–31 DECEMBER

(EUR million)

	Note	2014	Restated 2013
Net sales	1.	1 988.7	2 113.2
Other operating income	2.	97.2	37.2
Materials and services	3.	-1 409.4	-1 530.6
Employee benefits expenses	4.	-331.5	-327.4
Depreciation and amortisation	5.	-82.6	-61.9
Other operating expenses	6.	-206.9	-218.8
EBIT		**55.5**	**11.7**
Financial income	7.	3.9	4.7
Financial expenses	7.	-19.3	-28.4
Share of associates' and joint ventures' results		11.2	18.6
Profit/loss before taxes		**51.2**	**6.7**
Income tax	8.	5.9	3.1
Profit/loss for the period		**57.1**	**9.8**
Profit/loss for the period attributable to:			
Equity holders of the parent		56.7	8.7
Non-controlling interests		0.5	1.1
Total		**57.1**	**9.8**
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	1.05	0.16
EPS, diluted, continuing operations, EUR/share	9.	1.05	0.16

The Notes 1–29 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY–31 DECEMBER

(EUR million)

	2014	Restated 2013
Profit/loss for the period	57.1	9.8
OTHER COMPREHENSIVE INCOME (after taxes):		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	-8.3	-3.4
Cash flow hedging	-1.9	2.8
Items that will not be reclassified to profit or loss		
Actuarial gains or losses	-4.9	1.6
Total other comprehensive income	**-15.1**	**1.0**
Total comprehensive income for the period	**42.1**	**10.8**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the parent	41.6	9.7
Non-controlling interests	0.5	1.1
Total	**42.1**	**10.8**

The Notes 1–29 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(EUR million)

	Note	31 Dec. 2014	Restated 31 Dec. 2013	Restated 1 Jan. 2013
Intangible assets	10.	68.9	74.2	77.1
Goodwill	11.	75.4	78.0	79.1
Tangible assets	12.	369.7	411.5	437.0
Shares in associates and joint ventures	13.	22.7	135.8	133.6
Trade and other receivables	14.	7.2	3.3	5.9
Available-for-sale investments	14.	13.2	14.1	12.8
Deferred tax asset	15.	33.6	27.3	27.2
Non-current assets		**590.7**	**744.1**	**772.7**
Inventories	16.	125.4	152.5	159.4
Trade and other receivables	17.	122.2	136.9	170.0
Income tax receivable	17.	0.2	0.1	3.6
Cash and bank	18.	16.4	68.7	55.6
Current assets		**264.3**	**358.1**	**388.7**
Assets of disposal group classified as held for sale	19.	9.4	-	-
Assets		**864.3**	**1 102.2**	**1 161.4**
Share capital	20.	66.8	66.8	66.8
Share premium reserve	20.	72.9	73.5	73.3
Treasury shares	20.	0.0	0.0	0.0
Fair value reserve and other reserves	20.	140.9	164.7	156.2
Translation differences	20.	-6.2	2.0	5.4
Retained earnings	20.	162.1	93.0	93.7
Equity attributable to equity holders of the parent		436.5	400.0	395.4
Non-controlling interests		8.7	9.0	8.6
Equity		**445.2**	**409.0**	**404.0**
Deferred tax liability	15.	24.9	26.9	27.6
Non-current interest-bearing liabilities	23.	121.8	245.1	287.1
Non-current non-interest-bearing liabilities	23.	0.1	1.1	-3.4
Non-current provisions	22.	0.1	0.1	0.1
Pension obligations	21.	15.7	8.4	9.6
Non-current liabilities		**162.6**	**281.6**	**321.0**
Current interest-bearing liabilities	23.	36.4	159.3	182.5
Trade and other payables	23.	216.3	252.2	253.9
Income tax liability	23.	0.0	0.1	0.0
Current provisions	22.	3.1	0.0	0.0
Current liabilities		**255.8**	**411.6**	**436.4**
Liabilities of disposal group classified as held for sale	19.	0.8	0.0	0.0
Equity and liabilities		**864.3**	**1 102.2**	**1 161.4**

The Notes 1–29 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED CASH FLOW STATEMENT

(EUR million)

	2014	Restated 2013
Profit/Loss for the period	57.2	9.8
Adjustments	-4.6	66.6
Cash flow before change in net working capital	52.6	76.4
Change in net working capital	6.5	30.4
Other changes	7.7	15.8
Interest paid	-17.7	-23.9
Other financial expenses paid	-14.4	-10.0
Interest received	3.1	4.6
Other financial income received	11.8	9.4
Dividends received	14.6	7.8
Income taxes paid	-1.0	0.4
Cash flow from operating activities (A)	**63.3**	**110.8**
Total Investments	-68.2	-48.0
Total sales of assets	201.1	11.8
Acquisition of subsidiary, net of cash acquired	-1.0	-
Disposal of subsidiary, net of cash	3.9	-
Loan receivables Borrowings and repayments	-0.2	0.6
Cash flow from investing activities (B)	**135.7**	**-35.6**
Proceed from external borrowings	126.3	140.7
Repayment of external borrowings	-370.4	-196.5
Payment of finance lease liabilities	0.0	-0.1
Dividends paid	-6.1	-5.9
Cash flow from financing activities (C)	**-250.2**	**-61.8**
Net cash flow (A+B+C)	**-51.2**	**13.5**
Cash and cash equivalents, end balance	16.4	68.7
Cash and cash equivalents, opening balance	68.7	55.6
Effect of changes in exchange rates	-1.0	-0.4
Change	**-51.2**	**13.5**

The Notes 1–29 form an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)

	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity holders of the parent	Non-controlling interests	Total
EQUITY AT 1 Jan. 2014	66.8	73.5	-10.8	143.5	32.0	2.0	0.0	93.0	400.0	9.0	409.0
Result for the financial period	-	-	-	-	-	-	-	56.7	56.7	0.5	57.1
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-8.3	-	-	-8.3	-	-8.3
Cash flow hedging	-	-	-1.9	-	-	-	-	-	-1.9	-	-1.9
Actuarial gains or losses	-	-	-	-	-	-	-	-4.9	-4.9	-	-4.9
Total compreh. income for the period	-	-	-1.9	-	-	-8.3	-	51.8	41.6	0.5	42.1
Direct recognit. in retained earnings	-	-	-	-	0.1	-	-	0.2	0.2	-	0.2
Transfers between items	-	-0.6	-	-	-21.9	-	-	22.5	0.0	0.0	0.0
Dividend distribut.	-	-	-	-	-	-	-	-5.4	-5.4	-0.7	-6.1
EQUITY AT 31 Dec. 2014	66.8	72.9	-12.7	143.5	10.1	-6.2	0.0	162.1	436.5	8.7	445.2
EQUITY AT 1 Jan. 2013	66.8	73.3	-13.7	143.5	26.4	5.4	0.0	93.7	395.4	8.6	404.0
Result for the financial period	-	-	-	-	-	-	-	8.7	8.7	1.1	9.8
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-3.4	-	-	-3.4	-	-3.4
Cash flow hedging	-	-	2.8	-	-	-	-	-	2.8	-	2.8
Actuarial gains or losses	-	-	-	-	-	-	-	1.6	1.6	-	1.6
Total compreh. income for the period	-	-	2.8	-	-	-3.4	-	10.3	9.7	1.1	10.9
Direct recognit. in retained earnings	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Transfers between items	-	-	-	-	5.6	-	-	-5.5	0.1	-0.1	0.0
Dividend distribut.	-	-	-	-	-	-	-	-5.4	-5.4	-0.6	-6.0
Other Change	-	0.2	-	-	-	-	-	-	0.2	-	0.2
EQUITY AT 31 Dec. 2013	66.8	73.5	-10.8	143.5	32.0	2.0	0.0	93.0	400.0	9.0	409.0

The Notes 1–29 form an integral part of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR 2014

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') make, sell and market high-quality and ethically produced pork, beef, poultry, lamb, processed meats and convenience foods. Its customers are the retail, food service, industrial and export sectors.

The Group is active in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark, UK, Russia and Germany. HKScan Corporation's A share has been quoted on Nasdaq 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 10 February 2015. 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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS standards and SIC and IFRIC interpretations effective on 31 December 2014. '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 some 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 conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the accounting policies under critical accounting estimates and judgements.

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 2013, with the following exception:

As of 1 January 2014 HKScan has adopted the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards. This means HKScan's results of the joint venture company in Poland and associated companies in Sweden are now recognised in a single line item after the consolidated Group operating profit (EBIT). Poland (Sokołów) is no longer reported as a separate segment in Group reporting. In addition costs incurred by of centralised Group services such as Group Technology and Operations Development are to be invoiced individual by Market Areas as of 1 January 2014. Previously these costs were reported in Group administration. The Group's financial statement 2014 is in line with these changes. The Group financial statement 2013 has been restated accordingly. Also a comparable third balance sheet per 1 January 2013 is disclosed.

New and amended standards adopted by the Group

As of 1 January 2014 HKScan has adopted the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards. This means HKScan's results of the joint venture company in Poland and associated companies in Sweden are now recognised in a single line item after the consolidated Group operating profit (EBIT). Poland (Sokołów) is no longer reported as a separate segment in Group reporting. In accordance with the transitional provisions, the revised standard is applied retrospectively. Also a comparable third balance sheet per 1 January 2013 is disclosed.

IFRS 12 Disclosures of Interests in Other Entities (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). 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 new standard has minimal effect on the notes concerning the Group's holdings in other entities.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

COMPARABILITY WITH PREVIOUS YEARS

The years 2014 and 2013 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. Group's joint venture company in Poland (Sokołów) has been consolidated proportionately in accordance with the ownership interest line by line until 31 December 2012 and after that with the equity method. Some figures in five-year historical data is not available due to change in accounting treatment.

Consolidation of subsidiaries

The consolidated financial statements include the accounts of the parent company HKScan Corporation and its subsidiaries. Subsidiaries are entities over which the Group exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.

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.

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. 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. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are companies over which the Group exercises a significant influence which arises when the Group holds 20–50 per cent of a company's voting rights. Associates have been consolidated using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. 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 28, 'Related Party Transactions' have been consolidated into the consolidated financial statements. Share of associates' results is presented below EBIT.

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 2013–2014 financial periods.

Joint ventures

A joint venture is a company in which the Group exercises joint control with another party. Joint ventures are consolidated using the equity method. HKScan Group's joint venture Saturn Nordic Holding (that holds 100 per cent of the Polish company Sokołów S.A.) has been sold in 2014 and as result the Group does not have joint ventures as per 31 December 2014.

More detailed information about holdings in Group companies and associates is presented in Note 28, 'Related party transactions'.

FOREIGN CURRENCY TRANSLATION

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 comprehensive income. The translation differences arising from eliminating the acquisition cost of foreign subsidiaries and the joint venture and from 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.

Group companies recognise transactions in foreign currencies at the rate prevailing 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. 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.

INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries or business operations and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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 CGUs 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.

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 licenses are included in other intangible assets. Patents and software licenses 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 ten years. No depreciation is made on intangible assets with an unlimited useful life.

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

See 'Critical accounting estimates and judgements' and 'Goodwill'.

INVENTORIES

Raw materials are measured at weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour costs, other direct costs and a systematically allocated proportion of variable and fixed production overheads. In determining the acquisition cost, standard cost accounting is applied and standard costs are reviewed regularly and changed if necessary. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

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. There is no available market price for productive animals.

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 as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable rents are recognised as expenses in the period 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.

Other assets leased under other operating 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.

Arrangements that may include a lease agreement

When an arrangement enters into force, the Group uses its factual content to determine whether the arrangement is a lease agreement or whether it includes one. A lease agreement exists if the following conditions are met: The fulfilment of the arrangement depends on the use of a specific asset or assets, and the arrangement produces a right to use that asset.

If the arrangement includes a lease agreement, the agreement will be governed by the provisions of IAS 17. Other factors in the arrangement will be governed by the provisions of regulating IFRS standards.

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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Share-based payments

Based on IFRS2, the fair value of share based incentives is determined at grant date and the fair value is expensed until vesting. If the share reward is paid as a combination of shares and cash, the fair value determination is divided into equity-settled and cash-settled portions. The equity-settled portion is booked into equity and cash-settled into liabilities. The fair value of equity-settled portion is the fair value of Company share at grant date deducted with expected dividends to be paid before reward payment. Furthermore, the share purchase and ownership requirement in performance period is taken into account by deducting the estimated financing costs of the share purchases from the fair value. The fair value of cash settled portion is recalculated on each reporting date until reward payment.

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. 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

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operation is a material part of the Group that has been disposed of or classified as held for sale. Profit from discontinued operations is disclosed as a separate item in the other comprehensive income statement.

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 or loss comprises financial assets acquired to be held for trading or designated as such at inception (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 guarantee agreements 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 or 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 foreign exchange forward contracts are measured at the 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. These are, for example, trade receivables and some other receivables the Group has. 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 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 Group 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 assets

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

The Group recognises an impairment loss for trade receivables if evidence 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

The Group's financial liabilities are classified into the following categories: financial liabilities recognised at fair value through profit or loss and other financial liabilities at amortised cost.

Financial liabilities recognised at fair value through profit or loss are initially and subsequently measured at fair value with the same principles as corresponding financial assets. Derivative financial liabilities are included in this category. Other financial liabilities are initially recognised at fair value and transaction costs are included in the original carrying amount. 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 years presented 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.

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 measurement at 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 entered into, 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 of the derivatives contracts that satisfy the conditions for fair value hedge 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. During the financial year the Group did not have any derivative contract that satisfy the conditions for hedging fair value.

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 hedging reserve (included in Fair value reserve and 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 or is sold, or when the criteria for hedge 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 realised 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.

Changes in the hedging reserve are presented in Note 20. 'Notes relating to equity' under 'Other reserves'.

Embedded derivatives

Embedded derivatives are included in such binding commercial agreements that are denominated in a currency which is not the operating currency of neither contracting party and which is not generally used in the financial environment in which the business transaction is carried out. Such derivatives are usually forward exchange contracts. During the financial years presented, the Group did not have any embedded derivatives.

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 to net sales, deducting from this purchase costs 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, reorganisations of operations or significant compensations or penalties paid out due to the legal verdict or settlement, recorded as non-recurring items, as well as EBIT excluding non-recurring items may be presented separately in interim reports and financial statement bulletins.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires Management to make estimates and assumptions affecting the content and to exercise judgement 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.

The estimates made in preparation of the financial statements are based on the best judgement of Management on the reporting date. The estimates are based on historical 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. The estimations and judgements are reviewed regularly.

The most important areas in which the estimations and judgement have been used are presented below.

The assumptions made by the Management regarding the taxable income of the Group companies in the coming reporting periods are taken into account when estimating the amount of recognised deferred tax assets.

Measurement to fair value of assets acquired in business combinations

Where possible, Management has used available market values as the basis of determining the fair value of the net assets acquired in a business combination. When this is not possible, measurement is principally based on the historic return from the asset item and its intended use in business operations. Measuring the intangible right at fair value has required the Management to make estimations on the future cash flows. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require Management's estimates and assumptions about the future use of assets and the effect on the company's financial position. Changes in the emphasis and direction of business operations may result in changes to the original measurement in the future.

In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

Impairment testing

The Group tests goodwill annually for possible impairment. The recoverable amounts of cash generating units are determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Although the assumptions used are appropriate according to the Management, the estimated recoverable amounts may differ substantially from those realised in future.

The assumptions used in the Impairment calculation involve judgement that the Management has used in estimating the development of different factors. The sensitivity analysis emphasises that the factors related to revenue growth are the most central sources of uncertainty in the methods, assumptions and estimates used in the calculations. This sensitivity derives from the challenging estimation of the future development of the previously mentioned factors.

Valuation of inventories

Management's principle is to recognise an impairment loss for slowly moving and outdated inventories based on the Management's best possible estimate of possibly unusable inventories in the Group's possession at the reporting date. The Group has valuation policy for inventories which is approved by the Management. Management bases its estimates on systematic and continuous monitoring and evaluations.

Management judgements relating to choice and application of accounting policies

The Group Management makes judgement 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.

APPLICATION OF NEW AND REVISED IFRS NORMS

IASB has published the following new or revised standards and interpretations that the Group has not yet adopted. The Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the reporting period, as of the beginning of the next reporting period following the effective date.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact. The standard has not yet been endorsed for application in the EU.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15. The standard has not yet been endorsed for application in the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 and the Baltics.

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.

After adoption of IFRS 11, Poland is no longer reported as a separate segment in Group reporting. In addition costs incurred by of centralised Group services such as Group Technology and Operations Development are now invoiced individually by Market Areas. Previously these costs were reported in Group administration. Financial information for 2013 has been restated accordingly.

Year 2014	Finnish operations	Swedish operations	Danish operations	Baltic operations	Business segments, total	Group adminis-tration	Elimina-tions	Un-allocated	Group total
INCOME STATEMENT INFORMATION									
External sales	778.7	874.5	169.0	166.6	1 988.7	-	-	-	1 988.7
Internal sales	8.5	36.5	35.4	6.4	86.8	-	-86.8	-	0.0
Net sales	**787.2**	**911.0**	**204.3**	**173.0**	**2 075.5**	**-**	**-86.8**	**-**	**1 988.7**
Segment EBIT	-4.5	1.7	-11.9	2.8	-11.9	67.4	-	-	55.5
Unallocated items	-	-	-	-	-	-	-	-	-
EBIT	**-4.5**	**1.7**	**-11.9**	**2.8**	**-11.9**	**67.4**	**0.0**	**0.0**	**55.5**
Share of associates' results	5.8	0.4	0.1	-	6.4	4.8	-	-	11.2
Financial income and expenses								-15.5	-15.5
Income taxes								5.9	5.9
Result for the period									**57.1**
BALANCE SHEET INFORMATION									
Segment assets	317.2	251.5	103.2	154.1	826.0	44.0	-91.9	-	778.1
Shares in associates	13.1	6.2	3.2	-	22.5	0.1	-	-	22.7
Assets of disposal group classified as held for sale	4.0	-	-	5.4	9.4	-	-	-	9.4
Unallocated assets	-	-	-	-	-	-	-	54.2	54.2
Total assets	**334.4**	**257.7**	**106.4**	**159.5**	**857.9**	**44.1**	**-91.9**	**54.2**	**864.3**
Segment liabilities	85.3	98.5	20.7	22.5	226.9	7.2	-17.6	-	216.6
Liabilities of disposal group classified as held for sale	0.6	-	-	0.3	0.8	-	-	-	0.8
Unallocated liabilities	-	-	-	-	-	-	-	201.8	201.8
Total liabilities	**85.9**	**98.5**	**20.7**	**22.7**	**227.8**	**7.2**	**-17.6**	**201.8**	**419.2**
OTHER INFORMATION									
Sales, goods	775.2	870.6	169.0	166.3	1 981.1	-	-	-	1 981.1
Sales, services	3.4	3.9	-	0.3	7.6	-	-	-	7.6
Investments	13.9	7.6	14.7	11.7	47.9	0.9	-	-	48.7
Depreciation and amortisation	-21.9	-16.1	-9.2	-8.9	-56.2	-0.4	-	-	-56.5
Impairment	-12.0	-6.9	-5.2	-2.1	-26.1	-	-	-	-26.1
Goodwill	17.7	31.9	3.6	22.2	75.4	-	-	-	75.4

Year 2013 (Restated)	Finnish operations	Swedish operations	Danish operations	Baltic operations	Business segments, total	Group adminis-tration	Elimina-tions	Un-allocated	Group total
INCOME STATEMENT INFORMATION									
External sales	793.1	930.6	224.6	165.0	2 113.2	-	-	-	2 113.2
Internal sales	10.9	35.9	0.7	10.1	57.7	-	-57.7	-	0.0
Net sales	**804.1**	**966.5**	**225.3**	**175.1**	**2 170.9**	**-**	**-57.7**	**-**	**2 113.2**
Segment EBIT	3.2	8.0	3.6	7.7	22.5	-10.7	-	-	11.7
Unallocated items	-	-	-	-	-	-	-	-	-
EBIT	**3.2**	**8.0**	**3.6**	**7.7**	**22.5**	**-10.7**	**0.0**	**0.0**	**11.7**
Share of associates' results	2.9	0.2	0.3	-	3.3	15.3	-	-	18.6
Financial income and expenses								-23.6	-23.6
Income taxes								3.1	3.1
Result for the period									**9.8**
BALANCE SHEET INFORMATION									
Segment assets	337.8	303.3	109.6	161.8	912.5	72.9	-63.8	-	921.6
Shares in associates	15.6	10.6	3.1	-	29.2	106.6	-	-	135.8
Unallocated assets	-	-	-	-	-	-	-	44.8	44.8
Total assets	**353.3**	**313.9**	**112.7**	**161.8**	**941.8**	**179.5**	**-63.8**	**44.8**	**1 102.2**
Segment liabilities	87.2	100.3	29.9	23.9	241.3	7.1	-8.2	-	240.2
Unallocated liabilities	-	-	-	-	-	-	-	453.0	453.0
Total liabilities	**87.2**	**100.3**	**29.9**	**23.9**	**241.3**	**7.1**	**-8.2**	**453.0**	**693.2**
OTHER INFORMATION									
Sales, goods	792.3	926.7	224.2	164.6	2 107.9	-	-	-	2 107.9
Sales, services	0.7	4.0	0.3	0.3	5.3	-	-	-	5.3
Investments	14.8	6.1	12.1	8.7	41.8	0.4	-	-	42.2
Depreciation and amortisation	-22.0	-20.7	-10.0	-8.4	-61.0	-0.3	-	-	-61.3
Impairment	0.0	0.0	-0.6	0.0	-0.6	-	-	-	-0.6
Goodwill	17.9	34.2	3.6	22.2	78.0	-	-	-	78.0

2. OTHER OPERATING INCOME

	2014	2013
Rental income	1.9	2.1
Gain on disposal of non-current assets	1.6	1.4
Gains on sales of holdings	77.8	-
Exchange rate gains related to foreign exchange derivatives	1.3	1.5
Insurance compensation	7.1	25.5
Government grants	0.0	0.0
Other operating income	7.4	6.8
Other operating income	**97.2**	**37.2**

3. MATERIALS AND SERVICES

	2014	2013
Purchases during the financial period	-1 233.9	-1 364.8
Increase/decrease in inventories	-10.1	4.4
Work performed for own use and capitalised	0.0	0.0
Materials and supplies	**-1 244.0**	**-1 360.4**
External services	-165.4	-170.2
Materials and services	**-1 409.4**	**-1 530.6**

4. EMPLOYEE BENEFIT EXPENSES

	2014	2013
Salaries and fees	-239.8	-239.1
Pension expenses, defined contribution plans	-78.9	-75.4
Pension expenses, defined benefit plans	-1.0	-0.7
Total pension expenses	-79.9	-76.1
Other social expenses	-11.8	-12.1
Employee benefit expenses	**-331.5**	**-327.4**
Managing directors and their deputies	**-2.9**	**-4.7**
Members of the Board of Directors	-0.3	-0.3
Management salaries, fees and benefits	**-3.2**	**-5.0**
Average number of employees during financial year		
Clerical employees	1 112	1 332
Workers	6 550	6 442
Total	**7 662**	**7 774**

Share-based payments

The Board of Directors of HKScan Corporation has on 19 December 2012 approved a share based incentive plan, Performance Share Plan 2013, as a part of the incentive and commitment program for the Group key employees. The Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015, from which the key employees can earn HKScan series A shares based on achieving the set targets. The Board of Directors of the Company will decide on the performance criteria and their targets for a performance period at the beginning of each performance period. Furthermore, the Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on the basis of this performance period is that a key employee previously owns or acquires the Company's series A shares up to the number determined by the Board of Directors.

The potential reward from the annual performance will be based on the HKScan Group's Earnings per Share (EPS) and Return on Capital Employed (ROCE). Rewards from performance periods will be paid partly in the HKScan series A shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. In general, no reward will be paid, if the key employee's employment or service ends before reward payment.

The potential rewards to be paid on the basis of the performance periods represent the value of 537 000 HKScan Corporation series A shares in the maximum.

More specific information of the performance share plan grants are presented in the tables on the following page.

Share based incentives during the reporting period 1 Jan. 2014–31 Dec. 2014

Plan	**Performance Share Plan 2013**			**TOTAL**
Type	**SHARE**			
Instrument	**Performance Period 2013**	**Restricted Stock 2013-2015**	**Performance Period 2014**	**TOT/WA**
Initial amount, pcs	479 000	121 000	416 000	1 016 000
Initial allocation date	1 Feb. 2013	1 Feb. 2013	12 Feb. 2014	
Vesting date / payment at the latest	30 Apr. 2016	30 Apr. 2016	30 Apr. 2017	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2
Remaining contractual life, yrs	0.0	1.3	2.3	1.2
Vesting conditions	EPS (70%), ROCE-% (30%), Employment precondition	Share purchase and ownership requirement, Employment precondition	EPS (70%), ROCE-% (30%), Employment precondition	
Number of persons at the end of the reporting year	0	18	22	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	
Changes during the period 2014	**Performance Period 2013**	**Restricted Stock 2013-2015**	**Performance Period 2014**	**Total**
1 Jan. 2014				
Outstanding at the beginning of the reporting period, pcs	388 422	104 000	0	492 422
Changes during the period				
Granted	0	0	416 000	416 000
Forfeited	12 316	8 000	0	20 316
Excercised	0	0	0	0
Expired	376 106	0	0	376 106
31 Dec. 2014				
Outstanding at the end of the period	0	96 000	416 000	512 000

The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period

Share price at grant, EUR	3.75
Share price at reporting period end, EUR	3.27
Maturity, years	3.2
Expected dividends, EUR	0.48
Fair value at grant, EUR	1 360 320
Fair value 31 Dec. 2014, EUR	312 000

Effect of Share-based Incentives on the result and financial position during the period

Expenses for the financial year, share-based payments	84 196
Expenses for the financial year, share-based payments, equity-settled	37 130
Liabilities arising from share-based payments 31 Dec. 2014	108 004

5. DEPRECIATION AND IMPAIRMENT

	2014	2013
Depreciation according to plan	-56.5	-61.3
Impairment	-26.1	-0.6
Total	**-82.6**	**-61.9**

6. OTHER OPERATING EXPENSES

	2014	2013
Rents/leases	-21.6	-22.7
Losses on disposal of non-current assets	-0.3	0.0
R&D costs	-3.7	-3.2
Non-statutory staff costs	-12.4	-13.5
Energy	-40.9	-44.8
Maintenance	-43.4	-42.2
Advertising, marketing and entertainment costs	-19.4	-18.6
Service, information management and office costs	-24.7	-26.7
Other expenses	-40.6	-47.2
Total other operating expenses	**-206.9**	**-218.8**

Audit fees

The Group's audit fees paid to 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.

	2014	2013
Audit fees	-0.5	-0.9
Tax consultation	0.0	-0.1
Other fees	-0.1	0.0
Audit fees, total	**-0.6**	**-1.0**

7. FINANCIAL INCOME AND EXPENSES

Financial income	2014	2013
Dividend income	0.2	0.0
Interest income		
- Interest income from loans and receivables	2.8	3.1
- Interest income from financial assets at fair value through profit or loss	0.7	1.4
Other financial income	0.1	0.2
Total	**3.9**	**4.7**

Financial expenses	2014	2013
Interest expenses		
- Interest expenses from other liabilities	-8.0	-14.4
- Interest expenses from financial assets at fair value through profit or loss	-6.1	-7.5
Other financial expenses		
- Ineffective portion of electricity hedge	0.0	0.3
- Ineffective portion of interest rate risk hedge	0.3	0.4
- Impairment losses on loan receivables	-1.3	-1.8
- Other financial expenses	-3.8	-4.7
Exchange gains and losses from loans and other receivables	-0,3	-0,8
Total	**-19.3**	**-28.4**
Total financial income and expenses	**-15.4**	**-23.7**

8. INCOME TAXES

	2014	2013
Income taxes		
Income tax on ordinary operations	-0.7	-0.5
Tax for previous financial periods	0.0	0.0
Change in deferred tax liabilities and assets	6.6	3.7
Income tax on ordinary operations	**5.9**	**3.1**
Cumulative tax rate reconciliation		
Accounting profit/loss before taxes	51.2	6.7
Deferred tax at parent company's tax rate	-10.5	-1.6
Effect of different tax rates applied to foreign subsidiaries	0.5	0.8
Share of associates' results	2.3	4.2
Tax-exempt income	15.2	1.1
Non-deductible expenses	-1.5	-1.3
Use of tax losses not recognised earlier	0.0	0.0
Unrecognised tax on the losses for the financial period	-0.1	0.0
Tax for previous financial periods	0.0	0.0
Adjustments concerning previous financial periods	0.0	0.0
Effect of change in tax rate	0.0	0.1
Tax expenses in the income statement	**5.9**	**3.1**

The Finnish tax rate used for the calculation of deferred taxes changed from 24.5 per cent in 2012 to 20.0 per cent in the financial statements for 2013. Also the Danish tax rate changed from 25.0 to 22.0 per cent in the financial statement 2013.

9. EARNINGS PER SHARE

	2014	2013
Profit for the period attributable to equity holders of the parent	56.7	8.7
Total	**56.7**	**8.7**
Weighted average number of shares in thousands	53 973	53 973
Weighted average number of shares adjusted for dilution effect	53 973	53 973
Undiluted earnings per share (EUR/share)	1.05	0.16
Earnings per share adjusted for dilution effect (EUR/share)	1.05	0.16

NOTES TO THE BALANCE SHEET

10. INTANGIBLE ASSETS

	2014	2013
Opening balance, cumulative acquisition cost	98.1	98.2
Translation differences	-4.0	-2.2
Additions	1.4	2.1
Disposals	0.1	-0.3
Reclassification between items	-1.1	0.3
Closing balance, cumulative acquisition cost	94.4	98.1
Opening balance, cumulative depreciations	-23.9	-21.2
Translation differences	0.4	0.2
Accumulated depreciation on disposals and reclassifications	0.9	0.2
Depreciation for the financial period	-2.9	-3.2
Closing balance, cumulative depreciations	-25.6	-23.9
Intangible assets on 31 Dec.	**68.9**	**74.2**

The trademarks included in the Swedish business operations, carrying amount EUR 58.1 (61.6) million are tested for impairment each year. The Group has estimated that their useful life is unlimited.

11. GOODWILL

	2014	2013
Opening balance	78.0	79.1
Translation differences	-1.9	-1.1
Additions	-	-
Additions, business acquisitions	0.8	-
Disposals	-0.3	-
Depreciation and impairment	-1.2	-
Closing balance	**75.4**	**78.0**

Impairment of goodwill relates to a Group company that has been sold during 2014.

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 four CGUs.

Specification of goodwill	2014	2013
Finland	17.7	17.9
Sweden	31.9	34.2
Denmark	3.6	3.6
Baltics	22.2	22.2
Total	**75.4**	**78.0**

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.

Management reviews the business performance based on business segments and it has identified Finland, Sweden, Denmark and Baltics as the main segments. Goodwill is monitored by the Management at the business segment level.

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 Group EBIT per cent of four will be achieved in the forecast period. The cash flow after the forecast period is extrapolated using a cautious growth factor (1.0 per cent). The growth factors of the cash-generating units (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 5.6 (6.8) per cent in Finland, 6.0 (7.4) per cent in Sweden, 5.7 (6.7) per cent in Denmark and 6.5 (7.9) per cent in the Baltic countries. The WACC interest rates changed compared to prior year mainly due to the decrease in risk free interest.

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 reasonably possible change in interest rates or growth factor reflecting profitability development would not result in impairment in any of the CGUs.

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 2014 or 2013.

12. TANGIBLE ASSETS

Tangible assets 2014	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and work in progress	Total
Opening balance, cumulative acq. cost	9.3	439.5	591.0	13.5	16.2	1 069.4
Translation differences	-0.2	-4.9	-9.9	0.0	-0.2	-15.2
Additions	0.0	5.9	12.3	1.4	28.2	47.8
Additions, business acquisitions	-	-	-	-	-	-
Disposals	-0.1	-2.4	-3.1	-0.6	0.0	-6.3
Disposals, business disposals	0.0	-1.3	-2.9	0.0	-	-4.2
Other changes	0.0	-4.9	-4.8	-0.1		-9.7
Reclassification between items	0.9	9.6	12.3	0.3	-23.4	-0.2
Closing balance, cumulative acq. cost	10.0	441.4	595.0	14.6	20.7	1 081.6
Opening balance, cumulative depreciations	-	-229.6	-417.1	-11.2	-	-657.9
Translation differences	-	4.0	7.7	0.0	-	11.7
Accumulated depreciation on disposals and reclassifications	-0.1	1.6	1.7	0.6	-	3.8
Accumulated depreciation on acquisitions	-	0.9	3.5	0.0	-	4.4
Depreciation for the financial period	-	-13.1	-39.5	-1.0	-	-53.6
Impairment losses	-	-19.0	-5.5	-	-	-24.5
Impairment charge reversals	-	-0.1	0.9	0.0	-	0.8
Other changes	-	2.1	1.2	-	-	3.3
Closing balance, cumulative depreciations	-0.1	-253.2	-447.0	-11.6	-	-711.9
Tangible assets on 31 Dec. 2014	**9.9**	**188.2**	**148.0**	**2.9**	**20.7**	**369.7**

Tangible assets 2013	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and work in progress	Total
Opening balance, cumulative acq. cost	7.0	440.6	584.9	14.2	13.1	1 059.9
Translation differences	0.0	-2.9	-5.2	0.0	-0.1	-8.4
Additions	0.0	4.8	17.8	0.3	17.6	40.5
Additions, business acquisitions	-	0.0	0.0	-	-	0.0
Disposals	-0.1	-6.9	-14.2	-0.6	-0.7	-22.5
Reclassification between items	2.4	3.9	7.7	-0.4	-13.7	-0.1
Closing balance, cumulative acq. cost	9.3	439.5	591.0	13.5	16.2	1 069.4
Opening balance, cumulative depreciations	-	-223.2	-388.7	-11.0	-	-622.9
Translation differences	-	2.3	3.6	0.0	-	5.9
Accumulated depreciation on disposals and reclassifications	-	4.7	11.7	0.6	-	17.0
Accumulated depreciation on acquisitions	-	0.2	0.0	-	-	0.2
Depreciation for the financial period	-	-13.6	-43.7	-0.8	-	-58.1
Impairment charge reversals	-	-	-	-	-	0.0
Closing balance, cumulative depreciations	-	-229.6	-417.1	-11.2	-	-657.9
Tangible assets on 31 Dec. 2013	**9.3**	**209.9**	**173.9**	**2.2**	**16.2**	**411.5**

Other property, plant and equipment include EUR 1.3 (0.0) million biological assets. These are animals producing slaughter animals and they have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

13. SHARES IN ASSOCIATES

	2014	2013
Opening balance	135.8	133.6
Translation differences	-1.9	-1.8
Additions, business acquisitions	1.0	0.2
Impairment losses	-1.1	-
Disposals, business disposals	-105.5	-7.1
Closing balance	28.4	125.0
Share of associates' results	11.2	18.6
Dividend from associates	-16.9	-7.7
Shares in associates on 31 Dec.	**22.7**	**135.8**

Associated companies consolidated in the Group financial statements are listed in Note 28. Group has no single material associated companies. The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing, and the use of leasing, waste disposal, research and advisory services.

There are no contingent liabilities relating to the Group's interest in the associates.

The sale of shares in Saturn Nordic Holding AB, owner of 100 per cent of the shares in Sokołów S.A., was completed on 10 June 2014. The transaction generated operating income amounting to EUR 77.6 million in capital gain, cash flow of EUR 8.3 million as dividends and EUR 178.7 million as sales price after the transaction costs.

14. FINANCIAL ASSETS AND LIABILITIES

Financial instruments by category 2014

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Assets as per balance sheet								
Non-current trade and other receivables			7.2			7.2		
Available-for-sale investments			13.2			13.2		
Trade and other receivables*		113.4				113.4		
Derivative financial instruments	0.6					0.6	0.6	2
Cash and bank		16.4				16.4		
Total	**0.6**	**129.9**	**20.4**	**0.0**	**0.0**	**150.8**		

* Trade and other receivables balance sheet amount EUR 122.2 million includes derivative financial instruments amounting to EUR 0.6 million and prepayments and other items that are not financial instruments amounting to EUR 8.2 million.

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Liabilities as per balance sheet								
Non-current interest-bearing liabilities					121.8	121.8		
Non-current non-interest bearing liabilities					0.1	0.1		
Current interest-bearing liabilities					36.4	36.4		
Derivative financial instruments*	0.5			17.2		17.7	17.7	2
Trade and other payables*					198.7	198.7		
Total	**0.5**	**0.0**	**0.0**	**17.2**	**356.9**	**374.6**		

* Trade and other payables balance sheet amount EUR 216.3 million includes derivative financial instruments amounting to EUR 17.7 million.

Financial instruments by category 2013

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Assets as per balance sheet								
Non-current trade and other receivables			3.3			3.3		
Available-for-sale investments			14.1			14.1		
Trade and other receivables*		126.7				126.7		
Derivative financial instruments	0.3					0.3	0.3	2
Cash and bank		68.7				68.7		
Total	**0.3**	**195.4**	**17.4**	**0.0**	**0.0**	**213.1**		

* Trade and other receivables balance sheet amount EUR 136.9 million includes derivative financial instruments amounting to EUR 0.3 million and prepayments and other items that are not financial instruments amounting to EUR 9.9 million.

Liabilities as per balance sheet								
Non-current interest-bearing liabilities					245.1	245.1		
Non-current non-interest bearing liabilities					1.1	1.1		
Current interest-bearing liabilities					159.3	159.3		
Derivative financial instruments*	5.6			14.4		20.0	20.0	2
Trade and other payables*					232.2	232.2		
Total	**5.6**	**0.0**	**0.0**	**14.4**	**637.8**	**657.8**		

* Trade and other payables balance sheet amount EUR 252.2 million includes derivative financial instruments amounting to EUR 20.0 million.

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. Fair value of financial instruments other than those recorded at fair value is close to balance sheet value and therefore they are not separately disclosed.

15. DEFERRED TAX ASSETS AND LIABILITIES

Specification of deferred tax assets

	1 Jan. 2014	Translation difference	Recognised in income statement	Recognised in equity	31 Dec. 2014
Pension benefits	1.8	-0.1	0.0	1.4	3.1
Other timing differences	2.6	-0.2	0.8	-	3.1
Arising from consolidation	-	-	-	-	-
Adopted losses	19.0	-0.3	4.5	-	23.2
Arising from hedge accounting	3.9	-	-0.1	0.3	4.1
Total	**27.3**	**-0.6**	**5.2**	**1.7**	**33.6**

Specification of deferred tax liabilities

	1 Jan. 2014	Translation difference	Recognised in income statement	Recognised in equity	31 Dec. 2014
Depreciation difference	11.2	0.2	-1.4	-	10.0
Other timing differences	0.9	0.0	0.0	-	0.9
Arising from consolidation	14.6	-0.8	-0.1	-	13.7
Pension benefits	-	-	-	-	-
Arising from hedge accounting	0.3	-	-	0.0	0.3
Total	**26.9**	**-0.6**	**-1.5**	**0.0**	**24.9**

Specification of deferred tax assets

	1 Jan. 2013	Translation difference	Recognised in income statement	Recognised in equity	31 Dec. 2013
Pension benefits	2.2	-0.2	0.2	-0.5	1.8
Other timing differences	2.1	-0.1	0.2	0.4	2.6
Arising from consolidation	0.6	-	-0.2	-0.4	-
Adopted losses	15.5	-0.2	3.7	-	19.0
Arising from hedge accounting	6.9	-	-0.2	-2.8	3.9
Total	**27.2**	**-0.4**	**3.7**	**-3.3**	**27.3**

Specification of deferred tax liabilities

	1 Jan. 2013	Translation difference	Recognised in income statement	Recognised in equity	31 Dec. 2013
Depreciation difference	8.9	0.0	2.3	-	11.2
Other timing differences	2.8	0.0	-1.9	-	0.9
Arising from consolidation	15.5	-0.6	-0.3	-	14.6
Pension benefits	-	-	-	-	-
Arising from hedge accounting	0.4	-	-	-0.1	0.3
Total	**27.5**	**-0.6**	**0.1**	**-0.1**	**26.9**

Utilisation of deferred tax assets related to losses in taxation is based on same assumptions that are used in goodwill impairment testing in Note 11.

Deferred tax liability has not been recognised in respect of retained profits of subsidiaries, amounting to EUR 21.3 (99.0) million, as the assets have been used to safeguard the foreign companies' own investment needs.

On 31 December 2014, the Group had EUR 2.1 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.

16. INVENTORIES

	2014	2013
Materials and supplies	73.2	85.8
Unfinished products	5.3	4.0
Finished products	36.9	44.3
Other inventories	1.8	6.6
Prepayments for inventories	0.5	1.1
Biological assets	7.7	10.7
Total inventories	**125.4**	**152.5**

Fair value hierarchy level of the biological assets is 1. There were no transfers between any levels during the year.

17. TRADE AND OTHER CURRENT RECEIVABLES

	2014	2013
Trade receivables from associates	2.2	2.4
Loan receivables from associates	-	0.0
Other receivables from associates	0.2	0.3
Current receivables from associates	2.4	2.7
Trade receivables	103.5	108.7
Loan receivables	0.2	0.5
Other receivables	7.1	14.5
Current receivables from others	110.8	123.7
Current derivative receivables	0.6	0.3
Interest receivables	0.3	0.4
Other prepayments and accrued income	8.1	9.7
Current prepayments and accrued income	8.5	10.2
Trade and other receivables	122.2	136.9
Tax receivables (income taxes)	0.2	0.1
Income tax receivable	0.2	0.1
Total current receivables	**122.4**	**137.0**

Age breakdown of trade receivables and items recognised as impairment losses

	2014	Impairment losses	Net 2014	2013	Impairment losses	Net 2013
Unmatured	96.9	0.1	96.8	100.9	0.2	100.7
Matured:						
Under 30 days	8.3	0.0	8.3	9.6	0.0	9.6
30-60 days	0.3	0.0	0.3	0.9	0.0	0.9
61-90 days	0.4	0.0	0.4	0.9	1.0	-0.1
over 90 days[1]	0.2	0.2	0.0	1.5	1.3	0.1
Total	**106.0**	**0.3**	**105.7**	**113.7**	**2.6**	**111.1**

[1] Comprise among others receivables to be set off against payments for animals.

18. 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:

	2014	2013
Cash and bank	16.4	68.7
Short-term money market investments	-	-
Other financial instruments	-	-
Total cash and cash equivalents	**16.4**	**68.7**

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

19. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Koks Munatootmine OÜ (part of Baltics segment) and hatcheries in Finland (part of Finland segment) have been presented as held for sale following the approval of the Group's Management in the end of 2014 to sell these operations. The completion date for the transaction is expected to be by spring 2015.

Assets of disposal group classified as held for sale

Segment	Finland	Baltics	Total
Intangible assets	0.1	0.1	0.2
Tangible assets	2.1	4.3	6.5
Inventories	0.7	0.9	1.6
Current receivables	1.1	0.0	1.1
Cash and cash equivalents	0.0	0.0	0.0
	4.0	5.4	9.4

Liabilities of disposal group classified as held for sale

Segment	Finland	Baltics	Total
Current liabilities, non interest-bearing	0.6	0.3	0.8

Assets and liabilities held for sale are stated at carrying amount. There is no material difference to fair value less costs to sell. Basis for fair value is the preliminary contract made with the buyer (fair value hierarchy level 2).

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 million)	Share premium reserve (EUR million)	RIUE (EUR million)	Treasury shares (EUR million)	Total (EUR million)
1 Jan. 2013	53 973	66.8	72.9	143.5	0.0	283.1
31 Dec. 2013	53 973	66.8	72.9	143.5	0.0	283.1
1 Jan. 2014	53 973	66.8	72.9	143.5	0.0	283.1
31 Dec. 2014	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 and at the end of the financial year 2014, HKScan held 1 053 734 treasury A Shares. At the end of the year, they had a market value of EUR 3.45 million and accounted for 1.92 per cent of all shares and 0.67 per cent of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity.

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. Revaluation reserve includes EUR 0.6 (0.6) million other than hedging instrument related items. The following is an itemisation of events in the hedging instruments reserve during the financial period.

Hedging instruments reserve	**2014**	**2013**
Fair value reserve and hedging instruments reserve on 1 Jan.	-11.4	-14.2
Amount recognised in equity in the financial period (effective portion), interest rate derivatives	-2.8	5.7
Amount recognised in equity in the financial period (effective portion), commodity derivatives	0.4	-1.1
Share of deferred tax asset of changes in period	0.5	-1.8
Fair value reserve and hedging instruments reserve on 31 Dec.	-13.3	-11.4

Dividends

Dividend of EUR 0.10 (0.10) per share, totalling EUR 5.4 (5.4) million, was distributed in 2014. Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.10 per share, totalling EUR 5.4 million, and an additional dividend of EUR 0.39 per share, totalling EUR 21.0 million, be declared.

21. PENSION OBLIGATIONS

	2014	**2013**
Pension liability/receivable in balance sheet		
Defined benefit plans	14.6	8.4
Other long-term employee benefits	1.1	-
Pension liability (+) / receivable (-) in balance sheet	15.7	8.4
Change in liabilities/receivables arising from defined benefit plans in the financial period		
Balance on 1 Jan.	8.4	9.7
Defined benefit pension expense in income statement	1.0	0.7
Payments into the pension plan	-0.9	0.0
Actuarial changes	6.2	-2.1
Liabilities/receivables at end of financial period	14.6	8.4

The Group's defined benefit plans consist of the pension liability for the former CEO of the parent company and Swedish pension program. The company's pension commitment in respect of the defined benefit relating to former CEO was EUR 3.0 million on 31 December 2014. The remaining pension liability relates to Swedish pension program.

22. PROVISIONS

	1 Jan. 2014	**Increase in provisions**	**Exercised in financial period (-)**	**31 Dec. 2014**
Non-current provisions	0.1	-	-	0.1
Current provisions	0.0	3.7	-0.6	3.1
Total	**0.1**	**3.7**	**-0.6**	**3.1**

	1 Jan. 2013	**Increase in provisions**	**Exercised in financial period (-)**	**31 Dec. 2013**
Non-current provisions	0.1	-	-	0.1
Current provisions	0.0	-	-	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**

23. LIABILITIES

	2014	2013
NON-CURRENT LIABILITIES		
Interest-bearing		
Syndicated loans	0.0	179.2
Bond	99.4	0.0
Bank loans	0.2	18.2
Pension loans	22.1	47.7
Other liabilities	0.0	0.0
Non-current interest-bearing liabilities	**121.8**	**245.1**
Non-interest bearing		
Other liabilities	0.1	1.1
Non-current non-interest-bearing liabilities	**0.1**	**1.1**
Non-current provisions	0.1	0.1
Deferred tax liability	24.9	26.9
Pension obligations	15.7	8.4
Non-current liabilities	**162.6**	**281.6**
CURRENT INTEREST-BEARING LIABILITIES		
Syndicated loans	-	15.0
Bank loans	16.0	0.5
Credit facilities	-	1.3
Commercial paper	11.0	128.4
Pension loans	7.1	11.7
Other liabilities	2.2	2.4
Current interest-bearing liabilities	**36.4**	**159.3**
TRADE AND OTHER PAYABLES		
Advances received	0.0	0.0
Trade payables	106.5	127.7
Accruals and deferred income		
- Short-term interest payable	1.0	1.5
- Matched staff costs	52.7	51.9
- Other short-term accruals and deferred income	30.6	42.1
Derivatives	17.7	20.0
Other liabilities	7.9	9.0
Trade and other payables	**216.3**	**252.2**
Income tax liability	0.0	0.1
Current provisions	3.1	0.0
Current liabilities	**255.8**	**411.6**
Liabilities	**418.3**	**693.2**

Amounts of the Group's interest bearing liabilities and their contractual re-pricing periods are as follows:

	31 Dec. 2014	31 Dec. 2013
Under 6 months	28.9	363.0
6–12 months	14.5	17.1
1–5 years	114.7	24.1
Over 5 years	0.0	0.2
Total	**158.1**	**404.4**

Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2014	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	60.8	60.4	0.4	-	-	-
Electricity derivatives	-	-	-	-	-	-
Trade receivables	0.4	-	0.4	-	0.2	0.2
Total	**61.2**	**60.4**	**0.8**	**-**	**0.2**	**0.2**

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2013	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	20.0	20.0	0.0	-	-	-
Foreign exchange derivatives	18.1	17.9	0.2	-	-	-
Electricity derivatives	-	-	-	-	-	-
Trade receivables	0.5	-	0.5	-	0.2	0.3
Total	**38.6**	**37.9**	**0.7**	**-**	**0.2**	**0.3**

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2014	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	173.3	157.6	15.7	-	-	-
Foreign exchange derivatives	9.7	9.6	0.1	-	-	-
Electricity derivatives	7.9	6.3	1.7	-	-	-
Total	**190.9**	**173.5**	**17.5**	**-**	**-**	**-**

As at 31 Dec. 2013	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Cash collateral received	Net amount
Interest rate derivatives	207.7	191.6	16.0	-	-	-
Foreign exchange derivatives	60.3	59.3	1.0	-	-	-
Electricity derivatives	11.4	9.3	2.1	-	-	-
Total	**279.4**	**260.2**	**19.1**	**-**	**-**	**-**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

24. 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 financiers. The treasury policy approved by the Board provides the principles for financial risk management in the Group. The policy is supplemented by separate guidelines and instructions, as well as approval practices.

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 and market conditions.

External funding of the Group's operations and financial risk management is centralised to 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 cooperation 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.

Foreign exchange risk

The Group's domestic market consists of Finland, Sweden, Denmark and Baltic countries. HKScan is active in ten countries altogether. The company produces, sells and markets pork, beef, poultry and lamb products, processed meats and convenience foods to customers in retail trade, food service, industry and export sectors.

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 exposures, which include sales, purchases and financing related contractual cash flows (balance sheet items and committed cash flows), as well as highly probable forecasted 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 balance sheet items in full amount and committed cash flows from 50 to 100 per cent. In addition, forecasted, highly probable cash flows are hedged 0-50 per cent for up to 12 months into the future. Group Treasury can use currency forwards, options and swaps as hedging instruments. Treasury targets to hedge fully its significant foreign exchange risk exposures.

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 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. Group Treasury identifies and manages foreign exchange translation risks according to Treasury Policy. Treasury Policy was updated in 2014 and hedging of SEK and DKK equity were terminated. Thus, HKScan Group is not hedging translation risk currently.

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

	2014	2013
Currency	Exposure	Exposure
SEK	98.0	102.8
PLN	3.1	84.7
DKK	31.9	41.9

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

	2014 USD	JPY	SEK	GBP	2013 USD	JPY	SEK	GBP
Net position before hedging	3.6	0.9	24.6	1.8	4.1	1.0	31.2	1.8
Hedging	-1.6	-0.9	-23.2	-0.3	-2.3	-0.9	-31.6	-1.2
Open position	2.0	0.0	1.4	1.5	1.8	0.1	-0.4	0.6

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 foreign currencies, the effect would mainly be due to changes in the exchange rates applicable to foreign currency denominated trade receivables and payables.

	2014 USD	JPY	SEK	GBP	2013 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	0.2	0.0	0.1	0.1	0.2	0.0	0.0	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 main exposure to interest rate risk arises through interest-bearing liabilities. The goal of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement, minimise debt servicing costs and improve the predictability. The Group's short-term money market investments expose it to cash flow interest rate risk, but the impact is not significant as these investments are targeted to keep in minimum. Group revenues and operative cash flows are mainly independent of fluctuations in market rates.

Interest rate risk is measured by the effect of interest rate movements on the total forecasted debt portfolio. The relevant measurement horizons are selected in accordance with the rolling business strategy planning and possible major investment programs.

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 Treasury policy. The goal of the policy is to keep the fixed interest term of the loans between 12 and 48 months. On the balance sheet date the fixed interest term increased to 43 months, mainly as a result of a bond issuance in November 2014.

The Group monitors and analyses its interest rate risk position on a regular basis. The Group has determined sensitivity limits for interest rate movements. The sensitivity of net financial expenses on the balance sheet date to an increase/decrease of one per cent in interest rates, all other things being equal, was approximately EUR 0.4 (3.1) 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.

Counterparty risk

Financial counterparty risk refers to the risk that 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, municipal papers and the commercial paper programmes of certain specified companies listed on the main list of the Nasdaq Helsinki and to certain state-owned companies. 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. In addition to meat raw materials 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 in Finland and Sweden 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 changed by +/-10 percentage points from the balance sheet date, the impact would be as follow, calculated before tax:

EUR million	2014	2013
Electricity – effect in income statement	+/- 0.6	+/- 1.6
Electricity – effect in equity	+/- 0.3	+/- 0.5

Credit risk

The Group's Treasury Policy and related guidelines specify the credit quality requirements and investment principles applied to customers and counterparties to investment transactions and derivative contracts. The Group Treasury is responsible for defining the principles for credit management within the Group and updating the Credit Policy as well as instructing the Group's subsidiaries in credit management.

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 organizations in the various market areas. The creditworthiness, payment behaviour and credit limits of the customers are monitored systematically. As a main principle some type of securing is needed for all credit granted. The security can be credit insurance, a bank guarantee, or a security deposit. In addition, the Group is exposed to minor credit risk in remaining financing investments of primary production contract producers.

The amount of impairment losses recognised through profit or loss in the financial period was EUR 0.3 (1.6) million. 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 17.

Liquidity and refinancing risk

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 maintains 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. In general, cash and cash equivalents are targeted to keep in minimum. 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 committed credit facilities. Short-term liquidity requirements include the repayments of short- and long-term debt within the next 12 months, expected dividends as well as a specifically defined strategic liquidity requirement, which covers the operative funding needs.

The Group's liquidity remained good in 2014. Undrawn committed credit facilities on 31 December 2014 stood at EUR 136.5 (161.5) million.The total size of committed credit facilities was deliberately lowered during the year 2014 due to the improved liquidity situation. In addition, the Group had other undrawn overdraft and other facilities of EUR 22.3 (22.6) million. At year end, the company's EUR 200 million commercial paper programme had been drawn in the amount of EUR 11.0 (129.0) million. The credit available from the loan facilities is subject to variable rates and the related interest rate risk is managed through derivative instruments.

The Group repaid all its syndicated term loans amounting approx. EUR 190 million in June 2014. In addition, the maturity structure of the Group's remaining interest-bearing liabilities were lengthened remarkably by a EUR 100 million bond issue in November. The five-year unsecured bond matures on 21 November 2019 and it carries a fixed annual interest of 3.625 per cent.

The average rate of interest (including commitment fees) paid by the Group was 3.5 (3.7) per cent at the balance sheet date.

Of the committed credit facility agreements EUR 136.5 million will mature 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 main financial covenant being the net gearing.

Financiers 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. On 31 December, the financial covenants were well below the covenant levels.

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

2014

Credit type	Size	In use	Available
Overdraft facility	22.3	0.0	22.3
Credit limit	136.5	0.0	136.5
Total	**158.8**	**0.0**	**158.8**

2013

Credit type	Size	In use	Available
Overdraft facility	22.6	0.0	22.6
Credit limit	162.8	1.3	161.5
Total	**185.5**	**1.3**	**184.1**

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.

The following table 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. 2014
Maturity of financial liabilities

Credit type	Balance sheet 31 Dec. 2014	Cashflows sum	Cashflows 2015	2016	2017	2018	2019	> 2019
Syndicated loans	-	-	-	-	-	-	-	-
Bond	99.4	118.4	3.7	3.7	3.7	3.7	103.7	-
Bank loans	16.2	16.5	16.3	0.0	0.0	0.0	0.0	0.1
Pension loans	29.3	30.8	7.8	7.6	7.4	5.1	2.9	-
Commercial paper programme	11.0	11.0	11.0	-	-	-	-	-
Other borrowing	2.2	2.2	2.2	-	-	-	-	-
Trade and other payables	216.3	216.3	216.3	-	-	-	-	-
Total	**374.4**	**395.3**	**257.3**	**11.3**	**11.1**	**8.8**	**106.6**	**0.1**

31 Dec. 2013
Maturity of financial liabilities

Credit type	Balance sheet 31 Dec. 2013	Cashflows sum	Cashflows 2014	2015	2016	2017	2018	> 2018
Syndicated loans	194.2	213.6	21.7	36.5	138.4	16.9	0.0	0.0
Bond	-	-	-	-	-	-	-	-
Bank loans	18.7	19.3	0.8	16.6	0.4	0.4	0.4	0.8
Pension loans	59.4	63.5	13.0	12.9	12.6	12.3	9.9	2.9
Commercial paper programme	128.4	129.0	129.0	-	-	-	-	-
Other borrowing	3.7	3.8	3.8	-	-	-	-	-
Trade and other payables	252.2	252.2	252.2	-	-	-	-	-
Total	**656.6**	**681.3**	**420.5**	**66.0**	**151.4**	**29.5**	**10.2**	**3.7**

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.

	2014 Positive fair value	2014 Negative fair value	2014 Fair value net	2013 Fair value net	2014 Nominal value	2013 Nominal value
Interest rate derivatives	-	-15.7	-15.7	-16.0	157.6	211.6
matured in 2014				-0.4		27.6
matures in 2015	-	-	-	-0.1	-	1.7
matures in 2016	-	-1.1	-1.1	-0.6	30.0	30.7
matuers in 2017	-	-0.9	-0.9	-5.5	25.3	73.0
matures in 2018	-	-1.2	-1.2	-0.5	16.0	17.3
matures in > 2018	-	-12.5	-12.5	-8.8	86.3	61.4
of which defined as cash flow hedging instruments	-	-15.5	-15.5	-12.3	137.6	162.7
Foreign exhange derivatives	0.4	-0.1	0.3	-0.8	70.5	78.3
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	-	-1.7	-1.7	-2.1	7.6	9.3
matured in 2014				-0.9		3.1
matures in 2015	-	-0.8	-0.8	-0.6	3.6	2.9
matures in 2016	-	-0.5	-0.5	-0.4	2.6	2.1
matuers in 2017	-	-0.3	-0.3	-0.2	1.3	1.3
matures in 2018	-	-	-	-	-	-
of which defined as cash flow hedging instruments	-	-1.7	-1.7	-2.1	7.6	9.3

Derivatives to which hedge accounting applies

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR -2.2 (3.8) million 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 0.3 (-1.0) million 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 short term receivables and cash and cash equivalents.

On the balance sheet date the equity ratio is 51.5 per cent. The target in respect of net gearing ratio is below 100 per cent. On the balance sheet date, the net gearing ratio was 31.8 per cent.

Net gearing ratio

	2014	2013
Interest-bearing liabilities	158.1	404.4
Interest-bearing short-term receivables	0.2	0.5
Cash and bank	16.4	68.7
Interest-bearing net liabilities	141.5	335.3
Equity	445.2	409.0
Net gearing ratio	31.8%	82.0%

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

When determining the fair values of the financial assets and liabilities, 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.

Derivatives

The fair values of currency forward contracts 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. 2014	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	0.4	0.0	0.4	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.4**	**0.0**	**0.4**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-15.7	0.0	-15.7	0.0
of which subject to cash flow hedging	-15.5	0.0	-15.5	0.0
- Foreign exchange derivatives	-0.1	0.0	-0.1	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.7	0.0	-1.7	0.0
of which subject to cash flow hedging	-1.7	0.0	-1.7	0.0
Total	**-17.5**	**0.0**	**-17.5**	**0.0**

	31 Dec. 2013	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	0.0	0.0	0.0	0.0
- Foreign exchange derivatives	0.2	0.0	0.2	0.0
- Commodity derivatives	-	-	-	-
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**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-16.0	0.0	-16.0	0.0
of which subject to cash flow hedging	-12.3	0.0	-12.3	0.0
- Foreign exchange derivatives	-1.0	0.0	-1.0	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-2.1	0.0	-2.1	0.0
of which subject to cash flow hedging	-2.1	0.0	-2.1	0.0
Total	**-19.1**	**0.0**	**-19.1**	**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.

26. 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:

Other rent commitments	**2014**	**2013**
Maturing in less than a year	7.2	8.4
Maturing in 1–5 years	20.7	26.3
Maturing in over 5 years	11.8	14.8
Other rent commitments, total	39.8	49.4
Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.1	0.2
Maturing in 1–5 years	0.0	0.1
Maturing in over 5 years	0.0	0.0
Rent receivables, total	0.1	0.3

27. CONDITIONAL ASSETS AND LIABILITIES AND PURCHASE COMMITMENTS

Commitments and contingent liabilities	**2014**	**2013**
Loans secured by mortgages	29.5	273.7
On own behalf		
Mortgages given	10.7	12.4
Assets pledged	3.2	9.3
On behalf of others		
Guarantees	7.1	23.2
Other commitments	6.5	6.6
Leasing commitments		
Leasing commitments maturing in less than a year	6.3	6.2
Leasing commitments maturing in 1–5 years	8.1	10.7
Leasing commitments maturing in over 5 years	0.3	0.3
Total	**42.2**	**68.8**

28. 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 Group 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 13.8 (18.4) million. Said persons purchased animals from the Group with EUR 4.9 (5.9) million.

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 2014, 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**	**Owner-%**
Owned by the Group's parent company		
HKScan Finland Oy, Finland (HK Ruokatalo Oy)	1 000	100.00
HKScan Sweden AB, Sweden (Scan AB)	500 000	100.00
HKScan Denmark A/S, Denmark (Rose Poultry A/S)	102 002	100.00
AS HKScan Estonia, Estonia (AS Rakvere Lihakombinaat)	37 721 700	100.00
UAB HKScan Lietuva, Lithuania (UAB Klaipedos Maisto Mesos Produktai)	2 000	100.00
AS HKScan Latvia, Latvia (AS Rigas Miesnieks)	155 920	99.52
HKScan UK Ltd, England (Scan Foods UK Ltd)	999	100.00
Owned by HKScan Finland Oy		
Kivikylän Kotipalvaamo Oy, Finland	49	49.00
Lihatukku Harri Tamminen Oy, Finland	49	49.00
Owned by AS HKScan Estonia		
Rakvere Farmid AS, Estonia	6 984	100.00
KOKS Munatootmine OÜ, Estonia	1	100.00
Owned by HKScan Sweden AB		
Annerstedt Flodin AB, Sweden	50 000	100.00
HKScan Real Estate AB, Sweden	80 000	100.00
Nordic Genetics AB, Sweden	1 000	100.00
HKScan International AB, Sweden	10	100.00
HKScan Poland Sp.zo.o, Poland (Kreatina Sp.zo.o)	5 000	100.00
Samfod SA., Belgium	24 999	100.00
Owned by Annerstedt Flodin AB		
AB O Annerstedt, Sweden	30 000	100.00
Owned by HKScan Real Estate AB		
HKScan Real Estate Halmstad AB, Sweden (Pärsons Sverige AB)	3 900	100.00

Shares in subsidiaries	Number of shares	Owner-%
Owned by HKScan Denmark A/S		
Rose Poultry AB, Sweden	10 000	100.00
Kreatina A/S, Denmark	30 000	100.00

Shares and holdings in associated companies	Number of shares	Owner-%
Owned by the Group's parent company		
Lihateollisuuden Tutkimuskeskus, Finland	2 600	5.20*
Owned by HKScan Finland Oy		
Länsi-Kalkkuna Oy, Finland	250	50.00
Pakastamo Oy, Finland	660	50.00
Honkajoki Oy, Finland	900	50.00
Finnpig Oy, Finland	40	50.00
Lihateollisuuden Tutkimuskeskus, Finland	22 400	44.80*
Envor Biotech Oy, Finland	128	24.62
Oy LHP Bio-Carbon LTD, Finland	32	24.24
JVP-Eura Oy, Finland	21	15.00
Transbox Oy, Finland	13	9.29
Suomen Elfi Oy, Finland	1	3.70
Suomen Uusiomuovi Oy, Finland	20	1.86
Owned by HKScan Sweden AB		
Industrislakt Syd AB, Sweden	50 000	50.00
AB Tillväxt for svensk animalieproduktion, Sweden	135 500	50.00
Gotlands Slagteri AB, Sweden	250	43.75
Siljans Chark AB, Sweden	3 680	39.30
Svensk Köttrasprövning AB, Sweden	1 750	35.00
Svensk Lantbrukstjänst AB, Sweden	650	26.00
Svenskt Butikskött AB, Sweden	333	25.00
Svenska Köttföretagen Holding AB, Sweden	48 000	24.00
Daka Denmark A/S, Denmark	736 909	2.68
Owned by HKScan Denmark A/S		
Tican-Rose GmbH, Germany	1	50.00
HRP Kyllingefarme A/S, Denmark	752	50.00
Farmfood, Denmark	10 000	33.30

* The Group has a total of 50 per cent ownership in Lihateollisuuden Tutkimuskeskus.

The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing 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

	2014	2013
Product sales		
Associates	65.9	106.5
Sales of animals to related parties	4.9	5.9
Product purchases		
Associates	40.2	55.1
Purchases of animals from related parties	16.5	20.9

Open balances on 31 Dec.	2014	2013
Trade receivables		
Associates	2.4	4.0
Trade payables		
Associates	2.8	5.0

29. EVENTS AFTER THE REPORTING DATE

On January 5, HKScan announced that the Group aims to improve operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting will be centralised at the Vinderup facility, and packaging and warehousing will remain in Skovsgaard. The targeted annualised cost reduction and profit improvement is in excess of EUR 5 million from the second quarter 2015 onwards. On January 28, HKScan announced that the related statutory employee negotiations were concluded, resulting in a net headcount reduction of 88 positions.

On 16 January, HKScan announced that it will soon begin exporting Finnish pork to China. HKScan Finland's pork slaughtering facility in Forssa is going to gain export certification from the Chinese food authorities following inspections carried out in August 2014.

On 26 January, HKScan announced that statutory employee negotiations at its Mellilä pig slaughtering house in Finland were concluded, resulting in a headcount reduction of 23 positions. The negotiations were related to the increased surplus in pork meat due to the continuing Russian ban on pork imports from the EU countries.

On 2 February, HKScan announced that the District Court of Southwest Finland had issued its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy by the bankruptcy estate of Oy Primula Ab.*

* Primula has not made an appeal to the Court of Appeal and therefore, the ruling made by the District Court on 2 February is now final and binding.

FAS PARENT COMPANY INCOME STATEMENT FOR 1 JANUARY–31 DECEMBER

(EUR)

	Note	2014	2013
Net sales	1.	-	-
Other operating income	2.	120 048 177.60	2 750 568.93
Materials and services		-10 813.80	0.00
Employee costs	3.	-5 254 106.11	-5 478 933.33
Depreciation and impairment	4.	-410 695.17	-340 367.01
Other operating expenses	5.	-10 366 942.67	-9 511 166.99
EBIT		**104 005 619.85**	**-12 579 898.40**
Financial income and expenses	6.	16 041 038.39	5 247 890.69
Profit/loss before extraordinary items		**120 046 658.24**	**-7 332 007.71**
Extraordinary items	7.	-	-
Profit/loss after extraordinary items		**120 046 658.24**	**-7 332 007.71**
Appropriations	8.	-2 265.00	-103 273.00
Income taxes	9.	665 056.28	1 796 260.20
Profit/loss for the period		**120 709 449.52**	**-5 639 020.51**

FAS PARENT COMPANY BALANCE SHEET, 31 DECEMBER

(EUR)

	Note	2014	2013
ASSETS			
Intangible assets	10.	647 591.00	614 949.00
Tangible assets	10.	1 245 610.48	905 954.09
Financial assets	10.	290 947 930.31	340 853 665.42
Non-current assets		**292 841 131.79**	**342 374 568.51**
Non-current receivables	11.	314 251 422.42	371 484 895.20
Deferred tax asset	11.	8 205 385.30	7 673 150.33
Current receivables	12.	30 854 296.37	16 041 250.76
Cash and cash equivalents		11 240 445.03	53 154 881.63
Current assets		**364 551 549.12**	**448 354 177.92**
Assets		**657 392 680.91**	**790 728 746.43**
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.	-1 538 202.49	-2 384 631.97
RIUE	13.	143 075 845.19	143 075 845.19
Other reserves	13.	4 709 115.78	4 676 283.05
Retained earnings	13.	38 259 949.12	49 259 118.43
Profit/loss for the period	13.	120 709 449.52	-5 639 020.51
Equity		**445 418 436.30**	**329 189 873.37**
Accumulated appropriations	14.	**245 887.00**	**243 622.00**
Provisions	15.	**2 961 239.00**	**3 051 742.00**
Deferred tax liability	16.	329 308.75	298 740.32
Non-current interest-bearing liabilities	16.	121 576 632.12	251 861 656.84
Non-current non-interest-bearing liabilities	16.	108 004.00	60 938.00
Current interest-bearing liabilities	17.	81 130 069.72	195 885 714.48
Current non-interest-bearing liabilities	17.	5 623 104.02	10 136 459.42
Liabilities		**208 767 118.61**	**458 243 509.06**
Equity and liabilities		**657 392 680.91**	**790 728 746.43**

FAS PARENT COMPANY CASH FLOW STATEMENT

(EUR 1 000)

	2014	2013
EBIT	104 006	-12 580
Adjustments to EBIT	-113 784	909
Depreciation and impairment	411	340
Change in provisions	-91	-61
Change in net working capital	-2 378	848
Interest income and expenses	4 115	3 654
Dividends received	9 135	6 112
Taxes	-43	-44
Cash flow from operating activities	**1 371**	**-822**
Purchases of shares in subsidiary	-14 542	-
Disposals of shares in subsidiary	178 842	-
Purchase of other fixed assets	-863	-521
Disposals of other fixed assets	93	127
Received income from the sale of other investments	-	-
Loans granted	-	-
Repayments of loans receivable	54 086	49 771
Cash flow from investing activities	**217 616**	**49 377**
Cash flow before financing activities	**218 987**	**48 555**
Non-current borrowings raised	99 422	130 805
Non-current borrowings repaid	-366 555	-6
Current borrowings raised	26 747	25 398
Current borrowings repaid	-	-182 690
Increase/decrease in commercial paper programme	-15 119	8 962
Dividends paid	-5 397	-5 400
Redemption of treasury shares	-	-
Group contributions received	-	-
Cash flow from financing activities	**-260 902**	**-22 931**
Change in cash and cash equivalents	**-41 915**	**25 624**
Cash and cash equivalents on 1 Jan.	53 155	27 531
Cash and cash equivalents on 31 Dec.	**11 240**	**53 155**
CHANGE IN WORKING CAPITAL:		
Increase (-) / decrease (+) in current operating receivables	-2 138	37
Increase (+) / decrease (-) in current non-interest bearing liabilities	-240	811
Total	**-2 378**	**848**

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 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 2014.

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 2014, 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 PARENT COMPANY'S INCOME STATEMENT

(EUR 1 000)

1. BREAKDOWN OF NET SALES

	2014	2013
Sales in Finland	-	-

2. OTHER OPERATING INCOME, TOTAL

	2014	2013
Rental income	1	15
Other operating income	5 732	2 724
Gain on disposal of non-current assets	114 315	12
Other operating income, total	**120 048**	**2 751**
Employees, average	40	36

3. STAFF COSTS

	2014	2013
Salaries and fees	-4 501	-4 285
Pension expenses	-707	-708
Other social expenses	-46	-486
Staff costs	**-5 254**	**-5 479**
Management salaries, fees and benefits		
Managing directors and their deputies	866	881
Members of the Board of Directors	266	275
Total	**1 132**	**1 156**

4. DEPRECIATION AND IMPAIRMENT

	2014	2013
Depreciation according to plan on non-current assets and goodwill	-411	-340
Total depreciation and impairment	**-411**	**-340**

5. OTHER OPERATING EXPENSES

	2014	2013
Rents/leases	-1 061	-1 016
Losses on disposal of fixed assets, tangible assets total	-1	-
Losses on disposal of non-current assets	**-1**	**0**
Audit fees, ordinary audit	-79	-194
Audit fees, other expert services	-42	-37
Audit fees	**-121**	**-231**
Non-statutory staff costs	-1 021	-1 039
Energy	-88	-88
Maintenance	-34	-41
Advertising, marketing and entertainment costs	-304	-287
Service, information management and office costs	-4 951	-3 663
Other expenses	-2 786	-3 146
Total other operating expenses	**-10 367**	**-9 511**

6. FINANCIAL INCOME AND EXPENSES

	2014	2013
Financial income		
Dividends from Group companies	-	-
Dividends from participating interests	9 135	6 112
Dividends from others	0	0
Income from units	**9 135**	**6 112**
Interest income on non-current financial assets from participating interests	22	16
Interest income from other non-current financial assets	**22**	**16**
Other interest and financial income from Group companies	22 081	23 093
Other interest and financial income from others	896	1 673
Other financial income	**22 977**	**24 766**
Foreign exchange gains	**3 805**	**1 422**
Unrealised gains on fair value assessment	**333**	**28**
Total financial income	**36 272**	**32 344**

	2014	2013
Financial expenses		
Other interest and financial expenses payable to Group companies	-359	-621
Other interest and financial expenses payable to participating interests	-	-
Other interest and financial expenses payable to others	-19 772	-26 875
Total other interest and financial expenses	**-20 131**	**-27 496**
Foreign exchange losses	**-4 928**	**-1 842**
Unrealised losses on fair value assessment	**4 828**	**2 242**
Total financial expenses	**-20 231**	**-27 096**
Financial income and expenses, total	**16 041**	**5 248**

7. EXTRAORDINARY ITEMS

	2014	2013
Extraordinary income, Group contributions	-	-
Total extraordinary items	**-**	**-**

8. APPROPRIATIONS

	2014	2013
Increase (-) or decrease (+) in depreciation difference	-2	-103
Total appropriations	**-2**	**-103**

9. DIRECT TAXES

	2014	2013
Income tax on ordinary operations	-	-
Income tax on extraordinary items	-	-
Tax for previous financial periods	-	-
Change in deferred tax liabilities and assets	708	1 840
Other direct taxes	-43	-44
Income tax on ordinary operations	**665**	**1 796**

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

10. NON-CURRENT ASSETS

Intangible assets 2014	**Intellectual property rights**	**Goodwill**	**Other long-term expenditure**	**Total**
Acquisition cost on 1 Jan.	1 908	-	352	2 260
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	247	-	-	247
Decrease	-	-	-	-
Transfers between items	-	-	-	-
Acquisition cost on 31 Dec.	**2 155**	**0**	**352**	**2 507**
Accumulated depreciation on 1 Jan.	-1 533	-	-111	-1 645
Accumulated depreciation on disposals, Intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	-	-
Depreciation for the financial period	-144	-	-70	-214
Impairment	-	-	-	-
Accumulated depreciation on 31 Dec.	**-1 677**	**0**	**-181**	**-1 859**
Carrying amount on 31 Dec.	**478**	**0**	**170**	**648**

Intangible assets 2013	**Intellectual property rights**	**Goodwill**	**Other long-term expenditure**	**Total**
Acquisition cost on 1 Jan.	1 572	-	352	1 924
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	274	-	-	274
Decrease	-	-	-	-
Transfers between items	62	-	-	62
Acquisition cost on 31 Dec.	**1 908**	**0**	**352**	**2 260**
Accumulated depreciation on 1 Jan.	-1 481	-	-41	-1 523
Accumulated depreciation on disposals, Intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	-	-
Depreciation for the financial period	-52	0	-70	-122
Impairment	-	-	-	-
Accumulated depreciation on 31 Dec.	**-1 533**	**0**	**-111**	**-1 645**
Carrying amount on 31 Dec.	**375**	**0**	**241**	**615**

Tangible assets 2014	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	1 353	380	13	1 746
Decrease intra-Group corporate arrangements	-	-	-	-	-	-
Increase	-	-	24	-	593	617
Decrease	-	-	-168	-	-	-168
Transfers between items	-	-	-	-	-	-
Acquisition cost on 31 Dec.	**0**	**0**	**1 209**	**380**	**606**	**2 195**
Accumulated depreciation on 1 Jan.	-	-	-511	-329	0	-840
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	-	-	-	-
Accumulated depreciation of disposals and reclassifications	-	-	87	-	-	87
Depreciation for the financial period	-	-	-176	-20	-	-196
Value adjustments	-	-	-	-	-	-
Accumulated depreciation on 31 Dec.	**0**	**0**	**-600**	**-349**	**0**	**-949**
Carrying amount on 31 Dec.	**0**	**0**	**609**	**31**	**606**	**1 246**

Tangible assets 2013	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	1 383	380	62	1 825
Decrease intra-Group corporate arrangments	-	-	-	-	-	-
Increase	-	-	37	-	13	48
Decrease	-	-	-67	-	-	-67
Transfers between items	-	-	-	-	-62	-60
Acquisition cost on 31 Dec.	**0**	**0**	**1 353**	**380**	**13**	**1 746**
Accumulated depreciation on 1 Jan.	-	-	-313	-309	-	-622
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	-	-	-	-
Accumulated depreciation of disposals and reclassifications	-	-	-	-	-	-
Depreciation for the financial period	-	-	-198	-20	0	-218
Value adjustments	-	-	-	-	-	-
Accumulated depreciation on 31 Dec.	**0**	**0**	**-511**	**-329**	**0**	**-840**
Carrying amount on 31 Dec.	**0**	**0**	**842**	**51**	**13**	**906**

Financial assets 2014	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	340 642	148	47	16	340 853
Increase	14 542	-	-	-	14 542
Decrease	-64 447	-	-	-	-64 447
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**290 737**	**148**	**47**	**16**	**290 948**
Carrying amount on 31 Dec.	**290 737**	**148**	**47**	**16**	**290 948**

Financial assets 2013	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	340 642	-	47	16	340 705
Increase	-	148	-	-	148
Decrease	-	-	-	-	-
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**340 642**	**148**	**47**	**16**	**340 853**
Carrying amount on 31 Dec.	**340 642**	**148**	**47**	**16**	**340 853**

Intangible assets	**2014**	**2013**
Intellectual property rights	478	374
Goodwill	-	-
Other long-term expenditure	170	241
Intangible assets	**648**	**615**
Tangible assets		
Land and water areas	-	-
Buildings and structures	-	-
Machinery and equipment	609	842
Other tangible assets	31	51
Payments on account and tangible assets in the course of construction	606	13
Tangible assets	**1 246**	**906**
Financial assets		
Holdings in Group companies	290 737	340 642
Holdings in associates	148	148
Receivables from participating interests	47	47
Other shares and holdings	16	16
Financial assets	**290 948**	**340 853**
Total non-current assets	**292 841**	**342 374**

11. NON-CURRENT RECEIVABLES

	2014	**2013**
Non-current loan receivables	1 145	1 032
Deferred tax assets	8 205	7 673
Other receivables	-	697
Total	**9 350**	**9 402**
RECEIVABLES FROM GROUP COMPANIES		
Non-current Group loan receivables	313 106	369 558
Non-current receivables from Group companies	**313 106**	**369 558**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Non-current loan receivables from participating interests	-	198
Non-current loan receivables from participating interests	**0**	**198**
Total non-current receivables	**322 456**	**379 158**

12. CURRENT RECEIVABLES

	2014	2013
Trade receivables	-	-
Short-term receivables (from others)	307	349
Short-term prepayments from accrued income (from others)	664	714
Total	**971**	**1 063**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	2 265	127
Loan receivables	26 824	14 472
Prepayments and accrued income (within Group)	680	84
Other receivables	105	283
Total	**29 874**	**14 966**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Trade receivables	0	-
Loan receivables	-	-
Other receivables	9	12
Short-term receivables from participating interests	**9**	**12**
Total current receivables	**30 854**	**16 041**
MAIN ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Accrued financial items	561	288
Accrued staff costs	7	3
VAT receivables	-	-
Other prepayments and accrued income	96	423
Total	**664**	**714**

13. EQUITY

Equity in 2014	Share capital	Share premium reserve	Reva-luation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	143 076	2 291	43 621	329 190
Increase	-	-	-	-	-	879	-	879
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-5 397	-5 397
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	37	37
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	120 709	120 709
Equity on 31 Dec.	**66 820**	**73 420**	**-**	**-38**	**143 076**	**3 170**	**158 970**	**445 418**

Equity in 2013	Share capital	Share premium reserve	Reva-luation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	143 076	-217	54 620	337 681
Increase	-	-	-	0	0	2 508	-	2 508
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-5 397	-5 397
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	37	37
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-5 639	-5 639
Equity on 31 Dec.	**66 820**	**73 420**	**-**	**-38**	**143 076**	**2 291**	**43 621**	**329 190**

Distributable equity	**2014**	**2013**
Contingency reserve	430	398
Treasury shares	-38	-38
Reserve for invested unrestricted equity	143 076	143 076
Retained earnings	38 260	49 259
Profit/loss for the period	120 709	-5 639
Distributable equity	**302 437**	**187 056**

14. ACCUMULATED APPROPRIATIONS

	2014	2013
Depreciation difference	246	244
Total appropriations	**246**	**244**

The unrecognised deferred tax liability on depreciation difference is EUR 49 000.

15. STATUTORY PROVISIONS

	2014	2013
Provisions for pensions	2 961	3 052
Statutory provisions, total	**2 961**	**3 052**

16. NON-CURRENT LIABILITIES

	2014	2013
Deferred tax liability	329	299
Bond	99 434	-
Loans from financial institutions	22 143	242 862
Other liabilities	108	9 061
Total	**122 014**	**252 222**
Total non-current liabilities	**122 014**	**252 222**

	2014	2013
Interest-bearing		
Intercompany interest-bearing liabilities	-	9 000
Amounts owed to others	121 577	242 862
Non-current interest-bearing liabilities	**121 577**	**251 862**
Non-interest bearing		
Amounts owed to others	437	360
Non-current non-interest-bearing liabilities	**437**	**360**
Total non-current liabilities	**122 014**	**252 222**

17. CURRENT LIABILITIES

	2014	2013
Loans from financial institutions	34 113	155 102
Trade payables	623	1 487
Accruals and deferred income	3 982	8 122
Other liabilities	297	304
Total	**39 015**	**165 015**
AMOUNTS OWED TO GROUP COMPANIES		
Trade payables	686	67
Accruals and deferred income	35	157
Other liabilities	47 017	40 783
Total	**47 738**	**41 007**
AMOUNTS OWED TO PARTICIPATING INTERESTS		
Accruals and deferred income	-	-
Other liabilities	-	-
Total	**0**	**0**
Total current liabilities	**86 753**	**206 022**
Interest-bearing		
Current amounts owed to Group companies	47 017	40 783
Current amounts owed to participating interests	-	-
Amounts owed to others	34 113	155 102
Current interest-bearing liabilities	**81 130**	**195 885**
Non-interest bearing		
Current amounts owed to Group companies	721	224
Current amounts owed to participating interests	0	0
Amounts owed to others	4 902	9 913
Current non-interest-bearing liabilities	**5 623**	**10 137**
Total current liabilities	**86 753**	**206 022**

	2014	2013
MAIN ITEMS (NON-CURRENT AND CURRENT) INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Accrued staff costs	1337	1 154
Accrued interest expenses	956	1 457
Accrued income taxes	-	-
Accrued changes in value of derivatives	508	5 025
Other accruals and deferred income	1180	486
Total	**3 981**	**8 122**
LIABILITIES DUE IN FIVE YEARS OR MORE		
Loans from financial institutions	0	-
Pension loans	-	2 857
Other long-term liabilities	0	-
Liabilities due in more than five years	**-**	**2 857**

18. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities	**2014**	**2013**
DEBTS SECURED BY MORTGAGES AND SHARES		
Loans from financial institutions	29 286	269 605
Total	**29 286**	**269 605**
Real estate mortgages	10 023	10 023
Floating charges	-	5 046
Pledged securities	-	-
Total	**10 023**	**15 069**
SECURITY FOR DEBTS OF SUBSIDIARIES AND OTHER GROUP COMPANIES		
Guarantees	29 995	33 736
Total	**29 995**	**33 736**
SECURITY FOR DEBTS OF PARTICIPATING INTERESTS		
Guarantees	1 864	5 250
Total	**1 864**	**5 250**
SECURITY FOR DEBTS OF OTHERS		
Guarantees	1 651	4 125
Total	**1 651**	**4 125**
OTHER CONTINGENCIES		
Leasing commitments		
Maturing in less than a year	141	119
Maturing in 1–5 years	180	206
Maturing in over 5 years	-	-
Total	**321**	**325**

Commitments and contingent liabilities	2014	2013
OTHER RENT COMMITMENTS		
Maturing in less than a year	867	858
Maturing in 1–5 years	3 468	3 434
Maturing in over 5 years	6 069	6 009
Total	**10 405**	**10 301**
Other commitments	4	15
Total other contingencies	**10 730**	**10 641**

19. DERIVATIVE INSTRUMENTS

Nominal values of derivative contracts	2014	2013
FOREIGN EXCHANGE DERIVATIVES		
- Currency futures	79 909	91 977
- Currency options	-	-
INTEREST RATE DERIVATIVES		
- Interest rate swaps	157 585	211 590
COMMODITY DERIVATIVES		
- Electricity forwards	15 127	18 623
Total	**252 621**	**322 190**

Fair values of derivative instruments

	2014 Fair value positive	2014 Fair value negative	2014 Fair value net	2013 Fair value net
Foreign exchange derivatives				
- Currency futures	543	-132	410	-831
- Currency options	-	-	-	-
Interest rate derivatives				
- Interest rate swaps	-	-15 665	-15 665	-16 037
Commodity derivatives				
- Electricity futures	1 651	-1 651	0	0
Total	**2 194**	**-17 448**	**-15 255**	**-16 868**

Derivative instruments to which hedge accounting applies

	2014 Nominal value	2014 Fair value eff. portion	2013 Nominal value	2013 Fair value eff. portion
Foreign exchange derivatives				
- Currency futures	-	-	-	-
Commodity derivatives				
- Electricity futures	15 127	0	18 623	0
Interest rate derivatives				
- Interest rate swaps	137 585	-15 465	162 727	-12 633
Total	**152 712**	**-15 465**	**181 350**	**-12 633**

SIGNATURES TO THE FINANCIAL STATEMENT AND REPORT OF THE BOARD OF DIRECTORS

Vantaa, 10 February 2015

Juha Kylämäki
Chairman of the Board

Niels Borup
Deputy chairman of the Board

Teija Andersen
Member of the Board

Gunilla Aschan
Member of the Board

Tero Hemmilä
Member of the Board

Henrik Treschow
Member of the Board

Hannu Kottonen
President and CEO

AUDITOR'S REPORT

(Translation from the Finnish original)

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, 2014. 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 CEO

The Board of Directors and the 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 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 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.

Vantaa, 10 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

HKSCAN'S CORPORATE GOVERNANCE STATEMENT 2014

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, the Finnish Corporate Governance Code 2010 (the "Code") issued by Securities Market Association, and HKScan Group's Code of Conduct as well as Governance Policy. HKScan furthermore complies with the rules and regulations of the Nasdaq Helsinki Ltd 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 2014.

HKScan Corporation observes the Code subject to the following exceptions:

- 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 organization 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 Company's Board of Directors comprises between five and eight (5–8) members. In addition a maximum of three (3) deputy members may be elected to the Board of Directors.

All Board members 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 Annual General Meeting held on 10 April 2014:

Juha Kylämäki (b. 1962)
Chairman of the Board since 2011
Law student
Farm entrepreneur, broiler meat producer, Marttila, Southwest Finland

Niels Borup (b. 1964)
Deputy chairman of the Board since 2011
M.Sc. (Econ. & Bus. Admin.)
Farm entrepreneur, pork and milk producer, Lapinjärvi, South Finland

Teija Andersen (b. 1957)
Member of the Board since 2012
M.Sc. (Agr. & For.), eMBA
Adviso TMA Oy, CEO, 2012–
Etelä-Hämeen Lomat Oy, CEO, 10/2013–

Gunilla Aschan (b. 1960)
Member of the Board since 2012
M.Sc. (Agriculture, Econ.)
Farm and forestry entrepreneur, beef producer Southeast Sweden
Farm & Forest Department, Manager, Nordea Sweden, Stockholm

Tero Hemmilä (b. 1967)
Member of the Board since 2011
M.Sc. (Agr. & For.)
Yara Suomi Oy, Managing Director 2010–

Henrik Treschow (b. 1946)
Member of the Board since 2011
MBA, Sweden

Mikko Nikula (b. 1972)
Deputy member of the Board since 2013
M.Sc. (Physics)
Farm entrepreneur, broiler meat producer, Rusko, Finland

Per Nilsson (b. 1973)
Deputy member of the Board since 2013
Lantmästare, Swedish University of Agricultural Sciences (SLU),
Master programme at Agriculture University of St. Paul/Minnesota, USA
Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

All actual and deputy members of the Board of Directors are independent of the Company and of the Company's major shareholders.

During 2014, the Board held 11 meetings. The average attendance rate of Board members was 95 per cent (92 per cent incl. deputy members). The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the deputy CEO, the CFO and the Administrative and Legal Director as secretary to the Board also regularly attended 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 organization 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 Henrik Treschow and Mikko Nikula.

The Audit Committee held 5 meetings during 2014. The average attendance rate of Committee members was 100 per cent. Committee meetings were also regularly attended by the Company's CEO, the CFO, the internal auditor 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 Jari Mäkilä (chair), Lars Gustafsson and Juha Kylämäki.

The Nomination Committee held 4 meetings during 2014. The average attendance rate of Committee members was 100 per cent.

Introductions:

Jari Mäkilä (b. 1970), as of 10 April 2014
Chairman of the supervisory board of LSO Osuuskunta
Agricultural technician, pork producer, Oripää, Finland

Lars Gustafsson (b. 1956)
Chairman of the representatives of Sveriges Djurbönder r.f
Degree in Economics at Lund University of Agricultural Sciences,
Farm entrepreneur, pork producer, Knislinge, Sweden

Pekka Uusitalo (b. 1960) until of 10 April 2014
B.Sc. (Agricult.), beef producer, Orimattila, Finland

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, Gunilla Aschan and Per Nilsson.

The Compensation Committee held 4 meetings during 2014. 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 Working Committee held one meeting during 2014.

Meeting attendance of the Board and its Committees

	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Juha Kylämäki	11/11		4/4		1/1
Niels Borup	10/11			4/4	1/1
Gunilla Aschan	11/11			4/4	
Teija Andersen	11/11			4/4	
Tero Hemmilä	9/11	5/5			1/1
Henrik Treschow	11/11	5/5			
Mikko Nikula	9/11*	5/5			
Per Nilsson	9/11*			4/4	
Lars Gustafsson			4/4		
Jari Mäkilä[1]			2/2		
Pekka Uusitalo[2]			2/2		

* Deputy members attend meetings only if a Board member is detained or by a separate invitation.
[1] Member of the Nomination Committee as of 10 April 2014. The Committee held 2 meetings between 10 April and 31 December 2014.
[2] Member of the Nomination Committee until 10 April 2014. The Committee held 2 meetings between 1 January and 10 April 2014.

Chief Executive Officer (CEO)

The CEO and the possible deputy CEO 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 is M. Sc. (Econ.) Hannu Kottonen (b. 1957). 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 2014 to developing internal auditing, and updating of the Group's internal policy map, policies and guidelines 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 means 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 EVP, Administrative and Legal Director especially ensures that all operations are lawful. 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 until September 2014. In order to improve internal auditing further, an internal auditor started in the Company in September 2014. He reports to the CFO and the Board of Directors.

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 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 CFO is responsible for the management of financial risks and the Group's insurance policies.

The Company 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. The Company's internal auditor provides the Audit Committee with an internal audit plan annually and regularly reports internal audit observations. 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 2014, the internal control framework development work continued. It includes updating of internal policies and 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 Group Management Team.

HKSCAN'S REMUNERATION STATEMENT 2014

This remuneration statement has been prepared in accordance with Recommendation 47 of the Finnish Corporate Governance Code.

REMUNERATION OF BOARD MEMBERS

The remuneration and other benefits of the Board of Directors are decided annually by the Annual General Meeting.

The AGM on 10 April 2014 resolved the annual remuneration payable to the members of the Board of Directors as follows:

- EUR 21 700 to Board members
- EUR 26 600 to Vice Chairman of the Board
- EUR 53 200 to Chairman of the Board.

An annual remuneration of EUR 7 300 is paid to the deputy members of the Board of Directors. To Chairmen of the Board committees (Audit, Nomination, Compensation and Working Committee) will be paid an annual remuneration of EUR 4 900.

In addition a compensation of EUR 500 per meeting will be paid for each attended Board and Board committee meetings. Travel expenses will be compensated according to company's travel policy. All Board remunerations are paid in cash.

The company has no share-based incentive scheme for Board members, neither are the members of the Board covered by the company's incentive or pension plans.

Board members receive per diems as outlined in the company's travel policy for travel within and outside Finland. Normal travel expenses are also covered. Board members receive no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

Fees of the Board of Directors and Committees in 2014

	Board		Committees				Total
	Annual fee	**Attendence fee**	**Audit**	**Nomination**	**Compensation**	**Working**	**2014**
Juha Kylämäki	53 200	5 950		2 100		4 900	66 150
Niels Borup	26 600	5 400			6 500		38 500
Teija Andersen	21 700	5 950			1 600		29 250
Gunilla Aschan	21 700	5 950			1 600		29 250
Tero Hemmilä	21 700	4 850	7 600				34 150
Henrik Treschow	21 700	5 950	2 700				30 350
Mikko Nikula	7 300	4 950	2 700				14 950
Per Nilsson	7 300	4 950			1 600		13 850
Lars Gustafsson				2 100			2 100
Jari Mäkilä[1]				4 368			4 368
Pekka Uusitalo[2]				2 632			2 632
Total	**181 200**	**43 950**	**13 000**	**11 200**	**11 300**	**4 900**	**265 550**

[1] Member of the Nomination Committee as of 10 April 2014.
[2] Member of the Nomination Committee until 10 April 2014.

PRINCIPLES OF REMUNERATION OF THE CEO AND THE GROUP MANAGEMENT TEAM

Remuneration at HKScan Group is based on the principles of remuneration approved by the Board, and attention is paid to the Group's strategic objectives and financial performance. A motivating remuneration scheme is used as a tool to elicit the commitment to the Group of core expertise and key employees.

Matters pertaining to remuneration are prepared by the Compensation Committee of the Board. The principles of the remuneration schemes are decided by the Board of Directors on the basis of the Compensation Committee's proposal. The remuneration and terms of employment of the CEO are decided by the Board of Directors. The remuneration and terms of employment of the Group Management Team are decided by the Board of Directors on the basis of a proposal from the CEO. HKScan Corporation's remuneration scheme consists of a base salary, benefits, as well as short-term and long-term incentive schemes.

Short-term incentive scheme

In 2014, the Group had in place an extensive short-term incentive scheme. It covered the Group's CEO, the other members of the Group Management Team, as well as upper and middle management. Possible fees earned on the basis of the scheme were paid in cash.

The earning criteria of the incentive scheme and the possible performance fees are set for each year by the Board of Directors on the proposal of the Compensation Committee.

Long-term incentive scheme

The Board of Directors of HKScan Corporation approved a new share based incentive plan for the Group key personnel in 2012. The aim of the 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 Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015. The Board of Directors of the Company decides on the performance criteria and their targets for a performance period at the beginning of each performance period. The potential reward from 2014 is based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE).

Furthermore, the Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on the basis of this performance period is, among other things, that a key employee previously owns or acquires the Company´s series A shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of employment or service upon reward payment.

Rewards from performance periods 2013 and 2013–2015 will be paid partly in the Company's A series shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will mainly be paid, if the key employee's employment or service ends before reward payment.

The rewards to be paid are a maximum approximate total of 300 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. The Plan can include new shares as well as the Company's own shares.

At the end of 2014, 22 people were included in the Plan. The Board of Directors recommends that the members of the Management Team would hold 50 per cent of all of the shares received on the basis of the Plan until the value of their share ownerships correspond to their gross annual salaries. This share ownership should be held during the validity of employment or service.

Additional pension benefits

The Finnish Members of the Group Management Team are covered by a contribution-based additional pension insurance.

The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years; the pension insurance includes a paid-up policy applicable after four years' employment.

Remuneration of the CEO

The remuneration and terms of employment of the CEO are decided by the Board of Directors. CEO Hannu Kottonen's remuneration consists of a fixed base salary, benefits, supplementary pension benefits and possible incentive awards under the Group's incentive scheme.

Under the terms of the CEO's executive agreement Hannu Kottonen can retire at the age of 62. Under the terms of the CEO's executive agreement, the agreement can be terminated by both the Group and the CEO. The period of notice for the CEO is six months. In the event that HKScan terminates the agreement, the CEO will be paid a sum corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period. In 2014, Hannu Kottonen was paid a total salary (including benefits) of EUR 0.6 million.

Remuneration of the CEO and the Group Management Team

	Salaries		Short-term incentives		Long-term incentives		Total	
(EUR thousand)	2014	2013	2014	2013	2014	2013	2014	2013
CEO	639	638	-	38	-	-	639	676
Other Group Management Team	1 879	1 710	-	52	-	-	1 879	1 762

RISK MANAGEMENT

The aim of risk management within HKScan Group is to enable uninterrupted business operations and to safeguard conditions for achieving its business objectives.

Risk management is embedded in the HKScan management system and is based on the consistent identification, assessment and reporting of risks throughout the Group. The company's ERM process 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 operative HKScan Group companies.

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 the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The CFO is responsible for managing financial risks and Group insurance policies.

At HKScan, risks are divided into four main categories: strategic risks, operative risks, economic risks and risks of damage. At Group level, the Company strives to identify and regularly assess all significant risks inherent in the material balance sheet and income statement items and to determine key controls for risk prevention.

Strategic risks are assessed as a part of the annual strategy process and also in connection with major business decisions.

Economic risks and risks of damage are minimized as far as possible by applying policies and guidelines drafted for this purpose.

Operative risks are assessed not only in connection with the annual plans, but also as part of day-to-day business operations.

HKSCAN'S MOST SIGNIFICANT RISKS

Strategic risks

Fluctuation in the availability and prices of raw materials

There is variability in the prices and availability of raw materials needed for the production of HKScan products, such as feed, pork, poultry and beef. 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 raw material prices. 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, such as animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of products sold to retail are agreed months in advance in Finland, Sweden, Denmark and the Baltics, and under these circumstances, unforeseen increases in raw material prices cannot be carried over into product prices quickly enough. This may also be difficult even in situations where prices have not been agreed in advance.

HKScan has delivered a promise of 100 per cent domestic meat content in its main brands, HK®, Kariniemen® and Scan®. Although this gives HKScan a competitive edge over imported brands, it also makes HKScan vulnerable if domestic meat production declines.

HKScan has established a special procedure for monitoring key cost drivers of raw material prices, such as oil, electricity and grain. Based on the data it collects, HKScan makes module projections of the future price and availability of raw materials.

HKScan is facing growing competition in all market areas not only from other industrial producers, but also from retail chains, which are increasingly competing on the food market with their own products and brands. This local competition is intensified by multinational operators and competitors based in lower-cost countries.

The company is responding to this increased competition by strengthening its brands and innovation, improving the efficiency of its core processes, investing in high-quality products and supply reliability, forming closer ties with its producers, and more efficiently leveraging 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 respective countries in which the company operates. Regional and supranational regulation, such as EU legislation, also affects the company. The management affirms that HKScan operates in full compliance with all relevant legislation and other regulations. Legislation and other regulations and the interpretations thereof may change, however, and the company cannot guarantee compliance with altered requirements unless the required material actions are taken. The company is also dependent on the authorities in the countries in which it operates. Official procedures may also vary considerably in the company's various sectors of business.

Acquisitions and integration of acquired businesses

HKScan may acquire, either in its current market areas or in new geographical areas, companies that enhance its competitive position. Risks relating to acquisitions include potentially unknown liabilities, potential inability to integrate and manage the business and personnel of an acquired company, and the risk of benefits or synergies not materializing as planned. 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 African swine fever, avian influenza, Newcastle disease or foot-and-mouth disease may affect the company's business and demand for its products. Animal diseases may have a long-term impact on consumer behaviour, although HKScan's management believes that consumption usually normalizes within a reasonable period of time after the discovery of an outbreak. The animal disease risk is evened out to some extent by consumption shifting to the company's other meat product groups. In a fully integrated value chain, such as is the case with most of the company's Baltic operations, the discovery of an animal disease may in the worst-case scenario temporarily sever the supply of raw materials if no substitute raw material source exists.

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 a key production plant is destroyed or closed for any reason, if 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 some product groups and may lead to significant delays in the deliveries of products and to lost sales, giving rise to additional expenditure before insurance coverage.

Very short lead times on delivery of orders are characteristic of the meat industry. Short lead times double the importance of an effective and dependable supply chain, underscoring the need to be able to anticipate consumer behaviour. Likewise, the reliability of logistics systems and other technological systems is extremely important. If distribution centres are damaged, destroyed or decommissioned for any reason, or if the products held in the distribution centres suffer significant damage, HKScan must come up with an alternative method of delivering products to customers until such time as the damaged distribution centre is made available again.

Possible product quality issues

Food safety risks concern the purity of raw materials (residues, foreign substances), the healthiness of products, packaging materials that come into contact with food, and microbiological safety. Particular attention is paid to the prevention and control of bacteria that cause food poisoning. HKScan runs rigorous in-house controls, and the facilities of all operators in the value chain are subject to strict scrutiny by the authorities as well as certified food safety management systems.

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 realization 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.

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

Financial risk management, including external and internal funding of the Group, is centralized in the Group Treasury function. 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. Part of the Group's profits and costs are denominated in foreign currencies. Additionally, some investments and earnings are denominated in foreign currencies. The most significant exchange risks in the company's business arise from the euro, Swedish krona, US dollar and Japanese yen. The largest equities of HKScan companies are in euros, Swedish krona, and Danish krone. The Group's financial risks are presented in more detail in Note 25 to the financial statements.

SHARES AND SHAREHOLDERS

Shares

HKScan Group's registered and fully paid-up share capital at the beginning and end of 2014 was EUR 66 820 528. 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 per cent of the total number of shares) and K Shares 5 400 000 (9.81 per cent). 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 capitalization at the end of the year stood at EUR 176.5 (202.9) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 158.8 (182.6) million, and the unlisted Series K shares EUR 17.7 (20.3) million correspondingly.

In 2014, a total of 13 990 124 of the company's shares, with a total value of EUR 52 494 495, were traded. The highest price quoted was EUR 4.49 and the lowest EUR 3.12. The average price was EUR 3.74. At the end of 2014, the closing price was EUR 3.27.

Shareholders

At the end of 2014, the shareholder register maintained by Euroclear Finland Ltd included 11 423 (12 159) shareholders. Nominee-registered and foreign shareholders held 20.1 (20.2) per cent of the company's shares.

Notifications of changes in holdings

On 1 April 2014, Varma Mutual Pension Insurance Company submitted notification that as a result of a share sale and purchase concluded on 1 April 2014, its holding in HKScan had fallen under 5 per cent of all shares in the company.

Treasury shares

At the beginning and end of the financial year 2014, HKScan held 1 053 734 treasury A Shares. At the end of 2014, they had a market value of EUR 3.45 million and accounted for 1.92 per cent of all shares and 0.67 per cent of all votes.

Share-based incentive scheme

HKScan has a share-based incentive plan for the Group's key personnel for 2013–2015. The aim of the plan is to align the objectives of shareholders and key personnel in order to enhance the company's value, to commit 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.

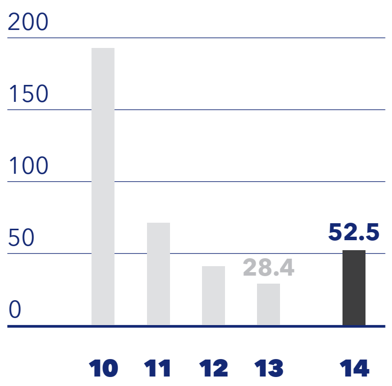
Shareholding of the Board of Directors and the President and CEO

At the end of 2014, members of the Board of Directors and the company's President and CEO and his deputy as well as their related parties owned a total of 48 814 A Shares, corresponding to 0.09 per cent of the total number of shares and 0.03 per cent of the votes.

Ownership breakdown by sector on 31 December 2014

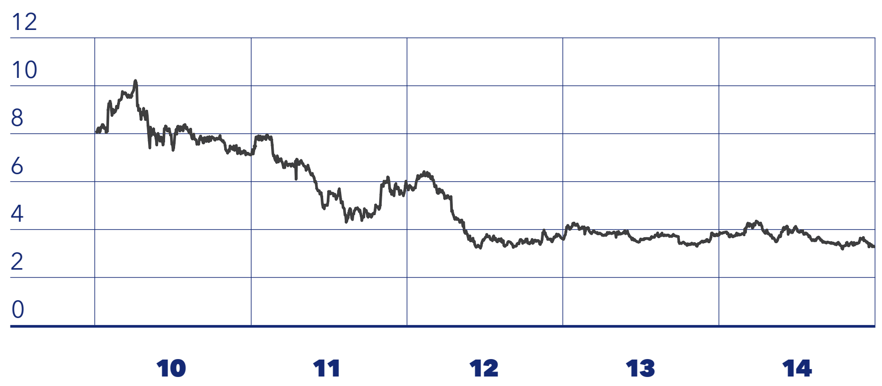
	Share of owners, %	Share of shares, %	Share of votes, %
Corporates	3.95	45.41	72.93
Finance and insurance companies	0.20	3.03	3.58
Public entities	0.07	6.23	2.18
Households	94.80	20.57	7.18
Non-profit organizations	0.69	4.41	1.54
Domestic sectors, total	99.71	79.65	87.41
Abroad	0.29	12.82	12.51
All sectors, total	100.00	92.47	99.91
General account		0.25	0.09

SHARES TRADED 2010-2014 EUR MILLION



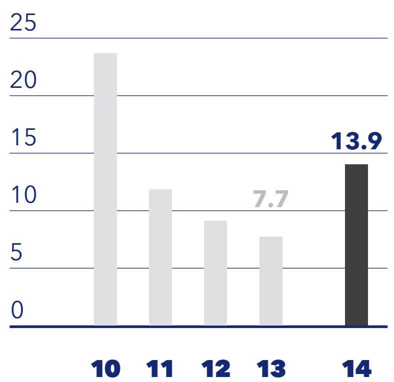
Source: Nasdaq Helsinki

SHARE PRICE DEVELOPMENT 2010-2014 EUROS



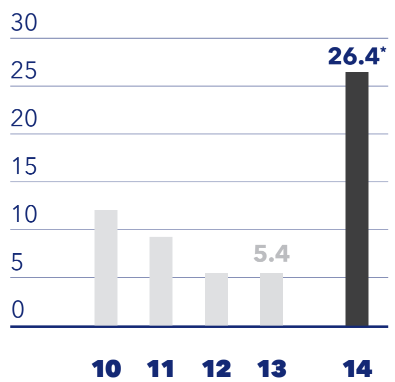
Source: Nasdaq Helsinki

SHARES TRADED 2010-2014 IN MILLIONS



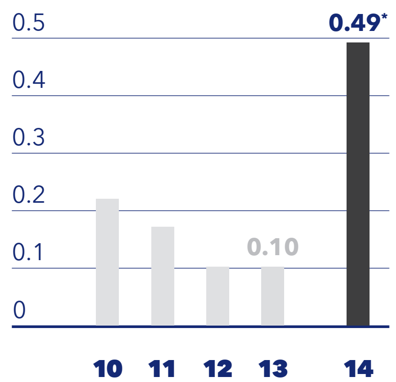
Source: Nasdaq Helsinki

DIVIDENDS 2010-2014 EUR MILLION



* Board's proposal to AGM. Includes EUR 21.0 million additional dividend.

DIVIDEND/SHARE 2010-2014 EUROS



* Board's proposal to AGM. Includes 0.39 euros additional dividend.

Ownership breakdown by amount of shares on 31 December 2014

Number of shares held	Shareholders	Shareholders, %	Shares	Shares, %	Votes	Votes, %
1–100	2 838	24.85	145 803	0.27	145 803	0.09
101–500	4 350	38.08	1 230 003	2.24	1 230 003	0.78
501–1 000	1 884	16.49	1 435 857	2.61	1 435 857	0.91
1 001–5 000	1 887	16.52	4 122 084	7.49	4 122 084	2.62
5 001–10 000	256	2.24	1 826 327	3.32	1 826 327	1.16
10 001–50 000	155	1.36	3 215 269	5.84	3 215 269	2.04
50 001–100 000	23	0.20	1 623 641	2.95	1 623 641	1.03
100 001–500 000	18	0.16	4 143 918	7.53	4 143 918	2.63
500 001–	12	0.11	37 148 215	67.51	139 748 215	88.66
Total	**11 423**	**100.00**	**54 891 117**	**99.75**	**157 491 117**	**99.91**
of which nominee registered	8		4 009 584	7.29	4 009 584	2.54
General account			135 405	0.25	135 405	0.09
Number of shares issued			55 026 522	100.00	157 626 522	100.00

20 largest shareholders on 31 December 2014

	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
Nordea Bank Finland Plc	2 151 897	0	3.91	1.37
Skandinaviska Enskilda Banken AB	1 627 900	0	2.96	1.03
Varma Mutual Pension Insurance Company	1 192 806	0	2.17	0.76
Elo Mutual Pension Insurance Company	1 142 830	0	2.08	0.73
HKScan Corporation	1 053 734	0	1.91	0.67
Tiiviste-Group OY	850 000	0	1.54	0.54
The Central Union of Agricultural Producers and Forest Owners (MTK)	836 414	0	1.52	0.53
FIM Fenno Investment Fund	799 000	0	1.45	0.51
Nordea Life Assurance Finland Ltd.	750 000	0	1.36	0.48
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	650 000	0	1.18	0.41
The State Pension Fund	500 000	0	0.91	0.32
Mandatum Life Unit-Linked	440 948	0	0.8	0.28
Hisinger-Jägerskiöld Eva	400 000	0	0.73	0.25
Petter and Margit Forsström's Foundation	261 500	0	0.48	0.17
Apteekkien Eläkekassa	260 000	0	0.47	0.16
Hallqvist AB	250 000	0	0.45	0.16
Säästöpankki Kotimaa Investment Fund	241 387	0	0.44	0.15
4capes Oy	230 000	0	0.42	0.15
Other shareholders, total	15 294 472	0	27.80	9.69
All shares, total	49 626 522	5 400 000	100.00	100.00

Share capital by share series on 31 December 2014

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 Tuesday, 14 April 2015 in Turku Fair and Congress Center, address Messukentänkatu 9-13, 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 9 April 2015 either through HKScan's website www.hkscan.com or by phone +358 (0)10 570 6218 (on 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 31 March 2015 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 and an additional dividend of EUR 0.39 per share be distributed for the financial period 2014. 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 16 April 2015. The proposed payment date for the dividend is 23 April 2015. Shareholders whose shares are not registered in the book-entry securities system at the record date, 16 April 2015, 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 2015, HKScan publishes interim reports as follows:

- January-March on Wednesday, 6 May 2015
- January-June on Wednesday, 5 August 2015
- January-September on Wednesday, 4 November 2015.

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

Annual Report

The Annual Report 2014 is published in Finnish and English on week 12/2015. Printed versions of the annual report will be posted automatically to shareholders with at least 1 000 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 Group, Communications, PO Box 50, FI-20521 Turku, Finland, by phone +358 (0)10 570 100 / Group Communications or by email to communications@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.

MARKET ANALYSTS

Banks and stockbrokers analysing HKScan as an investment

HKScan Corporation is not liable for any evaluations presented in the analyses.

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www.rosepoultry.dk
www.tallegg.ee

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