HKScan

ANNUAL REPORT 2010

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HKScan – taking responsibility in the meat industry

The year 2010 was challenging for HKScan's business operations. Despite this, the company was able to strengthen its market position in all its market areas. The profitability of the business did not, however, meet expectations, and EBIT fell to EUR 48.0 million. The company's performance ability was weakened, above all, by exceptional internal problems in the supply chain both in Finland and Sweden. Although profitability in the Baltics and Poland was excellent, the HKScan Group's overall performance fell short of 2009.

The international economic crisis continued to be reflected in the market, although the economy took an upturn during the year. The euro area's debt crisis is currently creating uncertainty in the economic outlook and the ratio of the euro to other currencies is subject to fluctuations. In Sweden, the strengthening of the krona has significantly weakened the competitiveness of production based on Swedish meat raw material. At the same time, imported foreign meat has increased competition and squeezed the price level.

The aftermath of the economic recession was felt during the year in HKScan's market areas. The continuing high rate of unemployment was reflected, as in the previous year, in consumer purchasing patterns, while lower-priced basic products continued to be favoured by consumers. HKScan's extensive product range nevertheless offers a variety of products from which to choose: we produce food and food ingredients to satisfy a diverse range of requirements and uses.

Additional profitability through development projects

The past year in the HKScan Group was one of strong development. The development programmes being implemented aim to improve not only the company's profitability but to secure product offerings, quality and responsible operations throughout the entire business chain.

Operations streamlined thorugh structural changes

It was decided to continue the efficiency programmes in HKScan's Finnish subsidiary, HKScan Finland, and in the Swedish subsidiary, Scan AB, during the period 2011–2013.

In Finland, employer-employee negotiations with the staff began in November and were completed early in 2011. As a result of the negotiations, the personnel in HK Ruokatalo's industrial processes committed to a target programme through which the company's productivity will be improved by 20 percent. The programme will mean a reduction of 230 person-years, including subcontractors, throughout the company's business chain during the current year. The majority of the cutbacks will be achieved when fixed-term employment contracts come to an end and employees retire and when previously outsourced operations return to HK Ruokatalo. The willingness of the employees to negotiate and cooperate was excellent and for this reason, among others, Finland now is well placed to increase profitability to a new level.

The ongoing restructuring programme in Sweden is the largest ever undertaken in the country's meat industry. In line with the expanded plan announced in the autumn, the production of Scan's food sausages would be centralized during the period 2011–2013 from Örebro and Kristianstad mainly to Linköping. The production of semi-finished products sold under the Pärsons-brand would be transferred from Ströveltorp to Scan's other production facilities. In addition, the head office and administration are to be transferred from Skara and Stockholm to Linköping. The development programmes are expected to show results during 2012.

Responsibility improves profitability of business operations

Another – and different – example of the company's development projects is the creation of a responsibility scheme across the entire chain of operations, from primary production through to finished products. In 2010, the priorities in the HKScan Group's responsibility scheme were nutrition, the environment and the welfare of production animals.

A good example of the implementation of the responsibility scheme in the welfare of production animals in Finland is the quality scheme of HK Ruokatalo and HK Agri targeted at pork producers. It aims to promote animal welfare and reduce environmental impact. Through the quality scheme HKScan encourages pork producers towards more responsible methods of production and also monitors that partners comply with the jointly agreed rules. In Sweden, impartial third-party certification of pig farms were launched. One of the requirements consists of strict animal welfare criteria. Scan AB accepts pigs only from certified meat-production farms.

Tasty and healthy Rapeseed pork launched

One example of an innovative and nutritionally correct product is Rapeseed pork, which was announced in Finland in 2010 and launched on the market in February 2011. The product is healthier than ordinary pork.

Rapeseed pork is a significant investment and effort to develop healthy and tasty products in line with the company's strategy. The fatty acid composition of Rapeseek pork is modified naturally using a new feeding concept to conform to nutrition recommendations. Rapeseed pork is soft and tender with a superb taste. The new pork, which is good for the heart, will also be used as a raw material in sausages and cold cuts. The aim is that during 2011 a quarter, about 20 million kg, of the pork used by HK would be Rapeseed pork.

HKScan wants to take responsibility in its industry. Consumers in all the company's market areas require greater transparency in production and real and properly produced food. HKScan wants to meet these requirements throughout its entire production chain and in the company's operations. Consumer expectations are at the heart of HKScan's strategy. Only responsible operations can be sustainable and economically successful.

Harmonization of Group operational models

HKScan has launched a number of projects relating to the harmonization of operational models in the business segments, among others, the strategy process. Improvement of operations will continue in 2011 too, with emphasis on corporate communications as well as on developing human resources and management systems. The aim is to find common ground on values in the company's market areas and harmonize processes throughout the Group.

HKScan is already competing in the European series in its field. The current level of work productivity in Sweden and Finland cannot guarantee the company top ranking in competition. We must therefore, together with employees and stakeholders, find ways of achieving the level of productivity attained by Central European competitors. In the European market the mobility of labour, among other elements, is an important factor in competition. HKScan, too, must ensure that labour mobility leads to improved efficiency and profitability. Only a skilled and motivated personnel can achieve the goals we have together set for our business. For this reason, HKScan is ready to reward employees for good performance.

Acquisition of Rose Poultry raises operations to a new scale

At the end of 2010, HKScan acquired Denmark's leading poultry company, Rose Poultry, simultaneously raising business to a new scale. HKScan's operations in the poultry market expanded to Denmark and Sweden, and the company became a leading player in the poultry market in northern Europe.

Rose Poultry's strategic suitability for HKScan is excellent and it will constitute an important step in the development of the company's poultry business. Rose Poultry has strong and optimal brands in its home market areas in Denmark, Sweden and the UK. Poultry consumption is continuing to rise, both globally and in HKScan's market areas.

New investments in local production

Local aspects have already been a strategic choice of the company for many years. In Finland, HKScan Finland's subsidiaries Kivikylän Kotipalvaamo and Lihatukku Harri Tamminen bring to the product range various and tempting options that interest both consumers and trade.

During 2010, HKScan further strengthened its position in local markets and continued to invest, in line with its strategy, in local aspects. In Finland, HKScan Finland and Osuuskunta Karjaportti announced in the summer of 2010 that it had concluded an agreement concerning a business arrangement and is establishing a new company. The new company, Järvi-Suomen Portti Oy, in which HKScan Finland is a majority shareholder with a 90 percent holding, began operations at the beginning of 2011. The company continues the production of processed meats under the Portti brand at Järvi-Suomen Portti's plant located in Tikkala in the town of Mikkeli.

In the Baltics, AS Rigas Miesnieks, which is part of the Rakvere Group, acquired a 98 percent holding in AS Jelgavas Galas Kombinats, a Latvian company specializing in smoked meat products. With the transaction, the Group's market share in Latvia has risen to almost a third.

In Sweden, local aspects are realized through Scan AB's associates. Scan holds 39 percent of Siljans Chark AB, a locally sourced food producer in central Sweden. In addition, Scan has a 25 percent holding in Svensk Butikskött AB, a meat company operating in the Gotland and Stockholm area.

Local operators in HKScan market areas increase transparency in the chain and in operations and enable consumers to trace products reliably as far as the farm. Secondly, animal transport distances are shortened and the climate impacts of transportation are reduced.

Acknowledgements

I would like to thank HKScan's employees, shareholders, customers, contract producers of meat and other partners for their valuable contribution during the past year. I would like to express particular gratitude to consumers in all our market areas.

Turku, March 2011

Matti Perkonoja

HKScan in brief

HKScan is one of the leading meat and food companies in northern Europe with a domestic market consisting of Finland, Sweden, Denmark, the Baltics and Poland. HKScan as a whole is active in nine countries and it has over 11 000 employees.

The company produces, sells and markets pork, beef and poultry meat, processed meats and convenience foods to retail, the HoReCa sector, industry and export customers.

Since the beginning of 2011, the Company's business has been divided into five business segments: Finland, Sweden, Denmark, the Baltics and Poland. HKScan's business in Finland, Sweden, Denmark and the Baltics is carried out through wholly owned subsidiaries while the business segment of Poland consists of the company's 50 percent indirect holding in Sokolów S.A.

Mission statement

MEAT AND MORE

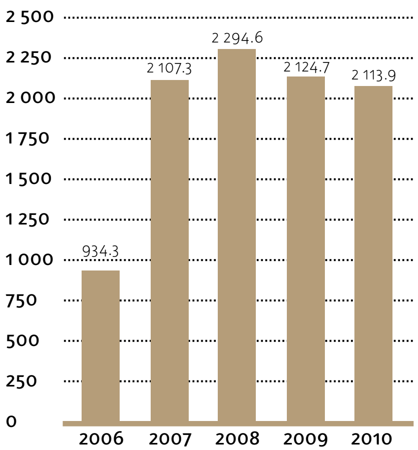
HKScan is a responsible food company which creates economic value added for its stakeholders through its meat-based product portfolio, food concepts and tasty products that are designed to contribute to the lives of consumers by making cooking easy and enjoyable.

Vision

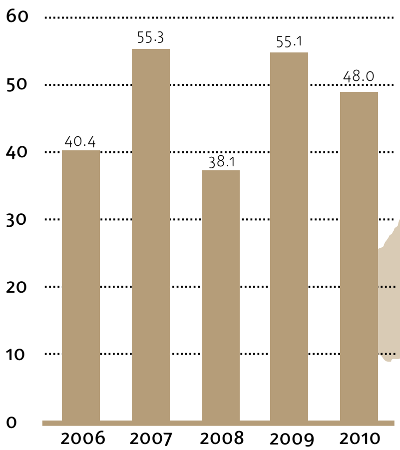
MEAT INDUSTRY SHAPER

HKScan is a responsible food company which sets the standard for best practices in the meat industry in Europe through strong brands, innovative products, an efficient and transparent production chain and skilled employees.

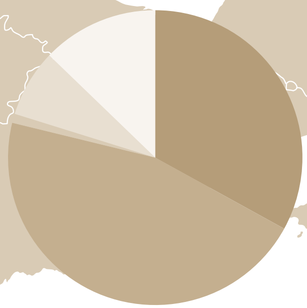
Net sales 2006–2010
(EUR million)



EBIT 2006–2010
(EUR million)



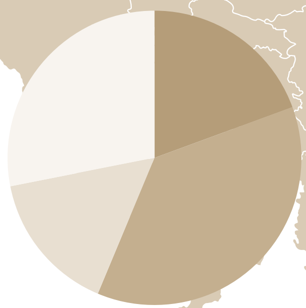
Breakdown of net sales (%) 2010
EUR 2 113.9 million



Finland	33.0
Sweden	45.8
Denmark	1.0
The Baltics	7.4
Poland	12.8

* shares calculated including internal sales

Breakdown of EBIT (%) 2010
EUR 48.0 million



Finland	19.4
Sweden	36.9
Denmark	0.0
The Baltics	15.6
Poland	28.1

* shares calculated exclusive of Group administration costs

HKScan Corporation

Net sales in 2010: EUR 2 113.9 million*, CEO Matti Perkonoja
Pro forma net sales in 2010: EUR 2 325.5 million**

Finland	Sweden	Denmark	The Baltics	Poland
Net sales in 2010: EUR 718.5m	Net sales in 2010: EUR 997.1m	Net sales in 2009/2010: about EUR. 218.3m	Net sales in 2010: EUR 160.4m	Net sales in 2010: EUR 279.3m***
HKScan Finland Oy Managing director Jari Leija	Scan AB Managing director Denis Mattsson	Rose Poultry A/S Managing director Olli Antniemi	AS Rakvere Lihakombinaat Managing director Anne Mere AS Tallegg Managing director Teet Soorm	Saturn Nordic Holding AB -> Sokołów S.A. Managing director Boguslaw Miszczuk

* Between segments –Finland, Sweden, Baltic and Poland -EUR -63.3 million.

** Includes as pro forma figures the net sales of operations acquired in 2010.

*** Joint venture Saturn Nordic Holding owned 50/50 by HKScan and Danish Crown holds 100% of shares in Sokołów. In 2010, half of Sokołów's net sales i.e. EUR 279.3 million were accounted for in HKScan Group figures.

Key Financial Targets

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

Business strategy and financial targets

FURTHER BUILDING ON STRONG MARKET STANDING IN CURRENT MARKET AREAS AND IN NEIGHBOURING AREAS

HKScan is one of the largest producers of processed meats in northern Europe. The company aims to further build on its strong market standing in its current market areas and to continue to grow its market share especially in those market areas where its standing is lower than average.

The company's strategy in the long term is to continue to grow and consolidate the meat market in its current market areas and in neighbouring areas both organically and through acquisitions.

ENHANCING THE PROFITABILITY AND EFFICIENCY OF BUSINESS

HKScan aims to be among the most profitable companies in its sector. The company seeks to enhance its profitability and operational efficiency in all of its markets. The focus in enhancing the efficiency of operations is presently on Sweden in particular.

According to the plan announced in September 2009 and expanded in September 2010, this will be achieved in Sweden through an extensive reorganization of operations. Besides delivering a more methodical business approach, the company believes the development measures currently underway will also allow it to improve its profitability through the cost savings arising from the development measures as well as the more effective control of business operations and allocation of funds.

BOOSTING CUSTOMER SATISFACTION

The company aims to serve the most satisfied customer base in the industry. This aim is pursued through competitive products, delivery reliability and collaboration with customers.

The competitiveness of products refers not only to attractiveness in the eyes of consumers but also competitiveness from the customers' point of view. Delivery reliability in turn stands for both the timely arrival of products to customers and the consistent and high quality of the products.

MEETING CONSUMER NEEDS WITH INNOVATIVE PRODUCTS OF HIGH QUALITY

The foundation for product development in the company is to meet the needs and preferences of consumers at different points of life. In addition to responsible operations, the company also pursues this aim through the means of offering products of high quality in traditional product groups and building on its product offering through new and innovative products and solutions. Consumption patterns vary in different markets by country and region, and local tastes matter; this is a challenge which the company has successfully met. By building on its leading brands, the company strives to further enhance the positive image of its products in the eyes of consumers.

HKScan's key strengths

HKScan's management believes that the company's position as one of the leading food companies in northern Europe is based on the following key strengths:

STRONG MARKET POSITION

HKScan enjoys a strong market position in northern Europe. It is the market leader in the Swedish and Baltic markets, while in Finland and Poland, the company is the second-largest operator in the meat industry and the market leader in several important market segments. Denmark's largest poultry company, Rose Poultry, sells fresh, frozen and processed poultry meat both under its own Rose brand and under private-label brands. The company's main markets are in Denmark, Sweden and the UK.

In Sweden, the company holds a share of approximately 30 percent of the processed meats market and its market share in the slaughter of pork and beef is nearly 60 percent. The company's management estimates the company's share of the Finnish processed meats market at roughly 30 percent. HKScan's management estimates that owing to the concentrated structure of retail, the company benefits from its strong market position especially in its largest markets of Sweden and Finland, where the concentrated structure of retail offers large operators an advantage over smaller rivals.

LEADING LOCAL BRANDS

In all of its markets, HKScan owns the leading local brands that count among the best-known brands in the meat industry in their respective markets. The company's brand names HK and Kariniemen in Finland, Scan in Sweden and Rose in Denmark are highly respected in their respective product groups. Correspondingly, the company's brands in the Baltics (Rakvere and Tallegg) and in Poland (Sokolów) enjoy a strong standing among consumers. HKScan also maintains sub-brands in support of its main brands.

DIVERSIFIED GEOGRAPHICAL STRUCTURE AND MULTIPLE PRODUCT SEGMENTS

HKScan's structure, diversified across several geographic areas, and its multiple product segments bring stability to the company's business. The business model reduces the effect of changes taking place in individual geographic areas and may thus mitigate the effect on the entire Group of risks pertaining to the company.

TOTAL SUPPLY CHAIN MANAGEMENT

Management of the entire value chain relating to meat, from animal rearing to the customer, is central to HKScan's business model. Total supply chain management allows the company to optimize its activities through management of the various stages of the chain, establishing the conditions for cost-effective operations. Total supply chain management also allows the tracking of meat raw material from farm to shop shelf, enabling the company to responsibly report on the origin of the principal raw material of the meat products that it sells.

OPERATIONAL EFFICIENCY

HKScan has enhanced its operational efficiency in recent years. One of the most important undertakings was the major industrial restructuring implemented in Finland between 2006 and 2008, which involved the company centralizing production from the plants in Turku and Tampere to Vantaa and Forssa and logistics operations from Tampere to a new logistics centre built in Vantaa. Improving the efficiency of operations is also the aim of the productivity programme in Finland announced in September 2010.

The aim of the major restructuring programme launched in Sweden in March 2009 and expanded in autumn 2010 is likewise to streamline operations. Greater efficiency in production has also been achieved in the Baltics through centralization.

STRONG CUSTOMER RELATIONSHIPS

The company's strong market position in selected business sectors creates the foundation for strong customer relationships. HKScan's customer relationships are based on close cooperation with key customers.

SKILLED PRODUCT DEVELOPMENT AND ATTRACTIVE PRODUCT PORTFOLIO

HKScan's long history as a maker of meat products and the company's knowledge of consumers provide a solid basis for the company's product development. The company's local product development efforts in the various business sectors allow both the launch of new products adapted to local tastes and the reworking of traditional favourites to reflect the changing needs of consumers.

SKILLED EMPLOYEES

HKScan has a workforce of committed, responsible and skilled employees. Company management estimates that this will provide the foundation for the successful operations of the company also in the future.

RESPONSIBLE OPERATIONS

HKScan is cognizant of its responsibility as a major northern European meat company. The sectors emphasised in the company's corporate social responsibility activities are product safety, nutrition, environmental matters, employee wellbeing at work, production animal welfare, local aspects and economic responsibility. HKScan's corporate responsibility scheme is integrated into the Group's management system and implemented in its subsidiaries in Finland, Sweden, Denmark and the Baltics.

Headlines in 2010

HKScan's business is divided into five business segments as profit centres, according to the Group's geographical areas of operation. The company's business segments are Finland, Sweden, Denmark, the Baltics and Poland.

HKScan group

- The HKScan Group's net sales, EUR 2 113.9 million, were at the level of the previous year. EBIT was EUR 48.0 million.
- Profit before taxes, EUR 36.5 million, remained almost unchanged.
- In Finland and Sweden, the year was affected by numerous exceptional internal supply chain problems, which caused substantial costs and loss of income.
- EBIT was improved by the gains on the disposal of properties in Sweden amounting to some EUR 8 million.
- Profitability remained good in the Baltics and improved particularly in Poland.
- In Sweden, the increasing import of cheaper meat has significantly weakened the competitiveness of production based on Swedish meat raw material.
- At the end of November the transaction concerning the Danish company Rose Poultry was completed, making HKScan a leading player in the poultry market in northern Europe.
- The Group's full-year EBIT is expected to improve compared with 2010.

Key indicators (EUR million)	2010	2009
Net sales	2 113.9	2 124.7
EBIT	48.0	55.1
EBIT margin %	2.3	2.6
Profit before taxes	36.5	37.3
Earnings per share, EUR	0.52	0.64

Finland

- In Finland, net sales were EUR 718.5 million and EBIT EUR 10.7 million.
- Earnings development in HK Ruokatalo (principal company in Finland) was weakened by:
    - Industrial action during the spring, which is estimated to have resulted in loss of earnings of at least EUR 7 million.
    - Price competition in poultry meat during the early part of the year
    - Weak profitability of pork-ban on pork exports to Russia lasting from July to December and the resultant growth in stocks
- In September, a new productivity improvement programme was announced, which aims to deliver annual productivity benefits of EUR 12 million. Of this amount, EUR 6 million are expected to be achieved during 2011.
- HK Ruokatalo's
    - Summer's barbecue season and Christmas sales succeeded well
    - With respect to poultry meat, the year improved towards the end remaining as a whole, short of the target
    - Market position was retained in the challenging market situation
    - Rapeseed pork was announced in spring 2010, the products were launched in February 2011
- HKScan Finland and the other subsidiaries and associates succeeded well throughout the year.

Key indicators (EUR million)	2010	2009
Net sales	718.5	732.5
EBIT	10.7	27.0
EBIT margin %	1.5	3.7

Sweden

- Scan AB's net sales were EUR 997.1 million and EBIT EUR 20.4 million.
- The Christmas season did not entirely meet set targets in Scan (principal company in Sweden).
- The strengthened Swedish krona has increased the amount of imported raw material and significantly weakened the competitiveness of Swedish raw material-based production, which is reflected in a fall in volumes.
- The efficiency programme was expanded:
    - Largest development project implemented in meat companies in HKScan's market areas in decades
    - Development benefits of EUR 30 million by the end of 2012
    - Implementation of the project within a tight schedule alongside routine business operations has caused problems in cost management, which has been reflected as exceptional expenditure of some EUR 10 million
    - Benefits in relation to the original schedule are overdue – expected to appear gradually by the end of 2012
- Scan's subsidiaries succeeded. Sales of the Pärsons brand of cold cuts especially developed well.

Key indicators (EUR million)	2010	2009
Net sales	997.1	1 037.4
EBIT	20.4	16.7
EBIT margin %	2.0	1.6

Denmark

- The Rose Poultry A/S transaction was completed at the end of November
- The company has been consolidated into the HKScan Group since 29 November 2010
- The Danish market area is reported as a separate segment
- Aim:
    - To develop Rose Poultry's product range for HKScan through strong fresh produce know-how
    - To further strengthen the company's position in its home markets in Denmark, in Sweden and in the UK

Key indicators (EUR million)	2010	2009
Net sales	21.8	-
EBIT	0.0	-
EBIT margin %	0.0	-

Rose Poultry – Group for the financial year 1 Oct 2009 – 30 Sep 2010

Key indicators (EUR million)	2010	2009
Net sales	218.3	
EBIT	6.3	

The Baltics

- In the market area of the Baltics, net sales were EUR 160.4 million and EBIT EUR 8.7 million.
- The business environment continues to present a challenge due to the state of the region's economies. Weak consumer purchasing power was in evidence in all the Baltic countries.
- AS Rigas Miesnieks acquired 98.8 percent of AS Jelgavas Galas Kombinats, a Latvian company specializing in smoked meat products.
- In Estonia, the market positions of Rakvere Lihakombinaat and Tallegg strengthened.
- In Latvia, with Jelgavas Galas Kombinats the market share has risen to a third of the overall market.

Key indicators (EUR million)	2010	2009
Net sales	160.4	156.9
EBIT	8.7	9.8
EBIT margin %	5.4	6.3

Poland

- In Poland, Sokolów's net sales growth and profitability improvement continued in 2010.
- Net sales were EUR 279.3 million and EBIT rose substantially to EUR 15.5 million.
- Strong platform for maintaining and enhancing the profitability of the business:
    - Good utilization rate of industrial production capacity
    - Positive development in sales volumes
- Year 2010 in Sokolów:
    - Focused strengthening of the position in modern retail chains
    - Profitable export growth
    - Tight cost control
    - Economic recession had no major impact on the food purchase decisions of Polish consumers

Key indicators (EUR million)	2010	2009
Net sales *)	279.3	251.7
EBIT *)	15.5	9.3
EBIT margin % *)	5.6	3.7

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

Corporate responsibility

Responsibility in operations at HKScan is based on a long-term commitment to develop the entire chain of operations. HKScan always operates, at a minimum, in accordance with legislation and the requirements of the authorities but strives, in line with its vision, to steer development in the industry. HKScan and the Group's subsidiaries have been actively involved in joint industry research and development projects during the year under review.

HKScan's responsibility scheme concentrates on the most pertinent aspects of responsibility for its sector. For the food industry the most important areas are product safety, nutrition, environmental matters, employee wellbeing at work, wellbeing of production animals, local aspects and economic responsibility (MTT 2009). In 2010, HKScan's priorities in responsibility were nutrition, the environment and animal welfare.

HKScan's responsibility scheme was implemented in the market areas of Finland, Sweden and the Baltics. The measures put into practice are described in greater detail in connection with the market areas. Due to differences in the market areas, the focus of goals and achievements in the responsibility scheme vary within the Group. The measures implemented in each subsidiary are directed at those areas of development which are most important to them, however, always in line with the Group's responsibility targets.

Responsible action in HKScan has been established as part of the management system and day-to-day operations. The responsibility scheme at HKScan is headed by the Group's senior vice president of projects and development. In addition to this, each market area has a person in charge of the responsibility scheme in their own area. Furthermore, Group-level working groups operate in various areas of responsibility.

In order to increase transparency, issues relating to responsibility were given more prominence, for example, on HKScan's website.

Responsibility in the food chain

Source: MTT 2009

Main achievements of responsibility scheme in the priority areas during 2010 and planned measures for 2011

Nutrition

	Finland	Sweden	The Baltics
2010	• Development of heart-healthy HK Rapeseed pork. • Heart symbol on more than 90 products. • Salt reduction of 60 000 kg during 2010 compared with level in 2007. • Monosodium glutamate E621 eliminated by 75% among HK products, monosodium glutamate has been eliminated entirely from Kariniemen products.	• Monosodium glutamate E621 has been eliminated from all Scan brand products. • Number of "Nyckelhål"-labelled products grows. Products have low fat and sugar content.	• Reduction of salt content in Rakvere's new products and aim to eliminate monosodium glutamate E621 and nitrite E250. • GDA (Guideline Daily Amounts) labels on all of Tallegg's new products.
2011	• HK Rapeseed pork will account for a quarter of HK pork products by year-end. • With the advent of Rapeseed pork, hard fat will decrease in pork-containing products by approx. 100 000 kg. • Salt content of products will continue to be reduced. • Number of Heart symbol products will exceed 100. • Elimination of monosodium glutamate from HK products will continue and other additives will be scrutinized critically.	• Swedish, local and natural tastes are favoured in the products. • Aim is to reduce salt-content of products.	• Criteria for product healthfulness to be drawn up. • Aim is to reduce salt content of products: Tallegg 1%, Rakvere 3%. • Nutrition research and communication to be developed in cooperation with industry research institutes.

Animal welfare

	Finland	Sweden	The Baltics
2010	• National set of measures for animal welfare created for pork production. • Participation in the EU-level Welfare Quality project aimed at improving animal welfare. Principles and measures of animal welfare were determined.	• National certification of pig farms started: all farms are audited by a third party. • Scan made decision on new guidelines for animal welfare. • Approx. 20 000 pigs are within Scan's Krav-certified organic producer contracts.	• Production conditions compliant with EU standards at all production units. • Additionally, guidelines on animal welfare are in use. Implementation is monitored regularly.
2011	• National set of measures for animal welfare will be adopted in pork production. • A corresponding set of measures will be created for beef production.	• Completion of national certification of pig farms during 2011. • Regular audits conducted by third parties will continue.	• New animal welfare guidelines are in use. Particular attention is given to controlling animal diseases.

Environment

	Finland	Sweden	The Baltics
2010	• In Finland, specific water consumption and volume of waste has decreased compared with 2009. • HK Ruokatalo has participated in several joint industry research products relating, for example, to modelling of and communication about carbon dioxide emissions in meat production.	• Pärsons has started purchasing green electricity, i.e. certified electricity generated by hydropower. • Carbon dioxide emissions have been calculated at the product level for Pärsons cold cuts.	• Rakvere's animal waste processing unit completed in 2010 is estimated to reduce water consumption by 50 000 m^3 per year and natural gas consumption by 700 000 nm^3 per year. • Tallegg reduced the amount of landfill waste by 50%.
2011	• Continuous aim to reduce carbon dioxide emissions and consumption of water and energy. • Participation in continuing research projects and beginning follow-up projects.	• In Sweden, the long-term goal is to reduce carbon dioxide emissions by 50% from the 2003 level by 2020.	• Tallegg's new wastewater management system will be completed and will reduce water consumption. • Rakvere will continue measures to improve energy efficiency.

PRODUCT SAFETY

In Finland and Sweden, all the production facilities are product safety certified. All plants operated by the Group in Sweden and the Baltics have in place a quality management system conforming to the ISO 9001 standard. In addition, most, in Finland too, also hold ISO 22000 certification for their product safety management system or BRC (British Retail Consortium) certification. The expansion of audits is continuing in the Group's subsidiaries, and in the Baltics, too, ISO 22000 production safety certification will be obtained for all the production units during 2011.

WELLBEING AT WORK

In Finland, focus in 2010 was placed especially on developing management. Supervisory practices have been improved through training.

In Sweden, the focus was on employee training and skill enhancement. In Sweden, absenteeism due to illness and accidents at work decreased during the year under review.

In the Baltics, improvements were made in the working environment and in work satisfaction. AS Rakvere Lihakombinaat shared first place in the selection of Estonia's most popular employer.

ECONOMIC RESPONSIBILITY AND LOCAL ASPECTS

The HKScan Group grew in 2010. At year-end the Group employed slightly over 8 000 blue-collar and white-collar personnel, in addition to which there were another 6 100 employed indirectly through the joint venture Sokolów. Through its subsidiaries the HKScan Group has a significant impact on employment and the economy in its production locations. The impacts also extend to contract meat producers.

The basis of economic responsibility lies in profitable business operations. This calls for realistic financial objectives and action plans for their achievement. Risk management and the prevention of abuses as well as supervision likewise play a pivotal role with regard to business activities. At HKScan, these matters have been thoroughly addressed.

Principles of corporate social responsibility

As part of the Group-wide responsibility scheme the following principles steering HKScan's day-to-day operations were determined:

People and products
- Tasty, safe and healthy products
- Wellbeing of employees
- Quoalified partners
- Shared value for business and society

Production animals
- High standards of animal welfare
- Certified production

Environment
- Less and better energy
- Less water
- Less waste

HKScan – Providing wellbeing

People
- We take care of our own people, strive for creating teamwork and an innovative atmosphere, believe in equal opportunities to succeed and lead by example
- We treat all our suppliers and partners openly and fairly and expect the same in return
- We aim for sustainable, long-term growth in food production and to create shared value in society

Products
- Our products are safe and produced to the highest quality standards
- We make delicious, differentiated products that meet the requirements of the time
- We work to develop and produce products that enhance well-being and health

Production animals
- We ensure animal welfare through identifying and applying best practices in our own processes
- We demand high standards of animal welfare from our primary producers

Environment
- We work to decrease the environmental impact from our own processes
- We work towards decreasing the amount of waste together with our distributors

Transparency
- We work to ensure our stakeholders can have confidence that our entire supply chain acts responsibly

HKScan's employees in 2010

HKScan is the fifth largest meat company in Europe and one of the leading food companies in northern Europe. It has employees in nine European countries. At the end of 2010, Group companies directly employed slightly over 8 000 blue-collar and white-collar personnel, in addition to which there were another 6 100 employed indirectly through the joint venture Sokolów. The table below presents a breakdown of employees by country.

In 2010, roughly 82 percent of employees were blue-collar and 18 percent white-collar (78/22% in 2009).

European countries have developed along different historical and cultural lines, and the traditions and customs relating to work thus also vary from country to country. In HKScan, each market area's executive management ensures that Group companies take into account, besides EU-level regulations, the legislation and agreements governing employment, remuneration and other terms of employment as well as occupational safety in their respective countries.

In keeping with its principles, HKScan regards as important the right of both white and blue collar employees to unionize and bargain collectively. In order to further improve and harmonize HR administration a new, Group-wide HR management system will be adopted during 2011.

WORKFORCE GREW AS A RESULT OF ACQUISTIONS

The HKScan Group had 8 058 (6 963) employees at the end of 2010. The increase was due to the acquisitions in Finland, Denmark and Latvia. This meant an increase of slightly more than one thousand employees in the Group's employment compared with the end of 2009. The acquisitions have not yet significantly affected average figures. During 2010, the Group had an average of 7 491 (7 429) employees.

Analysis of employees on average by market area: 2 464 in Finland, 3 143 in Sweden and 1 884 in the Baltics. In addition, the Sokolów group had an average of 5 734 employees.

HKScan, along with the meat industry in general, has been able to preserve jobs also in the past recession better than many other industries. The downsizing measures in the various market areas have been implemented within the framework of the efficiency programme and after careful deliberation.

The HKScan Group paid a total of EUR 255.4 million (EUR 234.0m) in salaries and fees in 2010. When pension costs and other social security costs are included, the total rose to EUR 316.6 million (EUR 306.7m).

Employees by country at year-end

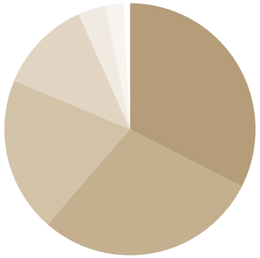
	2010	%	2009	%	2008	%
Sweden	2 622	32.5	2 689	38.6	2 794	39.4
Finland	2 325	28.9	2 210	31.7	2 229	31.4
Estonia	1 605	19.9	1 552	22.3	1 548	21.8
Denmark	969	12.0	43	0.6	44	0.6
Latvia	292	3.6	181	2.6	227	3.2
Poland (Scan)	189	2.3	235	3.4	192	2.7
Lithuania	48	0.6	44	0.6	51	0.7
Russia	5	0.1	5	0.1	5	0.1
UK	3	0.1	4	0.1	5	0.1
HKScan total	8 058	100.0	6 963	100.0	7 095	100.0
Sokolów	6 145	-	5 577	-	5 732	-

Employees by company at year-end

	2010	2009	2008
HKScan Corporation	16	12	13
Scan Group	2 870	2 971	3 035
HK Ruokatalo Oy	2 006	2 064	2 084
Rakvere Lihakombinaat Group	1 459	1 311	1 378
Rose Poultry A/S	913	-	-
AS Tallegg	486	466	448
Kivikylän Kotipalvaamo Oy	161	-	-
Lihatukku Harri Tamminen Oy	93	78	70
HK Agri Oy	54	61	67
HKScan Corporation total 1)	8 058	6 963	7 095
Sokolów Group	6 145	5 577	5 732

1) the approximately 160-strong personnel of Järvi-Suomen Portti Oy will be included in the figures of the HKScan Group as of 1 January 2011.

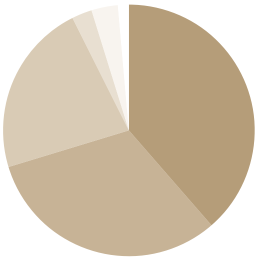
Employees by country at the end of 2010



Sweden	2 622	32.5 %
Finland	2 325	28.9 %
Estonia	1 605	19.9 %
Denmark	969	12.0 %
Latvia	292	3.6 %
Poland (Scan)	189	2.3 %
Other	57	0.8 %

Additionally, the Sokolów Group employed 6 145 persons.

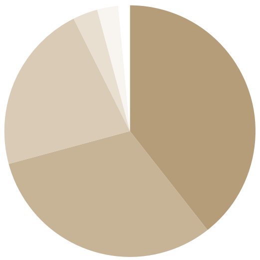
Employees by country at the end of 2009



Sweden	2 689	38.6 %
Finland	2 210	31.7 %
Estonia	1 552	22.3 %
Latvia	181	2.6 %
Poland (Scan)	235	3.4 %
Other	96	1.4 %

Additionally, the Sokolów Group employed 5 577 persons.

Employees by country at the end of 2008



Sweden	2 794	39.4 %
Finland	2 229	31.4 %
Estonia	1 548	21.8 %
Latvia	227	3.2 %
Poland (Scan)	192	2.7 %
Other	105	1.5 %

Additionally, the Sokolów Group employed 5 732 persons.

Market share maintained in challenging Finnish market

HKScan's business in Finland is carried out by HKScan Finland Oy. The largest subsidiaries of the company are HK Ruokatalo Oy and HK Agri Oy. HK Ruokatalo is in charge of industrial operations, sales, marketing, logistics and deliveries while HK Agri procures pork, beef and chicken for HK Ruokatalo's needs. The brands in Finland are HK, Kariniemen, Tamminen, Kivikylän and Portti.

Finland	2010	%	2009	%
Net sales, EUR million	718.5	33.0	732.5	33.6
EBIT, EUR million	10.7	19.4	27,0	43.0
EBIT margin, %	1.5		3.7	
Employees at 31.12.	2 325	28.9	2 210	31.7

The percentage indicates the market area's share of the corresponding Group figure.

The year 2010 was a challenging one for HKScan's Finnish business. Preparations in anticipation of the revised poultry market directive increased price competition. Industrial action in the food industry moreover eroded earnings in the early part of the year by an estimated EUR 7 million at least. The ban on pork exports to Russia, which lasted from July to December, the resultant growth in stocks and costs, and the low price level of alternative sales channels hindered business in the latter part of the year.

The summer grilling season, on the other hand, was a success in terms of retail sales. HK Ruokatalo's sales were boosted by smooth cooperation with customers and strong brands - Kabanossi and Camping - favoured by consumers. The new grade A grilling sausage launched for the summer season, Kabanossi Karski, was immediately embraced by Finns. Kabanossi Original was introduced as a new product in the cold cuts range.

HK's sandwich meats range was updated in September. The "7 Good Deeds" campaign involved HK increasing the meat content of its sandwich meats and discontinuing the use of aroma enhancer monosodium glutamate (E621) in all whole-meat cold cuts as well as thickening agent carrageenan (E407) in all ham cold cuts. The use of packing plastic was also reduced to such an extent that the amount of plastic waste in Finland fell by 115 000 kg annually.

HK Ruokatalo was the first Finnish food producer to introduce, in the Kariniemen poultry range, oven-ready products on fibreboard trays made of oven-safe, recyclable wood fibre. The carbon footprint of these environmentally friendly trays is up to 50 percent smaller than equivalent plastic trays.

The Kariniemen farms also worked systematically towards greater environmental efficiency: Finnish renewable energy now accounts for up to 78 percent of heat production at the poultry farms.

HK Ruokatalo's HoReCa sector HK Pro successfully strengthened its market position despite the industrial action hampering operations in the early part of the year.

Christmas ham sales were in line with expectations. Despite the challenges, HK Ruokatalo maintained its market share.

PRODUCTIVITY PROGRAMME ANNOUNCED

The new productivity programme seeking productivity gains of EUR 12 million annually was announced in the autumn. The programme aims to achieve better cost competitiveness at HK Ruokatalo's production facilities and to develop the quality required by customers, delivery reliability and the technology entailed by product concepts, without costly investments. The foundation for future growth and profitability will thus also be strengthened.

The statutory employer-employee negotiations relating to the programme were started with HK Ruokatalo's industrial processes personnel in November. The negotiations concluded in January 2011 in agreement on improving the productivity of the company's industrial processes by an average of 20 percent. A key element of the agreement is the facility-specific cost-competitiveness enhancement programme prepared for the production facilities in Finland. The programme also involves enhancing HK Ruokatalo's own industrial activity by returning HK Ruokatalo's partially outsourced operations relating to its core business (for instance pork cutting) in stages to the company during 2011.

Implementation of the productivity programme will mean a reduction of roughly 230 person-years in HK Ruokatalo's business chain, including subcontractors as well as outsourced operations, by the end of 2011.

HK AGRI

HK Agri procures pork, beef and chicken for HK Ruokatalo. The operations of HK Agri (formerly LSO Foods) are based on production contracts with producers, who at year-end 2010 numbered roughly 4 700.

Procurement in the review year was approximately 76 million kg of pork, roughly 21 million kg of beef and just under 49 million kg of poultry. Market share was roughly 38 percent in pork procurement, approximately 26 percent in beef and some 51 percent in poultry. Over the course of the year, HK Agri supplied farms with 614 000 piglets and 34 500 calves for rearing.

HK Ruokatalo Oy centralized its meat procurement and primary production as well as feed trade into a single company at the beginning of 2011. This was accomplished by merging the feed company Lounaisfarmi and the primary production duties in the chicken production chain of HK Ruokatalo into HK Agri. The aim is to clarify and streamline primary production service processes, to simplify operations and to achieve synergies through the consolidation of support functions.

SOLID COOPERATION WITH LOCAL ACTORS

In order to strengthen demand for meat raw material in Finland, HK Ruokatalo Oy entered into cooperation in the early part of 2010 with Kivikylän Kotipalvaamo Oy, a family business based in western Finland. Cooperation is being supported by a 49 percent minority stake in Kivikylän, with the current entrepreneurs carrying out the business proper.

In summer 2010, HKScan Finland resolved to establish together with Osuuskunta Karjaportti cooperative a new company to carry out the operations of the latter's processed meats plant in Mikkeli. Once the approval of the competition authorities had been secured, the new company Järvi-Suomen Portti Oy launched operations on 1 January 2011. HKScan Finland holds 90 percent of the company's shares. The Mikkeli plant allows the domestic processed meats production of HKScan Finland to be augmented and developed.

Since 2003, HKScan has held a 49-percent stake in Lihatukku Harri Tamminen Oy, which in recent years has considerably invested in choice beef.

At the beginning of 2011, HK Ruokatalo and Paimion teurastamo slaughterhouse concluded a service agreement concerning beef slaughter.

ACTIVE DEVELOPMENT OF RESPONSIBILITY

Legislation and the jointly agreed policies within the chain provide the foundation for corporate responsibility efforts. HK Ruokatalo's production facilities and sourcing company are certified to ISO 14001 (environmental management system). In order to ensure product safety, all of the company's production facilities are certified to ISO 22000 (food safety management), with the production facilities in Eura and Outokumpu receiving certification in 2010. HK Ruokatalo requires its partners as well to meet strict quality requirements.

COMMUNICATING RESPONSIBILITY

In 2010, HK Ruokatalo actively communicated responsibility matters in its releases and on its website, and was also extensively involved in the industry's joint research and development projects. HK Ruokatalo's Tie Sydämeen consumer website was augmented in summer with a new section on corporate responsibility, relating HK's investment in nutrition as well as responsible animal production and environmentally friendly acts. The Voi hyvin section of the same website addresses nutrition and health matters. The responsibility programme in place at Kariniemen since 2009 is presented on the Kariniemen website. The four themes of the responsibility programme extending throughout the chain are farm, environment, taste and nutrition.

HEART-HEALTHIER HK RAPESEED PORK AND NUTRITION SPEARHEAD DEVELOPMENT

HK Ruokatalo recognizes its responsibility as a major Finnish food producer and wishes to provide Finns with tasty and increasingly healthy food, as demonstrated e.g. by HK rapeseed pork and the steady increase in the number of heart-healthy products bearing the Sydänmerkki symbol.

The review year saw the development of HK rapeseed pork progress to the launch stage. Arising from lengthy development, the innovation was announced in February 2010. Rapeseed pork is among HK Ruokatalo's major projects and one to which the entire production chain is committed, from carefully selected contract producers through production and product development to marketing and sales. The Rapeseed pork products have been available to consumers since February 2011. As the year progresses, the product range will be boosted considerably.

In accordance with a specific feeding programme, rapeseed pigs are fed in addition to Finnish grain also rapeseed oil, which improves the quality of the fat in the meat in a natural way. Two thirds of the fat in rapeseed pork is soft, good fat, and the meat contains up to four time more omega 3 fatty acids than regular pork. Rapeseed pork meat is beneficial to heart health, besides which the meat is also tastier and more tender. Since pork is the most popular meat among Finns, changes in the quality of pork fat has an impact on their hard fat consumption and heart health.

HEART-HEALTHY SYDÄNMERKKI PRODUCTS EXCEED OVER 90

The Sydänmerkki label confirms that within its product group, the product bearing it is a better choice with regard to fat and salt content. Ninety HK Ruokatalo products have already been granted the Sydänmerkki label, with heart-healthier options available in all product groups.

LESS SALT AND ADDITIVES

The step-wise reduction of salt continued in the various product groups: approximately 60 000 kg less salt is now used annually in HK products compared to 2007. Progress was also made in reducing additives: 75% of HK products are prepared without monosodium glutamate and all Kariniemen products, for example, are wholly MSG-free.

NUTRITION COOPERATION WITH THE FINNISH OLYMPIC TEAM

The cooperation between HK Ruokatalo and the Finnish Olympic team culminated in the Vancouver 2010 Winter Olympics. As nutrition partner to the Olympic team, HK Ruokatalo seeks to encourage Finns to eat right and exercise more.

IMPROVEMENTS IN PRODUCTION ANIMAL WELLBEING

Healthy production animals whose welfare has been attended to are the prerequisite for the operation and profitability of the entire meat chain. The wellbeing of production animals reduces their stress, morbidity and thus the need for antibiotic treatments. Animal welfare is also taken into account in animal breeding, animal housing conditions and transportation.

In 2010, HK Ruokatalo and its sourcing company HK Agri worked on developing the HK rapeseed pork concept in respect of primary production. National criteria for responsible meat production in respect of pork production were also defined in the review year, setting limits on factors such as rejections in meat inspection at slaughterhouses and animal morbidity. Limits on drug use will be defined in the near future. Poultry production is also committed to a national quality scheme. The criteria for beef production will be defined in 2011.

As part of the generation of the national set of production animal wellbeing indicators, HK Agri has taken part in the Welfare Quality project at the EU level in which principles and indicators were defined to measure pig welfare. While the focus to date in veterinarian visits to farms has been on animal health, in future the feeding, rearing conditions and opportunities for natural behaviour of production animals will also be evaluated more closely.

ENVIRONMENTAL RESPONSIBILITY

HK Ruokatalo seeks to reduce the consumption of energy and water in relation to production as well as the amount of waste, and to improve sorting. In the market area of Finland, the specific consumption of water has fallen by approximately two percent and the amount of waste relative to production declined by roughly 10 percent compared to 2009. Electricity consumption has held steady at the year-2009 level while heat consumption has slightly increased. The environmental efficiency of product transportation is gauged through cost monitoring. Energy consumption and efficiency are monitored in the transport of animals.

The work started in 2009 to make product packaging materials more environmentally friendly was continued in the year under review. In the new meatball packages, for example, 39 percent less plastic is now used. The trays used in the Kariniemen oven-ready products and HK's small 100-g cold cut packages, both launched in autumn 2010, are made of recyclable fibreboard.

SEVERAL ENVIRONMENTAL UNDERTAKINGS

The environmental aspects of the food chain were present in many ways in the year under review. With regard to CO_2 emissions of meat production, HK Ruokatalo is involved in determining the environmental impacts of the entire food chain in cooperation with research institutes and other industry actors. The majority of environmental loading in meat production arises in primary production during the rearing of animals.

In 2010, HK Ruokatalo took part in several research undertakings concerning environmental matters:

- The Climate communication project studies alternative carbon footprint and environmental labelling and their suitability as a communications tool. The project also compares the calculation models and results of several pork carbon footprint studies.
- The Foodprint project is about determining a more detailed calculation model and tool for calculating the carbon footprint of meat products.
- The Foodspill project studies ways to reduce food wastage.
- A project to determine a set of indicators for the 7 different dimensions of responsibility is also underway.
- The completed Futupack EKO project looked into the environmental loading caused by food packages. The study revealed that packaging accounts for only a small portion of a product's entire environmental load and that the disposal of food as waste caused many times greater adverse environmental impacts.

Restructuring programme expanded in Sweden to secure productivity gains

Scan AB and its subsidiaries are responsible for the HKScan Group's business operations in Sweden. Scan engages in the diverse processing and marketing of pork, beef and lamb, processed meats and convenience foods. Scan's main industrial base is in Sweden but industrial activities are carried out to a lesser extent in Poland and Denmark as well. Scan has been a part of the HKScan Group since 2007. Its most important and best-known brands are Scan and Pärsons. Scan is the largest meat industry business in Sweden and its brands make up a part of the culinary identity of Sweden.

Sweden	2010	%	2009	%
Net sales, EUR million	997.1	45.8	1 037.4	47.6
EBIT, EUR million	20.4	36.9	16.7	26.6
EBIT margin, %	2.0		1.6	
Employees at 31.12.	2 622	32.5	2 689	38.6

The percentage indicates the market area's share of the corresponding Group figure.

The year 2010 was a further challenging period in Sweden. As the Swedish krona grew stronger, the competitiveness of production based on Swedish meat raw material declined significantly. At the same time, competition was intensified and prices depressed by imported foreign meat. Earnings in Sweden were also impacted by the considerable additional expenditure relating to the streamlining programme. EBIT in 2010 in turn was increased by the gains on disposal of the Uppsala and Visby production facilities recognized in Q3. Scan has nonetheless retained its strong market position.

STREAMLINING PROGRAMME PROJECT OF HIGHEST PRIORITY IN NEAR FUTURE

The business streamlining programme at Scan that was launched in 2008 and expanded in autumn 2010 is the largest-scale development project to be implemented in any meat business in HKScan's market areas for decades.

The year 2010 was marked by great changes as Scan AB put into practice the planned strategic and operative development measures. The ongoing streamlining programme has involved transfers of production and these were made in 2010 as well: beef slaughtering was centralized to Linköping, pork cutting to Kristianstad, hamburger patty production was transferred from Linköping to Skara, and the consumer-packed meat plant moved from Uppsala to Linköping. The key objectives of the streamlining programme are improvements in competitiveness and profitability through a higher degree of value-added in production and more effective sales.

Plans for the future include centralizing the production of sausages mostly to Linköping in the years 2011–2013. This means that the frankfurter lines in the Örebro production facility and the sausage production in Kristianstad would be transferred to Linköping. In addition, the aim is to transfer the production in Ströveltorp of semi-finished products sold under the Pärsons brand to Scan's other production facilities. In addition, the head office and administrative functions are to be transferred from Skara and Stockholm to Linköping. After the transfer, sales and direct support services linked to them would remain in Stockholm.

EFFICIENCY THROUGH TRANSACTIONS AND PARTNERSHIPS

Scan has also entered into certain transactions as part of its streamlining programme. In early June, Scan AB signed an agreement to sell its production facility in Visby on the island of Gotland to a new company, Gotlands Slagteri AB, of which Scan AB holds 25 percent and Svenskt Butikskött 75 percent. The transaction secured the continued operation of the facility in Visby.

Scan AB and KLS Ugglarps AB, owned by the Danish company Danish Crown, signed a cooperation agreement on the slaughtering of pork at Scan's Skara production facility in Sweden as from the beginning of 2011. The efficiency of operations at the Skara production facility will be significantly enhanced with increase in the utilization rate.

Scan AB and the Swedish retail chain Coop concluded an agreement in the review year on the supply of consumer-packed meat. Investment in a consumer-packed meat production line in Linköping was made possible by this agreement.

Scan also established cooperation with Park & Resorts in the 2010 season. The three largest amusement parks in Sweden now only sell sausages and hamburgers made by Scan. The agreement gives Scan exclusive right to supply products to the Gröna Lund amusement park, Kolmården Wildlife Park and Skara Sommarland amusement park.

MEAT RAW MATERIAL FROM SVENSKA LIVDJUR & SERVICE AB

With an eye to the sustained development of meat raw material procurement and producer relations, Scan established in spring 2009 a separate procurement company Svenska Livdjur och Service (SLS).

During 2010, SLS had approximately 14 000 contract producers of whom 800 produced pork and the rest beef and lamb. Over the

course of the year, SLS sourced a total of 133.8 million kg of pork, 57.1 million kg of beef and 2.6 million kg of lamb. A further 7 million kg of beef was sourced from other suppliers.

NEW LOGISTICS CENTRE COMES ONLINE

Scan's new national distribution centre came online in August 2010. The centralization of deliveries simplifies operations and streamlines distribution, resulting in benefits to both customers and Scan.

NEW PRODUCT LAUNCHES

In the sandwich meats market, Scan added exciting new products to its highly successful Scan Variation line in the review year. The new flavours include salami-jalapeno and köttbullekorv, the latter winning national recognition in the Chark-SM industry competition.

Inspired by the FIFA World Cup 2010 in South Africa, Scan introduced a new, spicy grilling sausage for the summer grilling season. The grilling season also saw the launch of the Grilla 2010 line of delectable meat cuts.

The day-to-day lives of families with children became a little easier with Scan's introduction of Mina Favoriter, a range consisting of four products that go down exceptionally well among children, such as small meatballs and spicy sausages. Leg of lamb was the new product launch for the Christmas holiday season.

PÄRSÖNS GOES FROM STRENGTH TO STRENGTH

Sales of the Pärsons brand of cold cuts have developed as planned and the brand has maintained its competitiveness better than Scan, the company's other main brand, thanks above all to higher sales volumes and new product launches.

Pärsons has indeed focused on the quality and outstanding taste of its products. Over the year, Pärsons brought a number of new products to the market, one of its biggest launches being the introduction of liver pâté in retail product selections. Many familiar products were also given a facelift.

The focus in the review year at Annerstedt Flodin, Scan AB's import company which imports prime beef cuts from Brazil, Argentina, Uruguay and New Zealand, was on cost control. Less meat than a year before was sourced from Brazil and South America in 2010, causing the company's sales to decline on the year. Annerstedt Flodin launched the Finnish Kariniemen products on the Swedish market in September.

The year at Scan Foods AB, Scan's subsidiary responsible for operations in the UK, was marked by falling volumes and currency exchange rates unfavourable to business. At the end of 2010, Scan Foods launched sausages to one retail customer as a pilot project. At present the product range only comprises meatballs, however.

RESPONSIBILITY ENHANCEMENT THROUGHOUT THE CHAIN

The development of increasingly responsible ways of working continued in the review year in the market area of Sweden. For example, in 2010 Scan prepared ethical guidelines to apply to all actors in the organization.

Scan's production facilities are certified to ISO 9001 (quality management) and ISO 14001 (environmental management) as well as to the highest British Retail Consortium (BRC) standards. The new distribution centre in Linköping has streamlined deliveries and thus also reduced environmental emissions.

Independent third-party certification of Swedish pig farms was set in motion in the review year. One of the requirements in this certification process is strict animal wellbeing criteria. Scan AB only accepts pigs from certified meat farms. In addition, Scan has resolved to revise its animal wellbeing guidelines.

Scan's KRAV-certified organic production agreements concern approximately 20,000 pigs. Upon request, Scan is also able to supply pork raised on non-GMO feed.

Consumers today are more and more interested in the origin and manner of production of food. In response to this interest, Scan is developing a concept that enables products to be traced all the way back to the home farm. In future, this concept will extend to both meat products and cold cuts.

NUTRITION

Consumers in the market area of Sweden favour their own, local and natural flavours. In its product development, Scan also caters for nutrition and health. In 2010, Scan AB eliminated monosodium glutamate (E621) from all of its products. Scan also works towards reducing the salt content of its products. Its product range features a large number of Nyckelhål-marked products with lower fat and sugar contents.

EMPLOYEES

Reducing illness absenteeism has long been a particular focus area in the market area of Sweden. The focus has paid off, as employee absenteeism due to illness has been brought down from the 12 percent seen a decade ago to closer to five percent. The number of accidents at work has also been reduced. In human resources development, Scan focused in the review year especially on training and expertise enhancement. Training topics included environmental concerns and food hygiene. The trainee programme launched a few years ago was also continued at Scan.

For the past four years, Scan has been a sponsor of the Foundation for the Astrid Lindgren Children's Hospital. The Christmas donation made by Scan to the Foundation will go towards making the Hospital even more comfortable for its young patients. Annerstedt Flodins is an annual contributor to SOS Children's Villages in Brazil.

ENVIRONMENT

In 2010, Scan reduced its volume of landfill waste relative to production whereas energy consumption relative to production held steady and water consumption increased.

Environmental matters are an important component of responsibility also in respect of the Pärsons brand. During the review year, the resolution was made to purchase 'green' electricity, i.e. certified electricity generated by hydropower, from those plants which offer these products. The environmental impact calculations prepared on the production of sandwich meats extend to e.g. greenhouse gas emissions. The carbon footprint of each of the Pärsons brand products can thus now be determined: the environmental impact of the 120-g hot-smoked ham, for example, is 0.5 kg of the CO_2 equivalent.

Important entry into Danish market

Rose Poultry A/S is responsible for the HKScan Group's poultry business operations in Denmark and Sweden. Part of production consists of fresh poultry products, the majority, however, of frozen products and processed meat products. The products are marketed under the company's own Rose brand as well as under private labels. The company's main markets are in Denmark, Sweden and the UK.

Denmark	2009/2010	%	2008/2009	%
Net sales, EUR million	218.3	-	211.4	-
EBIT, EUR million	6.3	-	-0.7	-
EBIT margin, %	2.9		-0.3	
Employees at 30.9.	970	-	1 029	-

The figures for the Danish market area are as at 30 September, the end of Rose Poultry's financial year. They are not included in the Group's figures.

Rose Poultry's development is moving in the right direction: both net sales and EBIT improved during the ended financial year.

Denmark is a major meat producer, particularly of pork but also of poultry. The largest poultry company is Rose Poultry A/S, which is part of the HKScan Group, and it has operated under the present name and form for 11 years. The company's roots, however, date back to 1952.

Agriculture in Denmark experienced a slight upswing during 2010 after a poor year in 2009. The improvement is expected to continue in 2011. Strengthening growth was also apparent in Rose Poultry, where net sales in the ended financial year 2009/2010 rose to EUR 218.3 million from EUR 211.4 million (+3.2%) in the previous year. EBIT increased from EUR -0,7 million in 2008/2009 to EUR 6,3 million.

Rose Poultry's home markets include, besides Denmark and Sweden, the UK. It also has extensive export markets, especially in the Middle East and South-East Asia, but also in the EU area.

In Denmark, Rose Poultry has nearly 100 contract suppliers, 10 of which are organic producers. The scale of operations is illustrated by the fact that the company processes more than 130 million kg of poultry meat per year, whereas the entire output in Finland, for example, was approximately 96 million kg.

ACQUISITION IN AUTUMN 2010

HKScan made the three family companies holding Rose Poultry a purchase offer in September 2010. The purchase price consisted of EUR 23.9 million, in addition to which HKScan assumed Rose Poultry's debts in the amount of approximately EUR 45 million. Upon approval of the purchase plan by the competition authorities, the transaction was completed on 29 November 2010.

EUR 15.9 million of the purchase price was paid in cash and the remainder in HKScan's A Shares through a share offering of a million shares directed at the sellers.

The expansion of operations to Denmark and through Denmark to southern Sweden has been an important stage in HKScan's long-term strategic growth plan, which has aimed to acquire leading companies and the best-known brands in their field.

LEADING POUTRY COMPANY

The consumption of poultry meat is continuously growing throughout the world on account of its nutritional value and its lower climate impact. Rose Poultry has an important role in complementing and expanding HKScan's business operations.

In order to maintain international competitiveness and ensure cost-effect operations in the future too, Rose Poultry has made substantial investments in recent years. These have involved eradicating salmonella, increasing the level of automation and improving the traceability of products. Thanks to precise documentation of the production stages, every stage of the birds can be traced to the hatchery and even further back to the hatchery of the parent generation.

Rose Poultry has three production facilities in Denmark. A solid market position combined with a well-known brand will strengthen the HKScan Group's standing as the largest poultry company in northern Europe. The Group is the market leader in poultry meat not only in Denmark but also in Finland and Estonia.

Baltic Group strengthens market standing

HKScan's Baltic Group is active in Estonia, Latvia and Lithuania. Celebrating its 120th year in business in the review year, Rakvere Lihakombinaat is the largest meat industry company in Estonia. The Group also comprises AS Tallegg, the largest Estonian producer of eggs and poultry, along with Rakvere subsidiaries AS Ekseko of Estonia, the Latvian Rigas Miesnieks and its subsidiary AS Jelgavas Galas Kombinats, and the Lithuanian Klaipedos Maisto Mesos Produktai.

Viro: Latvia: Liettua:

The Baltics	2010	%	2009	%
Net sales, EUR million	160.4	7.4	156.9	7.2
EBIT, EUR million	8.7	15.6	9.8	15.6
EBIT margin, %	5.4		6.3	
Employees at 31.12.	1 605	19.9	1 552	22.3

The percentage indicates the market area's share of the corresponding Group figure.

Net sales and EBIT in the market area of the Baltics held steady in 2010. The business environment in the Baltics remains challenging due to the state of the national economies although a degree of stabilization was seen towards the end of the year. The deep economic recession and decline in consumer purchasing power were clearly reflected in demand in all Baltic states. Nonetheless, Rakvere Lihakombinaat and Tallegg managed to strengthen their market standing.

The economic recession in the Baltics has resulted in a major restructuring of the industry, and strong operators have the advantage in this development. The HKScan Group's standing as industry leader was significantly strengthened and its market share brought close to 30 percent also in Latvia when Rigas Miesnieks acquired 98.8 percent of Jelgavas Galas Kombinats in the review year. In Estonia, the Group has long had a strong foothold, as Rakvere with its share of approximately 31 percent is the clear market leader there.

HOME COOKING AND POULTRY MEAT POPULAR IN THE BALTICS

The declining economy and rising food prices have shaped consumer buying habits in the Baltics: demand for more affordable products has risen, consumer price awareness has increased, and more and more food is being cooked at home from basic ingredients. Consumers favour ground meat, fresh meat and poultry meat as well as frankfurters and other sausages for cooking. The popularity of smoked sausages is also on the rise. Intense price-driven campaigning in the major retail chains and the resulting low consumer prices have also played a part in the popularity of these products.

In Estonia, pork and poultry consumption held steady while the consumption of beef continued to decline. In Latvia, poultry consumption remained at the previous year's level whereas the consumption of pork and beef fell further.

The interest in poultry meat increased Tallegg's sales volume in respect of poultry products by 11 percent on the year. All in all, meat product sales volumes fell in the review year by approximately two percent in Estonia and by roughly five in Latvia.

RAKVERE CELEBRATES 120 YEARS IN BUSINESS

Rakvere's year of celebration saw the market launch of several new products for the winter and summer seasons. Special anniversary packaging was moreover introduced for Rakvere's most popular best-sellers.

During 2010, many of the Rakvere Group's products won national recognition. For example Rakvere's stuffed meatballs took the prize for best meat product and best new product of the year in Estonia, the Rakvere frankfurters of Rigas Miesnieks won honourable mention in the product of the year competition in Latvia, and the Estonian branch of Weight Watchers listed Tallegg's pink peppercorn-marinated chicken fillets as the year' best grilling option.

SAFE AND RESPONSIBLE PRODUCTION

By 2011, all production units in the Baltics will be certified to the ISO 22000 product safety standard. Investments were made at the production facilities in the review year 2010 to ensure hygiene and an unbroken refrigeration chain. In addition, the processing of customer feedback will be streamlined for quicker identification of any product safety risks. The auditing of suppliers was started in 2010.

Efforts have been made to eliminate monosodium glutamate and sodium nitrite from the new products launched in 2010 and to reduce their salt content. Over the course of the year, the salt content of products overall was reduced by an average of three percent from a year ago. Healthfulness criteria will be prepared for the products in 2011 and salt reduction will be continued.

In the Estonian market, Tallegg is among the first to introduce GDA or Guideline Daily Amounts markings on its products. The new products launched on the market in the review year have been equipped with these markings. Cooperation with research institutions to study the public health effects of nutrition will be intensified and nutrition-related communications will be developed also in the future.

EMPLOYEES

Ongoing improvements are being made to the workplace environments at the Baltic companies and employees are encouraged towards healthy lifestyles and exercise. AS Rakvere Lihakombinaat took shared first place for the second time in the selection of Estonia's best employer. The companies in the Baltics have for several years and through various projects supported causes such as families with children, sports and culture.

PRODUCTION ANIMAL WELFARE

Animal production in the market area of the Baltics has been adapted to conform to EU standards. Measures in this direction have included the provision of training to company employees and partners in caring for production animals. Animal welfare guidelines have also been issued to farms. Particular attention has been paid to controlling animal diseases.

ENVIRONMENT

The animal waste processing plant at AS Rakvere Lihakombinaat, upgraded in the review year, is estimated to reduce water consumption by 50 000 m^3 and natural gas consumption by 700 000 nm^3 annually. Steps have also been taken in production to reduce other environmental emissions and to enhance energy efficiency.

AS Tallegg for its part has cut landfill waste by 50 percent in 2010. The waste is directed to incineration in the form of RDF fuel, which contains less impurities than ordinary mixed waste. The work will continue in 2011 when Tallegg modernizes its wastewater management system.

Sokolów goes from strength to strength

HKScan became a minority shareholder in the meat company Sokolów in 2002. Sokolów S.A. was the Polish market leader; it had good growth potential and some of the nation's best known brands.
Owing to the size of the Polish market and to balance the risks involved, in summer 2004 HKScan entered into partnership with Danish Crown. The joint venture Saturn Nordic Holding established to this end started to systematically increase its holding, and since summer 2006 Sokolów has been completely in Finnish-Danish hands.

Poland	2010	%	2009	%
Net sales, EUR million	279.3	12.8	251.7	11.6
EBIT, EUR million	15.5	28.1	9.3	14.8
EBIT margin, %	5.6		3.7	
Employees at 31.12.	6 145	-	5 577	-

The figures represent the share (50%) accounted for in HKScan Group figures. The employee figure refers to the entire personnel of Sokolów and has not been included in Group figures. The percentage indicates the market area's share of the corresponding Group figure.

The rise in the profitability of the Sokolów Group first seen in late 2008 extended through 2009 and further into 2010. Sokolów achieved the best result in its history in the year under review.

The HKScan Group's success in the market area of Poland was based on Sokolów growing its sales. This was especially the case in Sokolów's home market of Poland, where the significance of modern supermarkets and hypermarkets as retail distribution channels has continued to rise. Sokolów has successfully increased its product portfolio in their selections.

Favourable development was fuelled by rising domestic demand in 2010. Exports were also of great significance to Sokolów, especially with the profitable demand seen in export markets.

The increase in net sales to EUR 279.3 million (EUR 251.7m), equal to approximately 11 percent on the year, and the nearly 67-percent rise in EBIT to EUR 15.5 million (EUR 9.3m) was due not only to higher net sales but also the good utilization rate of the company's industrial production capacity.

FAVOURABLE DEVELOPMENT IN THE ECONOMY

Sokolów's commercial success was in part underpinned by the favourable development of the Polish economy in 2010. The rate of GDP growth was among the highest in the EU and resulted in declining unemployment and rising consumer purchasing power. The inflation rate also declined. These developments had a positive impact on Sokolów and the entire meat industry in Poland. The greatest benefits were reaped by major industry players such as Sokolów, which continued to strengthen its market position.

Fierce competition resulted in falling meat sales prices in Poland, yet strict cost control along with the good performance of the subsidiaries kept Sokolów's profitability nonetheless on a growth track. Unlike in many other European countries, in Poland the economic recession has had little impact on consumer food choices or buying decisions.

Industry competition remains intense and numerous small meat industry companies have had to fold. No transactions of such magnitude as to impact on Sokolów's position have been concluded, however.

Considering the country's size and population, the Polish meat industry remains rather fragmented and only has a handful of large, national operators.

SMOKED PRODUCTS FIND FAVOUR

In products, the focus in 2010 was e.g. on new smoked products such as smoked hams, bacon and fillets. The production of smoked products is to be further expanded and diversified in future through e.g. advances in slicing.

Important product launches in the review year also comprised Sokolów's new pâté products as well as an expanded range of sausages with alginate casing, produced with a fully automated process.

In November 2010 Igloomeat Sokolów, Poland's leading salami sausage producer, merged with its parent company and was integrated into Sokolów's Debica production facility. Owing to its history, Sokolów has consisted of subsidiaries in various production locations acting as individual companies that have subsequently been merged into the parent Sokolów S.A.

RESPONSIBILITY MEASURES IN POLAND

Measures to ensure the safety and healthfulness of products continued at Sokolów. These included e.g. the provision of training to employees, especially on product safety. Employee training also covered topics such as environmental matters and promoting animal welfare.

Investment was made in the review year in environmental management in the form of e.g. waste processing plant upgrades and new equipment purchases to reduce the amount of waste arising in production.

Sokolów also gained visibility in Poland through its sponsorship of a successful local football club, Lech Poznan.

Report of the Board of Directors for the financial year ending 31 December 2010

• The HKScan Group's net sales in 2010 remained at the level of the previous year and were EUR 2 113.9 million (EUR 2 124,7 m). EBIT came in at EUR 48.0 million (EUR 55.1 m).

• Group profit before taxes, EUR 36.5 million, remained almost unchanged (EUR EUR 37.3 m).

• In Finland and Sweden, the year was affected by numerous exceptional internal supply chain problems, which caused substantial costs and loss of income. EBIT was improved by the gains on the disposal of properties in Sweden amounting to some EUR 8 million.

• Profitability remained good in the Baltics and improved particularly in Poland.

• In Sweden, the increasing import of cheaper meat has significantly weakened the competitiveness of production based on Swedish meat raw material.

• At the end of November the transaction concerning the Danish poultry company Rose Poultry A/S was completed, making HKScan a leading player in the poultry market in northern Europe.

Earnings development and financial standing

DEVELOPMENT OF NET SALES

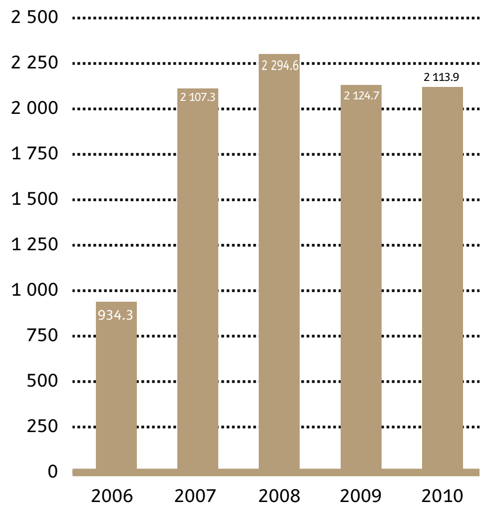
The HKScan Group's net sales in 2010 amounted to EUR 2 113.9 million (EUR 2 124.7 m in 2009). Competition in the price of poultry meat in Finland and industrial action early in the year contributed to the decrease in euro-denominated net sales. The ban on pork exports to Russia, which lasted from July to December, hampered business. In Sweden, the Christmas season did not meet expectations and, moreover, the strengthening of the Swedish krona weakened the competitiveness of production based on Swedish meat raw material. In the Baltics and in Poland, business progressed according to plan.

Breakdown of Group net sales by market area in 2010: Finland 33.0% (33.6%), Sweden 45.8% (47.6%), Denmark 1.0% (- %), the Baltics 7.4 % (7.2%) and Poland 12.8% (11.6%).

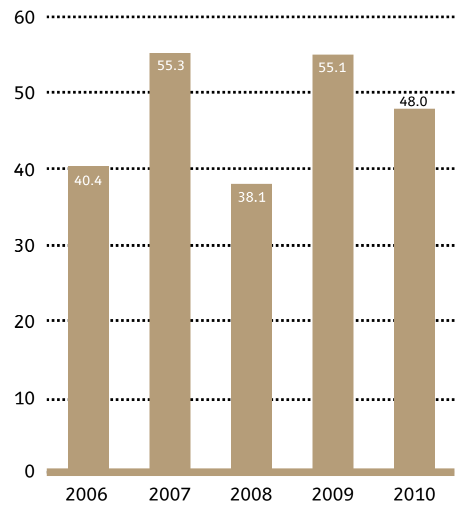
FINANCIAL PERFORMANCE

Group EBIT at EUR 48.0 million was down from the previous year's figure of EUR 55.1 million. Profit before taxes remained at the level of 2009.

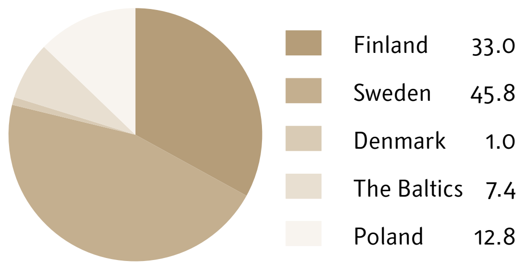
Net sales 2006–2010 (EUR million)



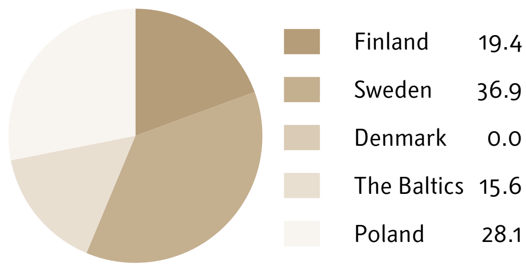
EBIT 2006–2010 (EUR million)



Breakdown of net sales by market area in 2010 (%) EUR 2 113.9 million



Breakdown of EBIT by market area in 2010 (%) EUR 48.0 million



Net sales and EBIT by segment
(EUR million)

	Q4/2010	Q4/2009	2010	2009
Net sales				
-Finland	198.2	185.4	718.5	732.5
-Sweden	275.0	278.3	997.1	1 037.4
-Denmark	21.8	0.0	21.8	0.0
-Baltics	42.0	38.1	160.4	156.9
-Poland	72.6	65.1	279.3	251.7
-Between segments	-14.0	-9.5	-63.3	-53.9
Total	595.7	557.5	2 113.9	2 124.7
EBIT				
-Finland	4.7	6.4	10.7	27.0
-Sweden	8.0	9.1	20.4	16.7
-Denmark	-0.0	-	-0.0	-
-Baltics	1.8	2.0	8.7	9.8
-Poland	3.0	2.9	15.5	9.3
-Between segments	0.0	0.0	0.0	0.0
-Group admin. costs	-1.8	-1.9	**)-7.2	*)-7.7
Total	15.7	18.4	48.0	55.1

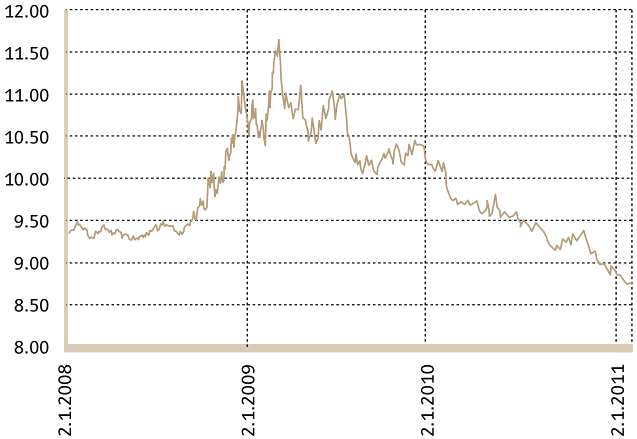
*) Includes EUR 1.3 million in non-recurring severance pay relating to the termination of the former CEO's employment and recognized in Q1.
**) Includes soil decontamination expense on sold land of EUR 0.9 recognized in Q2.

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

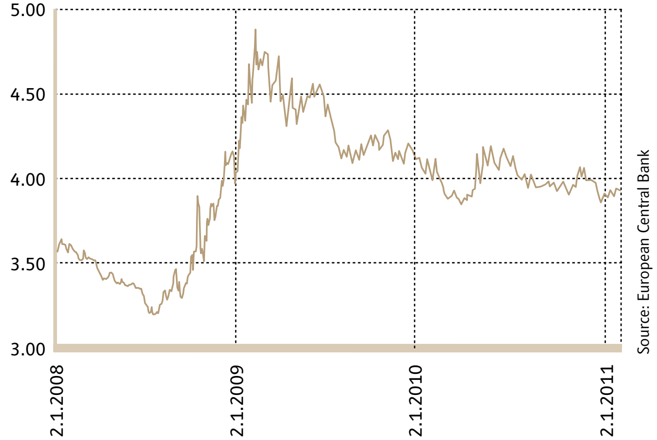
The year was affected by numerous exceptional internal supply chain problems, which caused substantial exceptional costs and loss of income, mainly in Finland and Sweden. On the other hand, EBIT was improved substantially by the non-recurring gains in Sweden amounting to EUR 7.9 million. In Poland, Sokolów increased its EBIT considerably, and improvement in profitability was based on better success in modern retail chains, export growth and cost control. In Poland and the Baltics, EBIT exceeded the Group's long-term target standing at 5.6 percent in Poland and 5.4 percent in the Baltics.

Breakdown of Group EBIT by market area in 2010: Finland 19.4 % (43.0 %), Sweden 36,9 % (26.6 %), Denmark 0.0 % (- %), the Baltics 15.6 % (15.6%) and Poland 28.1 % (14.8 %).

Euro/Swedish krona (EUR/SEK)



Euro/Polish zloty (EUR/PLN)



EFFECT OF CURRENCY EXCHANGE RATES

Of the Group's main currencies, the Swedish krona strengthened substantially throughout the whole year. Overall, the currency strengthened by 12.5%. The Polish zloty strengthened by some 3%. The Danish krone is tied to the euro with a certain fluctuation margin.

The strong Swedish krona had a negative impact on the competitiveness of the company's segment in Sweden, as the inexpensive and continuously increasing imported raw material squeezed prices.

Fluctuations in currency exchange rates become visible upon the consolidation of the figures of foreign business segments. At the closing date, an average of two thirds of the equities of foreign subsidiaries had been hedged. After the end of the year under review, Estonia adopted the euro. EEK-denominated equity hedges ended in January 2011.

Material events in the financial year

MARKET AREA: FINLAND

In Finland, net sales in 2010 were EUR 718.5 million (EUR 732.5 m). EBIT for the whole year remained at EUR 10.7 million (EUR 27.0 m).

Earnings development was weakened in particular by industrial action and price competition in poultry meat during the early part of the year. In addition, there are challenges in the red meat business, where the profitability of pork, especially, is currently weak.

The industrial action during the spring is estimated to have caused loss of earnings amounting to at least EUR 7 million. In addition, the ban on pork exports to Russia lasting from July to December caused growth in stocks. The excess pork stock will be cleared in the first half of 2011.

The summer's barbecue season and Christmas sales succeeded well. With respect to poultry meat, the year improved towards the end remaining as a whole, however, short of its target. After difficulty in the early part of the year, HK Ruokatalo was able to maintain its market position, and HKScan Finland's associates were successful too.

In September, a new productivity improvement programme was announced. The programme aims to deliver annual productivity benefits of EUR 12 million. Of this amount, approximately EUR 6 million are expected to be achieved during 2011. Employer-employee negotiations with HK Ruokatalo's industrial process staff relating to the programme began in November 2010. They were completed in January 2011.

In order to strengthen demand for meat raw material in Finland, HK Ruokatalo Oy entered into cooperation in the early part of 2010 with Kivikylän Kotipalvaamo Oy, a family business based in western Finland. Cooperation is being supported by a 49 percent minority shareholding.

In October, the Finnish Competition Authority approved the plan of HKScan Finland and Osuuskunta Karjaportti to establish a new corporate entity that will continue the production of processed meats at Portti's plant located in Tikkala in the town of Mikkeli. The new company, Järvi-Suomen Portti Oy, began operations on 1 January 2011. HKScan Finland Oy is a majority shareholder in the new company with a 90 percent holding.

HK Ruokatalo merged its meat procurement and primary production as well as feed trade into a single company at the beginning of 2011. The duties of the feed company Lounaisfarmi and the chicken production chain of HK Ruokatalo were transferred to LSO Foods, the name of which changed at the same time to HK Agri.

In line with the HKScan Group's policies, issues pertaining to responsibility and risk management, too, rose to a centre role in developing business operations in 2010. As part of its corporate responsibility scheme, HK Ruokatalo announced in February 2011 the launch of a new kind of healthier and tastier pork, HK Rapeseed pork, in which the fat becomes compatible with nutritional recommendations in a natural way.

MARKET AREA: SWEDEN

Scan AB's net sales in 2010 amounted to EUR 997.1 million (EUR 1 037.4 m). EBIT came in at EUR 20.4 million (EUR 16.7 m). In Sweden, EBIT in 2010 was increased by the EUR 7.9 million non-recurring gains on the disposal of the production facilities in Uppsala and Visby recognized for the third quarter. In 2009, non-recurring charges totalled EUR 10.3 million.

The benefits of the original three-year efficiency programme initiated in 2009 are overdue. In September 2010, it was decided to expand the programme in order to secure the previously announced development benefits of EUR 30 million by 2012. In terms of scale, Scan's efficiency programme is the largest development project that meat companies in the company's market areas have implemented during recent decades. The implementation of large-scale projects within a tight schedule alongside routine business operations has caused problems in cost management. Implementation of the programme has involved exceptional expenditure of some EUR 10 million during the year.

As part of the restructuring programme, Scan AB signed in early June an agreement to sell its production facility in Visby on the island of Gotland to a new company, Gotlands Slagteri AB. Scan AB holds 25 percent of the company and Svenskt Butikskött 75 percent. The arrangement ensured continuation of the production facility's operations in Visby.

On 30 December 2010, on the basis of previous agreements, Scan AB purchased Falkbolagen Produktion AB, which operates in Malmö, Sweden. The company cuts hams for Pärsons AB and has a permanent staff of approximately 20. Previously, Falkbolagen Produktion has carried out cutting operations as freight work for the Scan Group.

On 30 December 2010 Scan AB increased, in accordance with a previous agreement, its shareholding in Bertil Erikssons Slakteri AB to a full 100 percent. The fairly small slaughterhouse employing a staff of 14 located in Krylbo, central Sweden, slaughters beef for Scan and it has a significant role in ensuring the procurement of beef in central Sweden. Scan AB's holding before the transaction at the end of the year was 35 percent. This share was acquired in autumn 2008.

Scan AB and KLS Ugglarps AB, owned by the Danish company, Danish Crown, signed a cooperation agreement on the slaughtering of pork at Scan's Skara production facility in Sweden as from the beginning of 2011. The efficiency of operations at the Skara production facility will be significantly enhanced with increase in the utilization rate.

Scan AB concluded in the year under review an agreement to supply the Swedish retail chain, Coop, with consumer-packed meat. The agreement enabled a consumer-packed meat production line investment in Linköping. In the summer a new logistics centre was completed in Linköping and in the autumn a modern beef cutting line. The strategy period also includes centralization of the production of Scan's food sausages, enhancement of the efficiency of production of Pärsons's semi-finished products as well as the combination of head office and administration functions.

The strengthened Swedish krona has increased the amount of imported raw material and at the same time significantly weakened the competitiveness of production based on Swedish meat raw material.

Sales of the Pärsons brand of cold cuts have developed as planned. The competitiveness of the brand has not declined as much as the other main brand, Scan.

MARKET AREA: DENMARK

At the end of November 2010, the acquisition of the Danish company, Rose Poultry A/S, was completed and the company has been consolidated into the HKScan Group since 29 November 2010. The Danish market is reported within HKScan as a separate segment.

The aim is to develop Rose Poultry's product range for HKScan through strong fresh produce know-how and further strengthen the company's position in its home market in Denmark, in Sweden and in the UK.

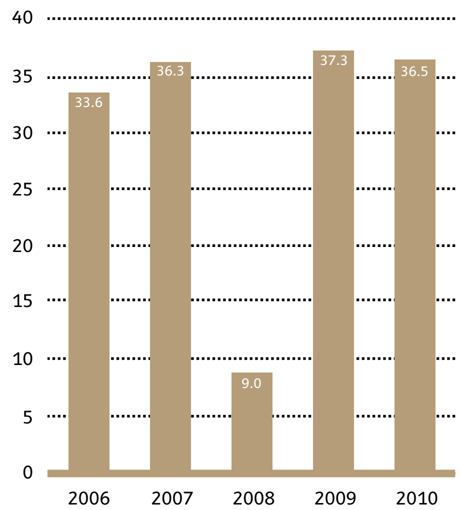
MARKET AREA: THE BALTICS

In the market area of the Baltics, net sales came to EUR 160.4 million (EUR 156.9 m) and EBIT to EUR 8.7 million (EUR 9.8 m).

The business environment in the Baltics continues to present a challenge due to the state of the region's economies, although the situation has somewhat stabilized. Weak consumer purchasing power was in evidence in all the Baltic countries. Rakvere Lihakombinaat and Tallegg handled the situation as a whole well and consolidated their market positions.

The Rakvere Group's Latvia-based subsidiary AS Rigas Miesnieks acquired during the year a total of 98.8 percent of AS Jelgavas Galas Kombinats, a Latvian company specializing in smoked meat products. At the end of the year, the sales and logistics functions of Rigas Miesnieks and Jelgavas Galas Kombinats were consolidated in order to streamline operations. The consolidation of functions incurred exceptional costs totalling EUR 0.4 million. Most of the companies' production-related activities will be centralized in Jelgava's new and efficient plant during the current year. The com-

Profit before tax 2006–2010 (EUR million)



pany's dispatching department and administration will remain in Riga.

In Latvia, the Group's market share has risen to almost a third with the acquisition of Jelgavas Galas Kombinats. With the transaction, the Group has become an even more significant player in Latvia.

MARKET AREA: POLAND

In Poland, Sokolów's net sales grew compared with the previous year, amounting to EUR 279.3 million (EUR 251.7 m). EBIT was up significantly standing at EUR 15.5 million (EUR 9.3 m).

The improvement in profitability in 2010 was based on focused strengthening of the company's position in modern retail chains, profitable export growth and tight cost control. In Poland, the European economic recession has hardly been evident at all in food consumption or consumer purchasing decisions. The good utilization rate of industrial production capacity and positive development in sales volumes are a strong platform for maintaining and enhancing the profitability of the business.

INVESTMENTS

Acquisition of the leading Danish poultry company, Rose Poultry A/S

HKScan and the owners of the Danish company, Rose Poultry A/S – Vinderup Poultry A/S, Skovsgaard Fjerkræslagteri A/S and Hedegaard A/S – signed in September an agreement according to which Denmark's largest poultry company will be acquired by HKScan. The transaction was completed on 29 November 2010.

The final purchase price of the shares in Rose Poultry was EUR 23.4 million. The purchase price consisted of a cash payment of EUR 15.4 million and 1 000 000 HKScan Series A shares. In connection with the transaction, HKScan also assumed Rose Poultry's interest bearing net debt, amounting to approximately EUR 45 million.

On 9 December 2010, HKScan's Board of Directors decided on a share issue directed at Rose Poultry's shareholders on the basis of the share issue authorization granted to it by the Annual General Meeting held on 23 April 2010.

Rose Poultry's shareholders were offered as part of the purchase price 1 000 000 HKScan Series A shares, which were subscribed on 9 December 2010. The subscription price was EUR 8.00 per Series A share and it was paid with Rose Poultry shares. The new Series A shares now issued entitle to the same shareholder rights as existing Series A shares. The share issue is explained in more detail under "Share issue" below.

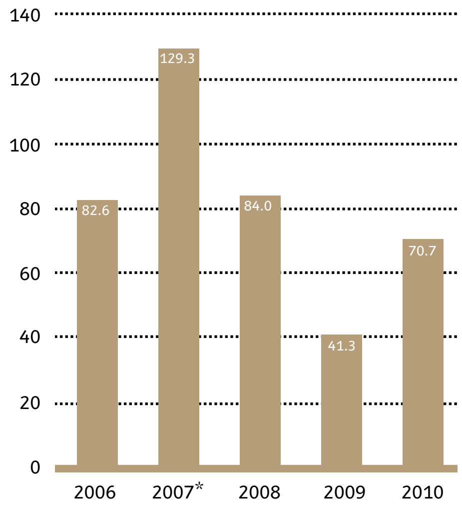
With the transaction, HKScan's operations in the poultry market expanded to Denmark and Sweden, and the company became a leading player in the poultry market in northern Europe. Rose Poultry's strategic suitability for HKScan is excellent, and its acquisition constitutes an important step in the development of the company's poultry business. The acquisition was in line with the strategy of the HKScan Group.

Rose Poultry produces annually more than 130 million kilos of poultry meat, which is sold under the company's own Rose brand as well as under private labels as fresh, frozen and processed products in the company's main markets in Denmark, Sweden and the UK. Rose Poultry has three production facilities in Denmark and the company employs approximately 1 000 people.

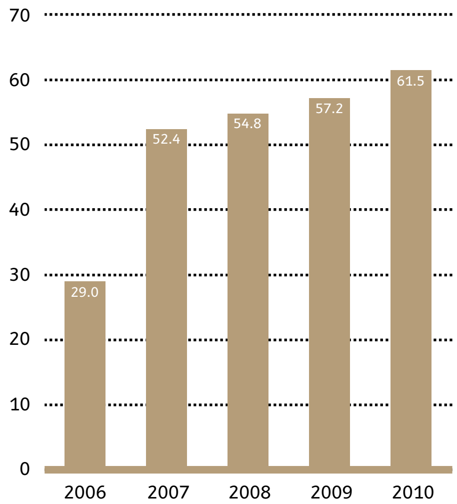
Production-related investments

The Group's production-related gross investments in 2010 totalled EUR 70.7 million (EUR 41.3 m). Breakdown of investments by

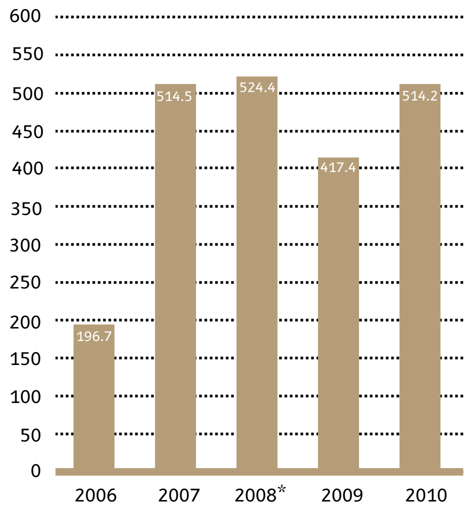
Gross investments 2006–2010
(EUR million)
* Exclusive of enterprise value on Scan AB acquisition



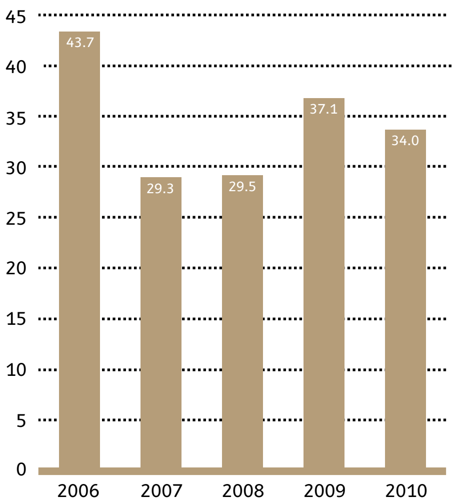
Depreciation 2006–2010
(EUR million)



Interest-bearing liabilities 2006–2010
(EUR million) * Exclusive of the capital loan



Equity ratio 2006–2010 (%)



market area: Finland EUR 20.2 million (EUR 8.0 m), Sweden EUR 27.5 million (EUR 18.5 m), Denmark EUR 0.7 million (EUR 0.0 m) and the Baltics EUR 14.5 million (EUR 7.3 m). HKScan's share of Sokolów investments in Poland added a further EUR 7.8 million.

In Finland, the most important investments concerned the production line for ground meat products completed in Vantaa and the start-up of the extension to the beef slaughterhouse in Outokumpu. In Sweden, investments concerned, e.g. Linköping's distribution centre, restructuring of beef cutting operations and the consumer-packed meat production facility in Linköping as well as centralizing pork cutting operations in Kristianstad. In the Baltics, Rakvere invested in an animal waste processing unit and Tallegg in developing the poultry slaughter process.

FINANCING

The Group's interest-bearing debt at year-end stood at 514.2 million (EUR 417.4.6 m). The growth in debt was affected by the considerable strengthening of the Swedish krona (by approximately 12.5%) throughout the year, tying up of working capital and the higher cash flow from investing activities following the relatively low investment level the previous year. In addition, in conjunction with the Rose Poultry transaction, liability was assumed for the interest-bearing debt of Rose Poultry, which at 31 December 2010 amounted to approximately EUR 52 million.

The Group's liquidity has been good throughout the year. Untapped credit facilities at 31 December 2010 stood at EUR 203 million (EUR 207 m). In addition, the Group has other untapped overdraft and other facilities of EUR 34 million (EUR 39 m). The EUR 100 million commercial paper programme had been drawn in the amount of EUR 37 million (EUR 5 m).

The company has experienced no problems with re-financing and sees no significant need for further financing before 2013. The company's current loan agreements are subject to ordinary terms relating to the profit and balance sheet. The financial covenants are net gearing ratio and ratio of net debt to EBITDA.

At the end of the year, the equity ratio stood at 34.0 percent (37.1%).

The interest rate remained throughout the financial year at a historical low. The costs of hedging equity denominated in EEK declined clearly in conjunction as Estonia approached joining the euro. In addition the amount of interest-bearing loans during the early part of the year were significantly lower than at the end of the year due to the share offering executed at the end of 2009. These factors explain the clear decrease in net financial expenses at an annual level compared with the previous year.

TAXES

The Group's taxes for January to December 2010 totalled EUR -5.7 million (EUR -4.9 m). The effective tax rate was 15.6 percent (13.0%). The lower effective tax rate was the result of a number of distinct factors, with the greatest impact originating in the Baltics. In the Baltic operations, advantage was taken of Estonia's zero tax rate on retained profits as, so far, the company has not planned on distributing profits from the Baltics.

SHARE OFFERING

HKScan's Board of Directors implemented a share issue directed at Rose Poultry's shareholders on the basis of the share issue authorization granted to it by the Annual General Meeting held on 23 April 2010.

Rose Poultry's shareholders were offered 1 000 000 HKScan Series A shares, the subscription price of which was EUR 8.00 per Series A share.

The number of Series A shares to be issued in the share issue represents approximately 2.02 percent of the number of all registered HKScan Series A shares and 0.63 percent of votes carried by all the company's shares after the issue has been effected.

The share issue directed to the shareholders of Rose Poultry resulted in the number of Series A shares in HKScan rising from 48 626 522 to 49 626 522. The share capital was not increased, as the subscription price was credited to the reserve for invested unrestricted equity in its entirety.

The new shares were entered in the Trade Register on 17 December 2010. Trading together with the company's existing A Shares began on 20 December 2010. The new Series A shares issued in the share issue will be subject to a lock-up arrangement. During a period of 21 months from the closing date of the acquisition (29 November 2010) at maximum 100 000 Series A shares can be transferred within a 30 day period to any third party other than HKScan without the consent of HKScan.

TREASURY SHARES

At 1 January 2010, HKScan held a total of 51 982 of its A Shares. Over the course of the year, 1 752 shares assigned in the years 2006-2008 as part of the key employees' share bonus scheme reverted back to the company. At 31 December 2010, the company held a total of 53 734 of its A Shares. These had a market value of EUR 0.38 million (EUR 7.15 each) and accounted for 0.10% of all shares and 0.03% of all votes. No dividend is paid on treasury shares.

INSIDER TRIAL RELATING TO SHARE PURCHASES BY LSO OSUUSKUNTA

The Helsinki district prosecutor decided that six persons, who were part of LSO Osuuskunta's management in 2006, would be prosecuted for aggravated abuse of insider information. Three of these persons were members of the Board of Directors of HKScan Corporation at the time. The charge was based on the respective persons' positions at the time as representatives of LSO Osuuskunta and did not relate to their actions as members of the Board of HKScan Corporation.

In April 2010, the Helsinki district prosecutor resolved not to bring charges in respect of HKScan CEO Matti Perkonoja and one company official.

The trial relating to share purchases made by LSO Osuuskunta in August 2006 began at the beginning of November, and the District Court handed down the decision in the matter on 20 December 2010. The District Court dismissed the prosecutor's charge of aggravated abuse of insider information. According to the decision of the District Court, the members of the Board of Directors of LSO Osuuskunta at the time were guilty of negligent abuse of insider information, for which the District Court imposed a fine. In addition, LSO Osuuskunta was ordered to pay a corporate fine and to forfeit the estimated benefit it received.

The decision applied to the persons belonging to the Board of Directors of LSO Osuuskunta at the time as well as to LSO Osuuskunta. Of the above-mentioned persons, three – Markku Aalto, Tiina Varho-Lankinen and Matti Murto – were members of HKScan Corporation's Board of Directors. All three as well as LSO Osuuskunta have registered their intent to appeal the District Court's judgement.

HKScan Corporation's Board of Directors decided in its meeting held on 4 January 2011 to convene an Extraordinary General Meeting on 4 February 2011 to decide on the composition of the Board after receiving the notices of resignation of three Board members. Notice of resignation has been tendered by Markku Aalto, Tiina Varho-Lankinen and Matti Murto.

HKScan's largest shareholder, LSO Osuuskunta, proposed as new members of the Board of Directors Juha Kylämäki, Niels Borup and Tero Hemmilä. Juha Kylämäki is a farm entrepreneur and broiler meat producer. Niels Borup, MSc (Econ. & Bus. Admin.), is a farm entrepreneur and a pork and milk producer. Tero Hemmilä, M.Sc. (Agr. & For.), is managing director of Yara Suomi Oy.

In accordance with the proposal of HKScan's largest shareholder, LSO Osuuskunta, the Extraordinary General Meeting elected to HKScan's Board of Directors on 4 February 2011 Juha Kylämäki, Niels Borup and Tero Hemmilä.

At the organization meeting held immediately following the Extraordinary General Meeting, the Board elected Juha Kylämäki as its Chairman and Niels Borup as Deputy Chairman. In addition to the above-mentioned new members Matti Karppinen, Pasi Laine and Otto Ramel continue as members of HKScan's Board of Directors.

CHANGES IN MANAGEMENT

Olli Antniemi MSc (Econ & Bus Admin) was appointed senior vice president in charge of strategy and development effective as of 1 January 2010. He also joined the Management Team. Mr Antniemi was responsible for strategic business planning with an emphasis on Group synergies and management of the Group's strategy process. On 29 November 2010 he was appointed managing director of Rose Poultry A/S responsible for HKScan's operations in Denmark. He previously served as executive vice president of the HKScan Group's Baltic Group, as managing director of Scan AB, as development director at HK Ruokatalo Oy and, most recently, as senior vice president in charge of strategy and development at HKScan. Mr Antniemi is a member of HKScan's Management Team and he reports to CEO Matti Perkonoja.

In January 2010, the company's Board of Directors and HKScan Corporation's CEO Matti Perkonoja that he will stay on as CEO longer than previously announced, until the end of February 2012, after which time he plans to retire. Previously, he intended to retire after 2010.

Sirpa Laakso, MSc (Econ. & Bus. Adm.) was appointed Executive Vice President, HR at HKScan Corporation and a member of the Management Team on 24 November 2010. Ms Laakso is responsible for HKScan's HR functions and for their development in all of the Group's market areas. She reports to CEO Matti Perkonoja. Ms Laakso took up her post on 13 January 2011.

CHANGES IN GROUP STRUCTURE

HKScan Corporation transitioned on 1 January 2010 to a holding company structure in its Finnish business. The reorganization streamlined the affiliated group's financial reporting and internal supervision. It was accomplished as a business transfer on 1 January 2010 by transferring HKScan Corporation's production-related property, plant and equipment in Finland as well as its holdings in subsidiaries and associates to HKScan Finland Oy, a holding company wholly owned by HKScan Corporation.

The reorganization was technical and legal in nature and it has no effect on operational activities. HK Ruokatalo Oy and LSO Foods Oy, which changed its name to HK Agri Oy at the beginning of 2011, the companies responsible for the Group's Finnish business, carry on their activities as before. The arrangement had no effect on jobs or the standing of the parent company or its shareholders. Managing director Jari Leija of HK Ruokatalo Oy also serves as managing director of HKScan Finland Oy.

In a bid to secure demand for Finnish meat raw material, HK Ruokatalo Oy entered into cooperation in the early part of the year with Kivikylän Kotipalvaamo Oy, a family business based in western Finland. The cooperation is supported in the form of a 49 percent minority holding in the company, with the current operators continuing to carry on the company's business proper. The company was consolidated as a subsidiary based on control on 31 December 2009.

AS Rigas Miesnieks ("Rigas Miesnieks") signed in March an agreement on acquiring a 90.8 percent holding in the Latvian company, AS Jelgavas Galas Kombinats ("Jelgava"), which specializes in smoked meat products. The deal was approved by the Latvian competition authorities in late June. The transaction was closed and Jelgava was transferred to the ownership and control of Rigas Miesnieks on 30 June 2010. Rigas Miesnieks is part of AS Rakvere Lihakombinaat, which is part of HKScan's Baltic Group, and is responsible for operations in Latvia. In addition, in 2010, two transactions were concluded with owners of non-controlling interests. During 2010, Rigas Miesnieks acquired a total of 98.8 percent of Jelgava's shares.

As part of the restructuring programme, Scan AB signed an agreement in early June on the transfer of its production facility located in Visby, Gotland, to a new company, Gotlands Slagteri AB. Scan AB owns 25 percent and Svenskt Butikskött 75 percent of the company. This arrangement ensured the continuation of the production plant's operations in Visby.

HKScan Corporation ("HKScan") announced on September 9, 2010 that it had signed an agreement to acquire the share capital of Denmark's leading poultry company, Rose Poultry A/S ("Rose Poultry"), and on November 11, 2010 that the approval by the competition authorities required to close the deal had been obtained. The transaction was closed and Rose Poultry was transferred to the ownership and control of HKScan on 29 November 2010.

In October, the Finnish Competition Authority approved the plan of HKScan Finland and Osuuskunta Karjaportti to establish a new corporate entity that will continue the production of processed meats at Portti's plant located in Tikkala in the town of Mikkeli. The new company, Järvi-Suomen Portti Oy, began operations on 1 January 2011. HKScan Finland Oy is a majority shareholder in the new company with a 90 percent holding.

On 30 December 2010, on the basis of previous agreements, Scan AB purchased Falkbolagen Produktion AB, which operates in Malmö, Sweden. The company cuts hams for Pärsons AB and has a permanent staff of some 20. Previously, Falkbolagen Produktion has carried out cutting operations as freight work for the Scan Group.

On 30 December 2010 Scan AB increased, in accordance with a previous agreement, its shareholding in Bertil Erikssons Slakteri AB to a full 100 percent. The fairly small slaughterhouse employing a staff of 14 located in Krylbo, central Sweden, slaughters beef for Scan and it has a significant role in ensuring the procurement of beef in central Sweden. Scan AB's holding before the transaction at end of the year was 35 percent. This share was acquired in autumn 2008.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Annual General Meeting held on 23 April 2010 resolved on the amendment of Articles 6,7 and 9 of the Articles of Association, concerning the venue of general meetings, the notice to general meetings and the Board of Directors of the Company, respectively, to read as follows:

"Article 6

The Annual General Meeting of Shareholders shall be held annually by the end of June on a date to be determined by the Board of Directors. General meetings of shareholders may be held in the Company's domicile Turku, Vantaa or Helsinki."

"Article 7

Notices to general meetings of shareholders shall be given to shareholders no earlier than three (3) months and no later than three (3) weeks prior to the meeting, however, no later than nine (9) days prior to the record date of the meeting, by publication of the notice on the Company's website and, if so decided by the Board of Directors, in one or more national newspapers as determined by the Board of Directors."

"Article 9

The company has a Board of Directors comprising between five and seven (5-7) members. The Board of Directors elects a chairman and deputy chairman from among its members."

Events taking place after 31 december 2010

(1) HKScan Corporation's Board of Directors decided in its meeting held on 4 January 2011 to convene an Extraordinary General Meeting on 4 February 2011 at 11 am to decide on the composition of the Board after receiving the notices of resignation of three Board members. Notice of resignation were tendered by Markku Aalto, Tiina Varho-Lankinen and Matti Murto. According to the decision of the District Court, the members of the Board of Directors of LSO Osuuskunta at the time – including the three persons mentioned above, who were members of HKScan's Board of Directors – would have been guilty of negligent abuse of insider information, for which the District Court imposed a fine. All three have registered their intent to appeal the District Court's judgement.

HKScan's largest shareholder, LSO Osuuskunta, proposed as new members of the Board of Directors Juha Kylämäki, Niels Borup and Tero Hemmilä. Juha Kylämäki (law student) is a farm entrepreneur and broiler meat producer. Niels Borup, MSc (Econ. & Bus. Admin.), is a farm entrepreneur and a pork and milk producer. Tero Hemmilä, M.Sc. (Agr. & For.), is managing director of Yara Suomi Oy.

In accordance with the proposal of HKScan's largest shareholder, LSO Osuuskunta, the Extraordinary General Meeting elected to HKScan's Board of Directors on 4 February 2011 Juha Kylämäki, Niels Borup and Tero Hemmilä.

At the organization meeting held immediately following the Extraordinary General Meeting, the Board elected Juha Kylämäki as its Chairman and Niels Borup as Deputy Chairman. In addition to the above-mentioned new members Matti Karppinen, Pasi Laine and Otto Ramel continue as members of HKScan's Board of Directors.

(2) The productivity programme of HKScan Finland's subsidiary, HK Ruokatalo, concerning the period 2011–2013 announced last autumn is ready and the employer-employee negotiations relating thereto concerning blue and white collar employees in HK Ruokatalo's industrial processes, which started in November, ended in January.

HK Ruokatalo and its blue and white collar personnel employed in industrial processes, have signed an agreement whereby the parties commit to a target programme which, when implemented, will improve the productivity of the company's industrial processes on average by 20 percent. A production facility-specific programme to develop cost competitiveness drawn up for the company's production facilities in Finland constitutes a key part of the agreement.

HK Ruokatalo's own industrial activity will be enhanced by returning HK Ruokatalo's partially outsourced operations relating to its core business (e.g. pork cutting) in stages to the company during 2011.

In order to streamline the company's industrial structure, HK Ruokatalo will, together with representatives of the personnel, seek solutions regarding the future roles of the production facilities in Säkylä and Mellilä.

Implementation of the productivity programme will mean a reduction of roughly 230 person-years in HK Ruokatalo's business chain, including subcontractors and outsourced operations, by the end of 2011.

The productivity programme aims to reduce overall expenditure by EUR 12 million annually. Of the annual cost benefits mentioned above, EUR 6 million are estimated to be achieved during 2011. The additional expenditure of EUR 3 million announced previously is not estimated to arise from the implementation of the programme.

Employees, research and corporate responsibility

EMPLOYEES

Excluding Denmark, the HKScan Group had in 2010, on average, 7 491 (7 429) employees. The increase was due to the acquisitions in Finland and Latvia. In December, over 900 more employees entered the Group's employment with the acquisition of the Danish company, Rose Poultry A/S. At the end of 2010, the Group had 8 058 (6 963) employees.

SHARE-BASED INCENTIVE SCHEME FOR KEY EMPLOYEES

The company had in place a share-based incentive scheme for key employees concerning the years 2006–2008. The company's Board has not launched a new share-based incentive scheme since the expiration of the earlier scheme at the end of 2008. No bonuses were paid under the scheme in 2008, 2009 or 2010. In accordance with the terms of the scheme, 1 752 A Shares assigned as a part of the incentive scheme in the years 2006-2008 reverted to the company in 2010. The three-year commitment period ended on 31 December 2010 and the shares were released for the unrestricted use of their recipients.

RESEARCH AND DEVELOPMENT

Practically all research and development in the HKScan Group involves normal product development, meaning 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 9.6 million (EUR 8.9 m) was spent on R&D in 2010, equal to 0.5 percent of net sales.

An example of a significant product development project carried out in Finland is Rapeseed pork, which has emerged as a result of long-term research. In accordance with a specific feeding programme, Rapeseed pigs eat, in addition to Finnish grain, rapeseed oil, which improves the quality of the fat in the meat in a natural way. Two-thirds of the fat in Rapeseed pork is soft, good fat and the meat contains as much as 4 times more omega 3 fatty acids than ordinary pork. Rapeseed pork has a beneficial effect on heart health, and it is also tastier and more tender.

CORPORATE RESPONSIBILITY

HKScan recognizes its responsibilities as a major northern European meat company and will always operate, at a minimum, in accordance with legislation and the requirements of the authorities. In 2010, HKScan's priorities in responsibility were nutrition, the environment and animal welfare. In 2010, HKScan's responsibility scheme was implemented in the subsidiaries in Finland, Sweden and the Baltics.

HKScan invests in continuous research and product development in order to develop new, healthier and better meat-based products. As meat and foods prepared from it play a key role in the diet of consumers in HKScan's business area, the company and its subsidiaries are able to have an impact on public health through the product ranges they offer. The heart-healthy Rapeseed pork developed by HK Ruokatalo serves as an example. When rapeseed oil is added to the feed of pigs, the quality of the fat in their meet is rendered softer in a natural way.

HKScan operates on the principle of causing minimum adverse environmental impact during production. This principle is put into practice in all market areas, taking into account existing regulations and EU-standard certification processes. An ISO 14001-certifed environmental management system is in place at all HK Ruokatalo production plants in Finland, the Rakvere Lihakombinaat and Tallegg plants in Estonia and in six Scan production plants in Sweden. Other Scan facilities apply the BAS system, in which environmental efforts are managed by a local steering group responsible for setting environmental targets for plants and monitoring compliance. In Poland, the Sokolów plants operate according to good production practice under the ongoing supervision of the Polish veterinary authority.

All plants operated by the Group in Sweden and the Baltics furthermore have in place a quality management system conforming to the ISO 9001 standard. Most, in Finland too, also hold ISO 22000 certification for their product safety management system or BRC (British Retail Consortium) certification.

In the food industry, energy, water, waste arising from processing biological materials, wastewater and flue gases from heating plants cause the greatest environmental loading. HKScan seeks to reduce the amount of energy and water consumed in relation to production (= specific consumption), to reduce all waste, particularly the relative amount of landfill waste, and to improve sorting. Since there are differences in operations and technology, focus areas vary from one production facility to another. Continuous improvement has been achieved by combining and rationalizing operations, and by introducing new procedures.

In 2010, HKScan's subsidiaries have also been involved in projects modelling carbon dioxide emissions and the carbon footprint in meat production.

Healthy production animals whose welfare has been attended to are the prerequisite for the operation and profitability of the entire meat chain. The wellbeing of production animals reduce their stress, morbidity, and thus the need for antibiotic treatments. Animal welfare is also taken into account in animal breeding, animal housing conditions and transportation. In 2010, HKScan subsidiaries have paid particular attention to improving the welfare of production animals and to developing a set of measures and guidelines for welfare.

CORPORATE GOVERNANCE

HKScan's Audit Committee has considered the separate Corporate governance statement. The statement will be released as part of the Annual Report and on the company's website under "Investor information".

BOARD OF DIRECTORS' EXISTING AUTHORIZATIONS

(1) The AGM of 23 April 2010 authorized the Board to resolve on acquiring a maximum of 3 500 000 Series A shares as treasury shares, equal to roughly 6.5% of total registered shares and 7.2% of total A Shares.

Treasury shares may only be acquired using unrestricted equity. Treasury shares may be purchased for a price quoted in public trading on the purchase day or for a price otherwise determined by the market. The Board of Directors shall resolve upon the method of purchase. Among other means, derivatives may be utilized in purchasing the shares. The shares may be purchased in a proportion other than that of the shares held by the shareholders (directed purchase). This authorization is valid until 30 June 2011 and cancels the authorization granted to the Board by the AGM of 23 April 2009 to resolve on acquiring the company's treasury shares.

(2) The AGM also authorized the Board of Directors to resolve on an issue of shares, option rights as well as other special rights entitling to shares as referred to in Chapter 10:1 of the Limited Liability Companies Act. The Board was authorized to resolve on the issue of a maximum of 5 500 000 A Shares, corresponding to ca. 10.2% of all registered shares in the company and ca. 11.3% of all A Shares.

The Board may resolve upon all the terms and conditions of the issue of shares and other special rights entitling to shares. The authorization to issue shares shall cover the issuing of new shares as well as the transfer of the company's treasury shares. The issue of shares and other special rights entitling to shares may be implemented as a directed issue. This authorization is valid until 30 June 2011 and cancels the authorization granted to the Board by the AGM of 23 April 2009 on resolving on an issue of shares, option rights as well as other special rights entitling to shares.

The authorizations concerning purchases of treasury shares and share issue were granted to provide the company's Board with flexibility in deciding on capital market transactions necessary to the company, e.g. to secure its financing needs or to execute mergers and acquisitions. A directed acquisition of treasury shares or directed share issue can only be executed for reasons of weighty financial consequence to the company and the authorization cannot be exercised in violation of the principle of shareholder equality.

Future outlook

MAJOR RISKS AND UNCERTAINITY FACTORS

The most significant uncertainty factors in the HKScan Group's business involve developments in the price of raw materials and Finnish and Swedish pork in particular, and in future possibly also the availability of these too. Market area-specific uncertainty factors have to do especially with the success of the business development programmes in Finland and Sweden and the integration of the Rose Poultry acquisition in Denmark.

Challenges in the international economic situation will continue. Major fluctuation in the Group's central currencies may affect the Group's competitiveness, net sales, earnings and balance sheet. Changes in demand attributable to the financial climate such as, for example, growing unemployment, may occur in the Group's market areas or its export markets. These may affect the Group's net sales and earnings.

Any unforeseeable authorities procedures may affect the company's business in its export markets.

The possibility of animal diseases can never be fully excluded in the food industry's raw meat supplies.

The Group is currently involved in certain legal proceedings and civil litigation. The cases remain pending but are estimated to have no significant impact on the Group's financial standing, however.

ESTIMATE FOR 2010

Consumer demand for food is expected to remain steady in the Group's domestic markets. The business's decentralized structure consisting of different product groups and geographical areas, and the initiated and planned efficiency programmes provide the foundation for stronger development of the Group's competitiveness and profitability.

The exceptional internal supply chain problems that burdened 2010 have for the most part been solved in the businesses in Finland and Sweden. Progress in the Baltics and Poland is still on a sound footing. The ongoing integration of the business in Denmark with the Group will bring synergy and other benefits during the year.

In Sweden, the growing import of substantially cheaper pork has led to a change that has weakened the market situation and profitability. If the change is long-term, the company will consider increasingly using imported raw material which meets the Group's quality and price criteria. Swedish consumers, whose purchasing decisions guide the company's solutions, will rise to play a key role.

The Group's full-year EBIT is expected to improve compared with 2010.

Board of directors' proposal on distribution of profit

The parent company's distributable assets stand at EUR 168.0 million including the reserve for invested unrestricted equity (RIUE), which holds EUR 151.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.22 per share for 2010, i.e. a total of approximately EUR 12 million.

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

Key figures

Financial indicators

	2010	2009	2008	2007	2006
Net sales, EUR million	2 113.9	2 124.7	2 294.6	2 107.3	934.3
Operating profit/loss (EBIT), EUR million	48.0	55.1	38.1	55.3	40.4
- as % of net sales	2.3	2.6	1.7	2.6	4.3
profit/loss before taxes, EUR million	36.5	37.3	9.0	36.3	33.6
- as % of netsales	1.7	1.8	0.4	1.7	3.6
Return on equity (ROE), %	7.4	9.0	2.3	9.2	11.9
Return on investment (ROI), %	6.3	7.4	5.2	7.2	10.1
Equity ratio, %	34.0	37.1	29.5	29.3	43.7
Net gearing ratio , %	101.7	84.9	132.0	137.0	76.2
Gross investments, EUR million	70.7	41.3	84.0	129.3	82.6
- as % of net sales	3.3	1.9	3.7	6.1	8.8
R&D expenses, EUR million	9.6	8.9	13.1	15.6	8.5
- as % of net sales	0.5	0.4	0.6	0.7	0.9
Employees, average	7 491	7 429	7 750	7 840	4 418

Per share data

	2010	2009	2008	2007	2006
Earnings per share, EUR					
Earnings per share (EPS), undiluted, EUR*)	0.52	0.64	0.10	0.63	0.70
Earnings per share (EPS), diluted, EUR*)	0.52	0.64	0.10	0.63	0.70
Equity per share*)	7.63	7.21	7.13	7.36	6.04
Dividends					
Dividend paid per share, eur*)	0.22**)	0.22	0.21	0.24	0.24
Dividend payout ratio, undiluted, %	42.6**)	34.5	199.3	37.7	34.2
Dividend payout ratio, diluted, %	42.6**)	34.5	199.3	37.7	34.2
Effective dividend yield, %	3.1**)	2.8	5.4	1.9	1.9
Price/earnings ratio (P/E)					
- undiluted	13.9	12.3	36.7	19.6	18.4
- diluted	13.9	12.3	37.8	19.6	18.4
Highest trading price, eur*)	10.20	10.38	12.75	18.51	13.38
Lowest trading price, eur*)	7.07	3.70	3.43	10.76	7.35
Middle price during the financial period, eur*)	8.18	7.18	6.94	14.57	9.71
Market capitalization, EUR million	393.1	423.7	173.7	551.9	499.7
Trading volume, (1 000)	23 674	22 285	9 028	17 842	21 389
Trading volume, %	43.8	49.6	26.6	53.4	73.6
No. of share during the financial period (1 000)					
- adjusted weighted average	54 015	44 937	44 606	44 036	39 130
- adjusted number of shares at 31.12.	54 973	53 975	44 624	44 629	39 130

*) Per-share data has been adjusted for the share offering in 2009
**) Based on the Board of Director's recommendation

Formulae for financial indicators

Return on equity (%)

$$\frac{\text{Profit before taxes – taxes}}{\text{Total shareholders' equity (average)}} \times 100$$

Return on investment (%)

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total assets – non-interest-bearing debt (average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Total shareholders' equity}}{\text{Total assets – advances received}} \times 100$$

Net gearing ratio (%)

$$\frac{\text{Net interest-bearing debt – interest-bearing loan receivables – cash and cash equivalents}}{\text{Total shareholders' equity}} \times 100$$

Earnings per share

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

Equity per share

$$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Average adjusted number of shares at the end of the financial year}}$$

Dividend per share

$$\frac{\text{Dividend per share}}{\text{Coefficient of share issues after the financial year}}$$

Dividend payout ratio (%)

$$\frac{\text{Adjusted dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield (%)

$$\frac{\text{Dividend per share}}{\text{Adjusted closing price on the last trading day of the financial year}} \times 100$$

P/E ratio

$$\frac{\text{Adjusted closing price on the last trading day of the financial year}}{\text{Earnings per share}}$$

Market capitalization

The number of outside shares at the end of the financial year x closing price on the last trading day of the financial year

Employee numbers

Average of workforce figures calculated at the end of calendar months

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

	Note	2010	2009
Net sales	1	**2 113.9**	**2 124.7**
Change in inventories of finished goods and work in progress		3.5	5.1
Work performed for own use and capitalized		1.3	0.9
Other operating income	3	**13.6**	**6.7**
Share of associates' results		1.8	0.9
Materials and services	4	-1 445.9	-1 474.5
Employee benefits expenses	5	-316.6	-306.7
Depreciation and amortization	6	-61.5	-57.2
Other operating expenses	7	-262.0	-244.8
EBIT		**48.0**	**55.1**
Financial income	8	8.1	5.2
Financial expenses	8	-21.9	-24.9
Share of associates' results		2.2	2.0
Profit/loss before taxes		**36.5**	**37.3**
Income taxes	9	-5.7	-4.9
Profit/loss for the period		**30.8**	**32.5**
Profit/loss for the period attributable to:			
Equity holders of the parent		27.9	29.9
Non-controlling interests		2.9	2.6
Total		30.8	32.5
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	10	0.52	0.64
EPS, diluted, continuing operations, EUR/share	10	0.52	0.64

The Notes on pp. 45-77 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for 1 January – 31 December 2010 (EUR million)

	2010	2009
Profit/loss for the period	30.8	32.5
Other comprehensive income (after taxes):		
Exchange differences on translating foreign operations	13.5	1.8
Available-for-sale investments	0.0	0.4
Cash flow hedging	1.8	-7.1
Total other comprehensive income	**15.4**	**-4.8**
Total comprehensive income for the period	**46.1**	**27.6**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	42.6	24.8
Non-controlling interests	3.5	2.8
Total	**46.1**	**27.6**

IFRS Consolidated balance sheet at 31 December (EUR million)

	Note	2010	2009
Assets			
Non-current assets			
Intangible assets	11	77.1	65.7
Goodwill	12	100.4	88.2
Property, plant and equipment	13	537.8	469.1
Shares in associates	14	27.0	20.9
Trade and other receivables	16	25.3	18.2
Other long-term investments	15, 16	13.1	10.5
Deferred tax asset	17	14.4	12.3
Non-current assets		**795.0**	**685.0**
Current assets			
Inventories	18	159.9	118.7
Trade and other receivables	19	240.6	194.3
Income tax receivable	19	0.3	0.2
Other financial assets	20	3.9	2.0
Cash and cash equivalents	20	69.5	73.9
Current assets		**474.1**	**389.0**
Assets		**1 269.2**	**1 074.0**
Equity and liabilities			
Equity			
Share capital	21	66.8	66.8
Share premium reserve	21	73.4	74.2
Treasury shares	21	-0.0	-0.0
Revaluation reserve and other reserves	21	154.4	149.7
Translation differences	21	0.6	-13.1
Retained earnings	21	124.4	111.6
Equity attributable to equity holders of the parent		419.6	389.3
Non-controlling interests		11.1	9.4
Equity		**430.6**	**398.7**
Non-current liabilities			
Deferred tax liability	17	38.9	32.2
Non-current interest-bearing liabilities	24, 25	361.2	329.9
Non-current non-interest bearing liabilities	24	12.4	5.9
Pension obligations	22	3.1	3.6
Non-current provisions	23	2.4	8.5
Non-current liabilities		**418.0**	**380.1**
Current liabilities			
Current interest-bearing liabilities	24, 25	153.0	87.5
Trade and other payables	24	262.5	202.0
Income tax liability	24	2.7	2.7
Current provisions	23	2.3	2.8
Current liabilities		**420.6**	**295.1**
Equity and liabilities		**1 269.2**	**1 074.0**

IFRS Cash flow statement (EUR million)

	2010	2009
Operating activities		
EBIT	48.0	55.1
Adjustments to EBIT	-4.6	-0.4
Depreciation and amortization	61.5	57.2
Change in provisions	-7.9	7.6
Change in net working capital	-3.7	2.5
Financial income	8.1	5.2
Financial expenses	-21.9	-24.9
Taxes	-5.7	-4.9
Net cash flow from operating activities	**73.8**	**97.4**
Investing activities		
Gross investments in property, plant and equipment	-73.6	-43.7
Disposals of property, plant and equipment	7.0	2.9
Investments in subsidiary	-25.2	-4.7
Shares in associates purchased	-1.6	-0.3
Shares in associates sold	1.3	0.0
Loans granted	-1.0	-0.0
Repayments of loans receivable	1.2	5.1
Net cash flow from investing activities	**-91.9**	**-40.8**
Cash flow before financing activities	**-18.1**	**56.6**
Financing activities		
Proceeds from share offering	0.0	76.8
Repayment of hybrid bond	0.0	-20.0
Current borrowings raised	169.9	46.6
Current borrowings repaid	-159.1	-82.3
Non-current borrowings raised	45.2	74.7
Non-current borrowings repaid	-33.0	-160.8
Interest on hybrid bond	0.0	-2.1
Dividends paid	-11.9	-9.4
Purchase of treasury shares	-0.0	0.0
Net cash flow from financing activities	**11.1**	**-76.5**
Change in cash and cash equivalents	**-7.0**	**-19.9**
Cash and cash equivalents at 1.1.	75.9	94.4
Effect of changes in exchange rates on cash and cash equivalents	4.5	1.4
Cash and cash equivalents at 31.12.	**73.4**	**75.9**

Statement of changes in consolidated equity

Equity attributable to holders of the parent

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other equity item *)	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Total**	Non controlling interest	**Total**
Equity at 01.01.2010	66.8	74.2	-8.4	143.5	0.0	14.6	-13.1	0.0	111.6	**389.3**	9.4	**398.7**
Income and expenses recognized during the period, total	-	-0.1	1.9	-	-	-0.6	13.7	-	27.7	**42.6**	3.5	**46.1**
Share-based compensation expense	-	-0.8	-	-	-	-	-	-	-	**-0.8**	-	**-0.8**
Other change						-0.9				**-0.9**	-0.0	**-1.0**
Direct recognition in retained earnings**)	-	-	-	-	-	-	-	-	1.2	**1.2**	-0.2	**1.1**
Transfers between items	-	-	-	-	-	4.3	-	-	-4.3	**0.0**	-	**0.0**
Share issue	-	-	-	-	-	-	-	-	-	**0.0**	-	**0.0**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	**0.0**	-	**0.0**
Increase in holdings in subsidiaries	-	-	-	-	-	-	-	-	0.0	**0.0**	-0.1	**-0.1**
Dividend distribution	-	-	-	-	-	-	-	-	-11.9	**-11.9**	-1.6	**-13.5**
Equity at 31.12.2010	66.8	73.4	-6.5	143.5	0.0	17.4	0.6	0.0	124.4	**419.6**	11.1	**430.6**

Equity attributable to holders of the parent

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other equity item *)	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Total**	Non controlling interest	**Total**
Equity at 01.01.2009	66.8	73.5	-2.2	66.7	20.0	12.2	-15.8	0.0	97.0	**318.2**	5.4	**323.7**
Income and expenses recognized during the period, total	-	0.0	6.7	-	-	-0.1	2.7	0.0	29.0	**24.8**	2.8	**27.6**
Share-based compensation expense	-	0.8	-	-	-	-	-	-	-	**0.8**	-	**0.8**
Other change	-	-	-	-	-20.0	0.2	-	-	-	**-19.8**	-	**-19.8**
Direct recognition in retained earnings**)	-	-	-	-	-	-	-	-	-2.0	**-2.0**	-	**-2.0**
Transfers between items	-	-	0,6	-	-	2.3	-	-	-2.9	**0.0**	-	**0.0**
Share issue	-	-	-	76.8	-	-	-	-	-	**76.8**		**76.8**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	**0.0**	-	**0.0**
Increase in holdings in subsidiaries	-	-	-	-	-	-	-	-	-	**0.0**	2.1	**2.1**
Dividend distribution	-	-	-	-	-	-	-	-	-9.4	**-9.4**	-0.9	**-10.3**
Equity at 31.12.2009	66.8	74.2	-8.4	143.5	0.0	14.6	-13.1	0.0	111.6	**389.3**	9.4	**398.7**

*) Comprising a hybrid bond classified as equity
**) Comprising interest paid on hybrid bond

Notes to the consolidated financial statements for 2010

Basic information about the company

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) produce, sell and market pork, beef and poultry meat, processed meats and convenience foods to retail, the HoReCa sector, industry and export customers. The Group's brands are among the most recognized in their fields. Major brand names include HK, Kariniemen, Via, Scan, Pärsons, Rakvere, Tallegg, Rigas Miesnieks, Klaipedos Maistas, Sokolów and Rose.

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

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

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta's registered office is in Turku.

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 17 February 2011. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting is also entitled to modify the financial statements.

A copy of the HKScan Group's consolidated financial statements can be viewed on the company's website at www.hkscan.com under Investor information/Annual and interim reports, or obtained from the parent company's head office at Kaivokatu 18, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements can also be viewed at the same address.

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS and IFRS standards and SIC and IFRIC interpretations effective at 31 December 2010. International Financial Reporting Standards refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments and biological assets, which have been measured at fair value. The goodwill in respect of business mergers taking place before 2004 corresponds to the book value based on earlier accounting norms that has been used as the deemed cost according to IFRS.

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

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

Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2009 except for the following new standards, interpretations and standard amendments, which are effective as of 1 January 2010.

As of 1 January 2010, the Group has applied the following new or revised standards and interpretations:

- Amended IAS 27. Consolidated and Separate Financial Statements. The amended standard requires the effects of changes in subsidiary ownership to be recognized directly in Group equity when the parent entity retains control. If control in the subsidiary is lost, any remaining investment is measured to fair value and any difference recognized in profit or loss. A corresponding accounting treatment will in future apply also to investments in associates (IAS 28) and interests in joint ventures (IAS 31) As a result of the amendment, the losses of a subsidiary can be allocated to the non-controlling interest also when the losses exceed the non-controlling interest's investment.

- Change to IAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items. These changes relate to hedge accounting. Their purpose is to clarify the instructions of IAS 39 on the hedging of unilateral risk and risk of inflation in items belonging to financial assets or liabilities. The interpretation has not had an effect on the consolidated financial statements

- Improvements to IFRSs. The small and less urgent changes to the standards made through the Annual Improvements procedure are collected together and implemented all at once, once a year. The changes in this project apply to a total of 12 standards. The effects of the changes vary from standard to standard but will not be significant for the future consolidated financial statements.

- Changes to IFRS 2, Share-based Payment – Group Cash-Settled Share-Based Payment Arrangements. The purpose of these changes is to clarify that a company receiving goods or services from suppliers or service providers must apply IFRS 2, even if it does not have an obligation to make the required share-based cash payments. It has not had any significant effect on the Group's financial statements.

COMPARABILITY WITH PREVIOUS YEARS

When assessing the comparability of the years 2010 and 2009, it should be noted that the figures for Rose Poultry A/S have been consolidated into the Group as of 29 November 2010. With regard to the five-year historical data, it should be noted that the consolidated figures for Scan AB have been consolidated into the Group as of 1 January 2007.

Accounting policies for the consolidated financial statements

SUBSIDIARIES

The consolidated financial statements include the accounts of the parent company HKScan Corporation and its subsidiaries. Subsidiaries are companies over which the Group exercises control. Control arises when the parent company either directly or indirectly holds over half the voting rights or otherwise exercises control, for example through agreements concluded with principal owners.

Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements include the accounts of the parent company HKScan Corporation and the following subsidiaries that have or had business operations: HKScan Finland Oy, HK Ruokatalo Oy, HK Agri Oy (formerly LSO Foods Oy, Lihatukku Harri Tamminen Oy, Helanderin Teurastamo Oy and HK International Ab. The accounts of Kivikylän Kotipalvaamo Oy have been included as of 31 December 2010. HKScan Corporation has a 49-percent stake in Lihatukku Harri Tamminen Oy and Kivikylän Kotipalvaamo Oy yet exercises control in the companies by virtue of a shareholder agreement. HK Agri Oy's subsidiary Lounaisfarmi was merged with HK Agri on 31 December 2010.

The consolidated financial statements also include the accounts of the Scan AB subgroup (Sweden), the AS Rakvere Lihakombinaat subgroup (Estonia, Latvia and Lithuania), AS Tallegg (Estonia), and as of 29 November 2010 the Rose Poultry A/S subgroup.

Intragroup share ownership has been eliminated using the historical cost convention. Intragroup share ownership has been eliminated using the historical cost convention. Subsidiaries acquired are consolidated from the date the Group acquires a controlling interest in them. Purchase price is allocated to assets and liabilities according to their fair value at the time of acquisition. What remains is goodwill. All intragroup transactions, receivables and liabilities are eliminated upon consolidation. Intragroup distribution of profit has also been eliminated.

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

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

Acquisitions made prior to January 1, 2010 have been treated according to the policies effective at the time.

ASSOCIATED UNDERTAKINGS

Associates are companies over which the company exercises a significant influence which arises when the Group holds 20–50% of acompany's voting rights. Associates have been consolidated using the equity convention. If the Group's share of the losses of an associate exceeds the investment's carrying amount, the investment is recognized 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 30, "Related party transactions", have been consolidated into the consolidated financial accounts. As a rule, the share of associates' results is presented below EBIT. If a function important to the Group's business is managed by an associate, the share of the associate's results is presented above EBIT. Scan AB associates Siljans Chark AB, Höglandsprodukter AB and Gotlands Slagteri AB are associates of this kind.

The Group's share in associates' changes recognized in other items of comprehensive income are recognized in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2009-2010 financial periods.

JOINT VENTURES

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

More detailed information about Group companies and holdings in associates is presented in Note 30, "Related party transactions".

Translation of foreign currency items

The result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit.

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 at 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 at different rates in the income statement and balance sheet. This is recognized under equity. The translation differences arising in eliminating the acquisition cost of foreign subsidiaries and the joint venture are recognized in translation differences in the Group's equity.

The following exchange rates have been used in consolidation

	Income statement *)		Balance sheet	
	2010	2009	2010	2009
EEK	15.6466	15.6466	15.6466	15.6466
SEK	9.5469	10.6200	8.9655	10.2520
PLN	3.9950	4.3298	3.9750	4.1045
DKK	7.4472	7.4463	7.4535	7.4418

*) calculatory value of monthly average rates

Group companies recognize transactions in foreign currencies at the rate on the day the transaction took place. 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 at 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 recognized under translation differences in equity. As a rule, exchange rate gains and losses related to business operations are included in the corresponding items above EBIT.

Property, plant and equipment

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

The expected useful lives are as follows:

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

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

Depreciation on property, plant and equipment ends when an item is classified as being for sale in accordance with IFRS 5 "Non–Current Assets Held for Sale and Discontinued Operations". 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 recognized as an expense when they occur. Major refurbishment and improvement investments are capitalized and depreciated over the remaining useful life of the main asset to which they relate.

Government grants

Government grants, for example grants from the State or the EU relating to PPE acquisitions, have been recognized 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 recognized as income in the form of lower depreciations over the useful life of the item. Grants received in reimbursement of expenses incurred are recognized as income in the income statement at the same time as the costs relating to the object of the grant are recognized as an expense. Grants of this kind are reported under other operating income.

Investment properties

Investment properties are properties that are held because of their rental income or a rise in value. The Group has no property classified as investment properties.

Intangible assets

GOODWILL

Goodwill derived from business mergers taking place after January 1, 2009 is recognized as the amount at which the compensation paid out, the share held by minority owners in the acquiree and any previously owned holding combined exceed the Group's share of the fair value of acquired net assets. Acquisitions that took place in the period January 1, 2004 – December 31, 2008 are recognized according to previous IFRS regulations. The classification or accounting treatment of these acquisitions has not been adjusted when preparing the opening IFRS balance sheet of 1 Janauary 2004. Goodwill increased in the financial period owing to the acquisitions of Rose Poultry A/S and Jelgavas Galas Kombinats.

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

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged as incurred and are included in other operating expenses in the income statement. Group development costs (e.g. information management costs) do not satisfy the requirements for capitalization.

OTHER INTANGIBLE RIGHTS AND ASSETS

An intangible asset is recognized in the balance sheet only if its acquisition cost can be reliably determined and it is likely that the company will reap the expected economic benefit of the asset. Intangible rights include trademarks and patents, while items such as software licences are included in other intangible assets. Patents and software licences are recognized in 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. These are, however, subject to annual cash flow-based impairment testing. Assets with an unlimited useful life are allocated to CGUs for impairment testing. See under "Impairment" and "Impairment testing".

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

Inventories

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

Biological assets

Biological assets, which in the case of the HKScan Group mean living animals, are recognized in the balance sheet at fair values less estimated sales-related expenses, in accordance with IAS 41.

The group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, mother hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. Since animals producing slaughter animals are not traded in, they have no market price.

Leases

THE GROUP AS LESSEE

Leases applying to tangible assets 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 recognized in 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 amortization during the lease period so that each liability remaining during the period receives the same percentage of interest at the end of each month. 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 both land and building elements, the classification of each element as a finance 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 upfront payments) 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 recognized as receivables in the balance sheet. Receivables are recognized at their present value. Financing income from finance leases is recognized 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 not leased under finance leasing agreements are included in property, plant and equipment in 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 recognized in the income statement on a straight-line basis over the lease term.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to see whether there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds the recoverable amount for the asset. The recoverable amount is estimated annually for goodwill and intangible assets with unlimited useful life regardless of whether there are indications of impairment. The need for impairment is reviewed at the level of cash-generating units, in other words the smallest group of assets that includes the asset under review which is largely independent of other units and has a cash flow that can be separated from other cash flows. No indications of impairment were observed in 2010 or 2009. See "Accounting policies requiring management judgments and factors of estimation uncertainty" and "Goodwill".

Goodwill was tested for impairment applying IAS 36 as required by the transition standard on 1 January 2004, the transition date to IFRS. Testing has since been performed annually and has shown no need for depreciation arising from impairment.

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 regulations and practice.

In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognized 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 authorized actuaries.

The obligations arising from the Group's defined benefit plans are calculated separately for each plan. Pension costs are recognized as an expense over the relevant persons' employment on the basis of calculations performed by authorized actuaries. The Group has no defined benefit plans apart from the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.1 million at 31 December 2010.

Owing to the outsourcing of pension funds, the insurance company invoices the future index-linked increments on pensions each year. The pension obligations appearing in the balance sheet comprise the pension commitment in respect of the parent company's former CEO and also the estimated additional daily unemployment allowances arising from personnel arrangements in the Finnish business in 2009.

SHARE-BASED PAYMENTS

Share incentive scheme

The Board of HKScan resolved on 21 December 2006 to introduce a share incentive scheme as part of the incentive and commitment scheme for key employees. The share incentive scheme offers its target group an opportunity to receive shares in HKScan as a reward for achievement of set targets during three earning periods. The proportion of the maximum award paid to key employees is determined on how well the targets are met. The Board decides the criteria and targets for each earning period at the beginning of the earning period. The award payable under the scheme in the 2006 and 2007 earning periods was tied to Group operating profit (EBIT, 70% weight) and return on capital employed (ROCE, 30% weight). The award under the scheme is paid to the key employees after the earning period as a combination of shares and cash. Cash is paid in the amount needed for taxes and fiscal charges arising from the shares granted at the grant date. No award is paid to persons whose employment ends before the end of the earning period.

A maximum of 528 000 shares and cash in the amount needed to reimburse the key employees for taxes and fiscal charges arising at the time of transfer of the shares could be granted on the basis of the entire scheme.

The share incentive scheme covered the years 2006–2008.

According to IFRS 2, share incentive schemes shall be measured at fair value at time of grant and expensed over the vesting period. As the share incentive award is paid as a combination of shares and cash, fair value measuring is split into two parts as provided in the IFRS 2 standard: equity-settled and cash-settled transactions. Equity-settled transactions are recognized under equity and cash-settled transactions under liabilities. The fair value of the share-based payment at the time of grant was the trading price of the HKScan share. Comparably, the fair value of the cash-settled award is re-assessed at each reporting date until the end of the earning period and the fair value of the liability thus reflects changes in HKScan's share price.

The basic information and events concerning the share incentive schemes appear in the following table:

Basic information at 31 December 2010

	Earning period 2006	**Earning period 2007**	**Earning period 2008**
Grant date	30.11.2006	23.4.2007	27.6.2008
Nature of award	Shares and cash	Shares and cash	Shares and cash
Target group	Key employees	Key employees	Key employees
Maximum number of incentive shares *	96 000	180 000	180 000
Equivalent cash portion (no. of shares) *	113 109	195 444	211 304
Trading price at grant date	€13.90	€17.28	€9.24
Fair value at grant date **	€13.63	€17.01	€8.97
Trading price at end of financial year	€14.50	€14.04	€4.42
Earning period begins, date	1.1.2006	1.1.2007	1.1.2008
Earning period ends, date	31.12.2006	31.12.2007	31.12.2008
Release date of shares	31.12.2009	31.12.2010	31.12.2011
Criteria	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)
	Term of employment	Term of employment	Term of employment
Obligation to hold shares, years	3	3	3
Remaining binding period, years	0	0	0
Persons (31 December 2010)	3	12	-

* Cash element of share award expressed in shares

** Trading price at grant date less anticipated dividend for earning period: EUR 0.27 per year

Events in 2010

	Earning period 2006			**Earning period 2007**			**Earning period 2008**			**Financial year 2010 total**	
Gross amounts*	1.1.2010	Change in financ. year, no.	31.12.2010	1.1.2010	Change in financ. year, no.	31.12.2010	1.1.2010	Change in financ. year, no.	31.12.2010	1.1.2010	31.12.2010
Awards granted (shares + cash)											
expressed as shares	219 521	0	219 521	375 444	0	375 444	391 304	0	391 304	986 269	986 269
Share forfeited	88 143	0	88 143	61 634	0	61 634	0	0	0	149 777	149 777
Shares paid	141 220	0	141 220	92 056	0	92 056	0	0	0	233 276	233 276
Shares lapsed (incl. forfeited shares)	142 444	0	142 444	321 022	0	321 022	391 304	0	391 304	854 770	854 770

* The amounts include the cash element (as shares) granted under the share incentive scheme

Parameters used in calculating fair value	Earning period 2006	Earning period 2007	Earning period 2008
Awards granted (share + cash) expressed as shares (no.)	219 521	375 444	0
Trading price at grant date	€13.90	€17.28	€9.24
Presumed dividend	€0.27	€0.27	€0.27
Fair value at grant date **)	€13.63	€17.01	€8.97
Trading price at date of award payment/balance sheet date	€12.51	€8.18	€4.42
Assumed shares to be forfeited before allocation	11.9 %	6.7 %	0.0 %
Assumed shares to be forfeited during binding period	50.0 %	42.9 %	0.0 %
Exercise assumption of criteria ***)	72.8 %	29.2 %	0.0 %
Fair value of share award at grant date, €	€1 938 543	€3 679 736	€1 532 516
Fair value of share award at 31 Dec 2010, €	€1 422 411	€912 532	€0
Impact on earnings in 2010 financial year, €	€0	€119 124	€0

**) Trading price at grant date less anticipated dividend for earning period: EUR 0.27 per year
***) The amount of the award for the earning period is determined by the end of the April following each earning period on the basis of achievement of targets

Provisions

A provision is recognized 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 realized 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 recognized in the income statement, except when related to items recognized directly in equity or the statement of comprehensive income, in which event the tax is also recognized in the said items. Tax based on taxable income in the financial year 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 years.

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 depreciation on PPE, 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 recognized 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 foreign Group companies has not been recognized, as the assets are used to safeguard the foreign companies' own investment needs. The distributable assets of the Baltic companies came to a total of EUR 74.1 million.

Recognition policies

Net sales are 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 recognized when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from service provision is recognized in the financial year in which the service is performed.

Non-current assets held for sale and discontinued operations

Non-current assets and assets and liabilities relating to discontinued operations are classified as being held for sale when an amount equal to their carrying amount will accrue mainly through sale of the assets rather than ongoing use. The conditions for classification as held for sale are deemed to be met when the sale is highly probable and the asset is available for immediate sale in its present condition at ordinary terms when management is committed to the plan of sale and the sale is expected to take place within a year of classification.

Immediately prior to classification as held for sale, the carrying amount of the asset is measured in accordance with applicable IFRSs. From the moment of classification, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation on these assets ceases at the moment of classification.

Financial assets and liabilities

FINANCIAL ASSETS

The Group's financial assets are classified into the following categories: financial assets recognized 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 recognized on the settlement date, except for derivatives and spot transactions, which are recognized 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, on the other hand, is the date on which a financial asset is delivered to another party or correspondingly when a financial asset is received. Financial assets are derecognized 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 transferred outside the Group.

The category of financial assets recognized at fair value through profit of loss comprises financial assets designated as such at inception or acquired to be held for trading (application of fair value option). The category can be changed only in rare special circumstances. The latter group includes financial assets that are administered on the basis of fair value or financial asset items involving one or more embedded derivatives that significantly change the cash flows of the contract, in which case the whole compound instrument is measured at fair value. Financial assets held for trading purposes have mainly been acquired to obtain a gain from short-term changes in market prices. Derivatives that are not contracts of guarantee or do not satisfy hedge accounting are classified as 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 are measured at fair value, which is based on the market price quoted on the reporting date. The fair values of interest rate swaps are defined as the present value of future cash flows and currency futures are measured at the forward exchange rates at the reporting date. In assessing the fair values of non-traded derivatives and other financial instruments, the Group uses generally adopted valuation methods and estimated discounted values of future cash flows. Gains and losses arising from changes in fair value, whether realized or unrealized, are recognized through profit or loss in the financial year 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 amortized cost using the effective interest method and are included in non-current assets. The Group has not had any financial assets of this category during the financial years 2010 or 2009.

Loans and other receivables are non-derivative assets that have fixed or measurable payments, are not quoted on active markets and not held for trading by the Group or specifically classified as being available for sale at inception. They are measured on the basis of amortized cost using the effective interest method and are included in 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 utilized.

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 recognized on the investment. Interest income on available-for-sale fixed-income investments are recognized in financial income using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Credit accounts relating to the consolidated accounts are included in current financial liabilities, and they are recognized 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 an individual financial asset item or a group of financial assets. If the fair value of share investments is significantly lower than the acquisition cost, this is an indication of impairment of the available-for-sale share. If indication of impairment exists, the losses accumulated in the fair value reserve are transferred to the income statement. The impairment loss of equity investments categorised as available-for-sale financial assets is not reversed through the income statement, whereas the reversal of impairment losses targeting interest rate instruments is carried out through profit or loss.

The Group recognizes an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy, payment default or a payment delay exceeding 90 days constitute evidence of the impairment of trade receivables. The impairment loss recognized 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 recognized loss is reversed through profit or loss.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortized cost. Financial liabilities except for derivative contract liabilities are subsequently measured at amortized 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 capitalized 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. Other borrowing costs are recognized as an expense in the period in which they are incurred. Credit fees related to loan commitments are recognized as transaction costs to the extent that it is probable that the total loan commitment or a part of it will be raised. This means that the fee is recognized in the balance sheet until the loan is raised. In connection with the drawdown, the credit fee related to loan commitments is recognized 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 recognized as prepaid expense in respect of the liquidity related services and is accrued for period of the loan commitment.

The determination principles of the fair values of all financial assets and liabilities are presented in Note 27, "Fair values of financial assets and liabilities".

Derivatives and hedge accounting

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

FAIR VALUE HEDGING

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

CASH FLOW HEDGING

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

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

HEDGING OF A 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 recognized 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 in 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. Changes in their fair value are recognized in financial income or expenses in keeping with the Group's recognition policy. In the balance sheet, derivatives relating to currency-denominated trade receivables or trade payables are presented in current receivables or liabilities.

The fair values of hedging instruments are presented in Note 27, "Fair values of financial assets and liabilities". Changes in the hedging reserve are presented in Note 21. Notes relating to equity under Other reserves.

Equity

Share capital is reported as the A and K Shares held outside the company. Any repurchase of its own shares by the company is deducted from equity.

HKScan Corporation issued on 23 September 2008 a EUR 20 million hybrid bond aimed at its majority shareholders. The bond is treated as equity in HKScan's IFRS financial statements. A hybrid bond is an equity bond that is subordinated to the company's other debt obligations. However, it is senior to other equity instruments. The date of interest payment on the hybrid bond is at the discretion of the issuer. The capital and accrued interest on the hybrid bond was paid back in full on 11 December 2009.

Dividend

Dividends recommended by the Board of Directors to the Annual General Meeting are not deducted from distributable equity until approved by the Annual General Meeting.

EBIT

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

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

Accounting policies requiring management judgments and factors of estimation uncertainty

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

MANAGEMENT JUDGMENTS RELATING TO CHOICE AND APPLICATION OF ACCOUNTING POLICIES

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

FACTORS OF ESTIMATION UNCERTAINTY

The estimates made in preparation of the financial statements are based on the best judgment of management at the reporting date. Underlying these estimates are previous experience and assumptions regarding the future considered most probable at the balance sheet date, having to do with inter alia the anticipated development of the Group's financial operating environment with regard to sales and costs.

MEASUREMENT TO FAIR VALUE OF ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

IMPAIRMENT TESTING

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

Application of new and revised IFRS norms

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

- Change to IAS 32, Financial Instruments: Presentation - Classification of Rights Issues (effective from 1 February 2010 or the succeeding financial periods). The change applies to the accounting treatment (classification) for the issue of shares, options and warrant outside the issuer's functional currency. The changes are not significant for the upcoming consolidated financial statements.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010 or the succeeding financial periods). The interpretation clarifies accounting where an entity renegotiates the terms of a financial liability and as a result, issues its own equity instruments to the creditor to settle all or a part of the financial liability. It will not have an effect on the Group's upcoming financial statements
- Amendments to IFRIC 14 interpretation, Prepayment of Minimum Funding Requirement (effective from 1 January 2011 or the succeeding financial periods). The amendment is aimed at correcting the unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. After the amendments, entities are permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. They will not have an effect on the Group's upcoming financial statements.
- Revised IAS 24, Related Party Disclosures (effective from 1 January 2011 or the succeeding financial periods). The revised standard clarifies the definition of a related party and simplifies the disclosure requirements for government-related entities.
- IFRS 9, Financial Instruments (effective from 1 January 2013 or the succeeding financial periods). IFRS 9 is the first phase in a broader project to replace IAS 39 with a new standard. Different measurement methods have been maintained, but they have been simplified. IFRS 9 divides financial assets into two classifications: those measured at amortized acquisition cost and those measured at fair value. The classification depends on the entity's business model and the characteristics of the contractual cash flows. The IAS 39 instructions on impairment and hedge accounting remain in force. The figures for previous years do not need to be adjusted if the standard is adopted before the financial period beginning on 1 January 2012. The standard has not yet been approved for application in the EU.
- Improvements to IFRSs (as a rule, effective for financial periods beginning on or after 1 January 2010). The small and less urgent changes to the standards made through the Annual Improvements procedure are collected together and implemented all at once, once a year. The amendments have not yet been approved for application in the EU.
- ED 9 Joint Arrangements. The current IAS 31 Interests in Joint Ventures permits the proportionate consolidation of the figures for a joint venture (line by line consolidation). The standard (the new ED 9) is likely to be amended to permit the application of the equity method only. The new standard will significantly alter both Group figures and the treatment of the Poland segment. No effective date has yet been determined.

Notes to the income statement

1. Business segments

The division into segments is based on the Group's organization and management system as well as on Board of Directors and Group management reporting. The management of the HKScan Group tracks the profitability of business operations by market area. Group reporting is based on the geographical segments of Finland, Sweden, Denmark, the Baltics and Poland. The Polish market has been shown as a separate segment since 1 January 2005, the Swedish market since 1 January 2007 and the Danish market since 29 November 2010.
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 zero-interest receivables. Segment liabilities include current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group. The figures for Group administration included in the Finnish operations are presented in the tables below.

Year 2010 (EUR million)

	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Eliminations	Unallocated	Group total
Income statement information								
External sales	711.7	953.2	21.7	151.9	275.4	-		2 113.9
Internal sales	6.8	43.9	0.2	8.5	3.9	-63.3	-	0.0
Net sales	718.5	997.1	21.8	160.4	279.3	-63.3		2 113.9
Segment EBIT	3.5	20.4	-0.0	8.7	15.5	-	-	48.0
Unallocated items	-	-		-	-	-	-	0.0
EBIT	3.5	20.4	-0.0	8.7	15.5	-	-	48.0
Financial income and expenses	-	-		-	-	-	-13.8	-13.8
Share of associates' results	2.1	0.2	-0.1	-	-	-	-	2.2
Income taxes	-	-		-	-	-	-5.7	-5.7
Result for the financial year from continuing operations	11.7	11.5	-0.1	8.5	11.5	-12.4		30.8
Result for the financial year	11.7	11.5	-0.1	8.5	11.5	-12.4	-	30.8
Balance sheet information								
Segment assets	422.8	392.0	90.1	116.9	111.9	-45.0	-	1 088.7
Shares in associates	10.2	14.3	2.5	-	-	-	-	27.0
Unallocated assets	-	-		-		-	153.5	153.5
Total assets	433.0	406.3	92.6	116.9	111.9	-45.0	153.5	1 269.2
Segment liabilities	94.6	122.4	23.4	19.3	22.1	-13.5	-	268.1
Unallocated liabilities	-	-		-	-	-	570.4	570.4
Total liabilities	94.6	122.4	23.4	19.3	22.1	-13.5	570.4	838.5
Other information								
Sales, goods	708.8	953.2	21.7	151.8	258.9	-	-	2 094.4
Sales, services	2.9	0.0	0.0	0.1	16.5	-	-	19.6
Investments	20.2	27.5	0.7	14.5	7.8	-	-	70.7
Depreciation and amortization	-21.7	-22.7	-0.7	-8.2	-8.3	-	-	-61.5
Impairment	0.0	0.0	0.0	0.0	0.0	-	-	0.0
Goodwill	17.5	34.7	3.6	22.2	22.4	-	-	100.4

Year 2009 (EUR million)

	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Eliminations	Unallocated	Group Total
Income statement information								
External sales	725.3	997.0		151.9	250.5	-		2 124.7
Internal sales	7.2	40.5		5.0	1.1	-53.9	-	0.0
Net sales	732.5	1 037.4		156.9	251.7	-53.9		2 124.7
Segment EBIT	19.3	16.7		9.8	9.3	-	-	55.1
Unallocated items	-	-		-	-	-	-	0.0
EBIT	19.3	16.7		9.8	9.3	-	-	55.1
Financial income and expenses	-	-		-	-	-	-19.7	-19.7
Share of associates' results	1.7	0.2		-	-	-	-	2.0
Income taxes	-	-		-	-	-	-4.9	-4.9
Result for the financial year from continuing operations	12.6	10.1		10.0	5.3	-5.4		32.5
Result for the financial year	12.6	10.1		10.0	5.3	-5.4	-	32.5
Balance sheet information								
Segment assets	365.4	355.3		108.9	104.9	-10.8	-	923.7
Shares in associates	7.9	13.0		-	-	-	-	20.9
Unallocated assets	-	-		-		-	129.4	129.4
Total assets	373.3	368.3		108.9	104.9	-10.8	129.4	1 074.0
Segment liabilities	81.0	102.0		14.2	20.4	-8.6	-	208.9
Unallocated liabilities	-	-		-	-	-	466.3	466.3
Total liabilities	81.0	102.0		14.2	20.4	-8.6	466.3	675.3
Other information								
Sales. goods	719.5	997.0		151.7	238.3	-	-	2 106.5
Sales, services	5.8	0.0		0.1	12.3	-	-	18.2
Investments	8.0	18.5		7.3	7.5	-	-	41.3
Depreciation and amortization	-22.0	-20.0		-8.2	-7.0	-	-	-57.2
Impairment	0.0	0.0		0.0	0.0	-	-	0.0
Goodwill	17.5	29.3		19.1	22.4	-	-	88.2

2. Businesses acquired

Rose Poultry A/S

HKScan Corporation announced on September 9, 2010 that it had signed an agreement to acquire all the shares in Denmark's leading poultry company, Rose Poultry A/S ("Rose Poultry"), and on November 11, 2010 that the approval by the competition authorities required to close the deal had been obtained. As a result, the remaining closing procedures were executed, control was obtained and Rose Poultry was transferred to HKScan's ownership as of November 29, 2010.

The largest poultry company in Denmark, Rose Poultry produces annually more than 130 million kilos of poultry meat, which is sold under the company's own Rose brand as well as under private labels as fresh, frozen or processed products in the company's main markets in Denmark, Sweden and the UK. Rose Poultry has three production facilities in Denmark and the company employs approximately 1 000 people. Rose Poultry's net sales in the financial year 2008/2009 were approximately EUR 211 million.

The acquisition cost is calculated on the basis of the company's provisional balance sheet as per 29 November 2010 prepared in accordance with IFRS and the HKScan Group's accounting principles in respect of all material elements.

Because the process of fair valuing the acquired assets and liabilities has not been completed as at the reporting date, the initial accounting for the business combination is incomplete as at December 31, 2010. As a result, the fair values of the acquired net assets and the amount of goodwill presented below are provisional and may be subject to adjustments once the fair valuation process is finalized.

The initial purchase price allocation calculation determined in Danish krone has been translated into euros by using the November's Group reporting exchange rate.

The preliminary amount of goodwill of EUR 3.6 million arising from the acquisition is attributable to HKScan's stronger position as one of the leading northern European poultry companies and the potential for substantial synergy benefits expected from combining the Group and Rose Poultry.

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for Rose Poultry and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Consideration at 29 November 2010

	EUR million
Purchased consideration settled in cash	15.4
Deferred consideration	8.0
Total consideration	23.4

The assets and liabilities arising from the acquisitions are as follows

	Note	EUR million
Cash and cash equivalents	20	0.0
Property, plant and equipment	13	39.8
Brand (included in intangible assets)	11	2.6
Contracts (included in intangible assets)	11	1.6
Investments in associates	14	3.0
Available-for-sale investments	15	0.5
Inventories	18	23.7
Trade and other receivables	19	25.6
Trade and other payables	24	-32.0
Loans	24	-41.9
Provisions	23	-0.1
Deferred tax liabilities	17	-2.9
Total identifiable net assets		20.0
Goodwill	12	3.6

The total consideration of 23.4 million includes a deferred consideration that requires the Group to redeem the 1 000 000 consideration shares issued to the former owners of Rose Poultry at EUR 8 million commencing in 18 months after the acquisition date. The redemption obligation (written put) expires in 21 months from the acquisition date. The redemption liability has been recorded as a financial liability and included in the purchase consideration at fair value and it can be settled either by cash or by shares, at the request of the holder of the put.

Acquisition-related costs (EUR 0.5 million) have been included in other operating expenses in the consolidated income statement for the year ended 31 December 2010.

The fair value of trade and other receivables is EUR 25.6 million and includes trade receivables with a fair value of EUR 24.5 million. The fair value of trade receivables does not include any significant risk.

The fair value of the acquired identifiable intangible assets of EUR 4.2 million is provisional pending confirmation of the final valuations for those assets.

The revenue included in the consolidated statement of comprehensive income since 29 November 2010 contributed by Rose Poultry was EUR 21.8 million. Rose Poultry also contributed EBIT of EUR -0.0 million over the same period.

Had Rose Poultry been consolidated from 1 January 2010, the consolidated statement of comprehensive income would show revenue of EUR 2 314.2 million and EBIT of EUR 52.7 million.

Other businesses acquired (AS Jelgavas Galas Kombinats, Falkbolagen Produktion AB, Bertil Erikssons Slakteri AB)

AS Rigas Miesnieks ("Rigas Miesnieks") signed in March an agreement on acquiring a 90.8 percent holding in the Latvian company, AS Jelgavas Galas Kombinats ("Jelgava"), which specializes in smoked meat products. The deal was approved by the Latvian competition authorities in late June. The transaction was closed and Jelgava was transferred to the ownership and control of Rigas Miesnieks on 30 June 2010. Rigas Miesnieks is part of AS Rakvere Lihakombinaat, which is part of HKScan's Baltic Group, and is responsible for operations in Latvia.

In addition, there have been two transactions with owners of non-controlling interests during 2010. Rigas Miesnieks purchased 98.8 percent of Jelgava's shares during 2010.

The purchase price of Jelgava was EUR 1.9 million. The preliminary goodwill of EUR 3.1 million arising from the acquisition is based on the acquired customer base as well as on its potential to achieve substantial synergetic benefits in merging with the Jelgava Group.

On the basis of previous agreements, Scan AB purchased Falkbolagen Produktion AB ("Falkbolagen"), which operates in Malmö, Sweden. The company cuts hams for Pärsons AB and has a permanent staff of some 20. Previously, Falkbolagen Produktion has carried out cutting operations as freight work for the Scan Group. The transaction was closed and Falkbolagen was transferred to the ownership and control of Scan AB on 30 December 2010. The purchase price of Falkbolagen was EUR 0.7 million. The transaction did not generate goodwill.

Scan AB increased, in accordance with a previous agreement, its shareholding in Bertil Erikssons Slakteri AB to a full 100 percent. The fairly small slaughterhouse employing a staff of 14 located in Krylbo, central Sweden, slaughters beef for Scan and it has a significant role in ensuring the procurement of beef in central Sweden. Scan AB's holding before the transaction at the end of the year was 35 percent. The transaction was closed and Bertil Erikssons Slakteri was transferred to the ownership and control of Scan AB on 30 December 2010. The purchase price of Bertil Erikssons Slakteri was EUR 2.1 million. The preliminary goodwill of EUR 0.8 million arising from the acquisition is based on the strengthening of Scan AB's competitive position in central Sweden.

All the acquisitions have been recognized as provisional as permitted under IFRS 3R. As a result, the amounts of the net assets acquired and goodwill presented below are provisional and may be subject to adjustments from the date of acquisition over the next 12 months.

The initial purchase price allocation calculation determined in local currencies has been translated into euros by using the Group reporting exchange rate.

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value of the non-controlling interests.

		EUR million
Purchase consideration settled in cash		4.7
Total consideration		4.7

The assets and liabilities arising from the acquisitions are as follows

	Note	EUR million
Cash and cash equivalents	20	2.0
Property, plant and equipment	13	5.9
Inventories	18	0.8
Trade and other receivables	19	1.7
Trade and other payables	24	-4.7
Loans	24	-3.5
Deferred tax liabilities	17	-1.6
Total identifiable net assets		0.7
Non-controlling interests		0.0
Goodwill	12	3.9

Other operating expenses do not include material costs relating to the acquisition in the 2010 consolidated income statement.
The net sales of other operations acquired, which were included in the consolidated income statement, were EUR 3.9 million and EBIT was EUR -0.8 million.
If the other operations acquired had been consolidated to the Group as of 1 January 2010, net sales in accordance with the consolidated income statement would have been EUR 2 129.1 million and EBIT EUR 49.1 million.

3. Other operating income	**2010**	**2009**
Rental income	1.8	1.8
Gain on disposal of non-current assets	8.3	0.1
Other operating income	3.5	4.8
Other operating income	13.6	6.7
4. Materials and services		
Purchases during the financial year	-1 323.3	-1 357.0
Increase/decrease in inventories	33.3	15.7
Materials and supplies	-1 290.0	-1 341.2
External services	-155.8	-133.3
Materials and services	-1 445.9	-1 474.5
5. Employee benefits expenses		
Salaries and fees	-255.4	-234.0
Salaries and fees arising from reorganizations	0.0	-10.8
Share incentive scheme expenses	-0.1	-0.2
Pension expenses, defined contribution plans	-53.0	-54.4
Pension expenses, defined benefit plans	0.1	0.1
Total pension expenses	-52.9	-54.3
Other social security costs	-8.2	-7.4
Other social security costs	-8.2	-7.4
Employee benefits expenses	-316.6	-306.7
Managing directors and vice presidents	4.5	4.7
Board members	0.3	0.3
Management salaries, fees and benefits	4.8	5.0
Average number of employees during the financial year		
White-collar staff	1 356	1 619
Blue-collar staff	6 135	5 810
Total	7 491	7 429

Additionally, the Sokolów Group in Poland employed an average of 5 734 persons in 2010.

6. Depreciation and impairment		
Depreciation according to plan	-61.5	-57.2
Depreciation and amortization	-61.5	-57.2
Impairment	0.0	0.0
Total	-61.5	-57.2
7. Other operating expenses		
Rents/leases	-9.8	-9.7
Losses on disposal of non-current assets	-0.1	-0.4
R&D costs	-9.6	-8.9
Non-statutory staff costs	-7.5	-7.8
Energy	-41.2	-35.1
Maintenance	-62.4	-58.9
Advertising, marketing and entertainment costs	-53.1	-54.4
Service, information management and office costs	-47.4	-41.6
Other costs	-30.8	-28.0
Total other operating expenses	-262.0	-244.8

Audit fees

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

	2010	**2009**
Audit fees	-0.6	-0.7
Certificates and statements	0.0	0.0
Tax consultation	-0.1	0.0
Other expert services	-0.2	-0.4
Audit fees, total	-0.9	-1.1

8. Financial income and expenses	**2010**	**2009**
Financial income		
Dividend income from available-for-sale financial assets	0.0	0.0
Change in value of financial assets		
recognized at fair value through profit or loss		
- Interest rate derivatives	0.3	0.0
- Commodity derivatives	0.0	0.1
- Financial assets held for trading	0.6	0.0
Interest income from loan and other receivables	2.9	1.8
Ineffective portion of hedges of net investments in foreign units	0.0	0.0
Currency exchange gains on financial loans and		
receivables measured at amortized cost (net)	1.9	2.2
Other financial income	2.3	1.1
Total	8.1	5.2
Financial expenses		
Items recognized through profit or loss		
Interest expenses on financial loans		
measured at amortized cost	-21.9	-19.9
Impairment charges on available-for-sale financial assets	0.0	-3.5
Other financial expenses	0.0	-1.5
Total financial expenses	-21.9	-24.9

9. Income taxes

Cumulative tax rate reconciliation	**12 / 2010**	**12 / 2009**
Income taxes		
Income tax on ordinary operations	-5.4	-5.1
Tax for previous financial years	-0.1	0.0
Change in deferred tax liabilities and assets	-0.2	0.3
Other direct taxes	0.0	0.0
Income tax on ordinary operations	-5.7	-4.9
Accounting profit/loss before taxes	36.5	37.3
Deferred tax at parent company's tax rate	-9.5	-9.7
Effect of different tax rates applied to foreign subsidiaries	3.1	3.0
Share of associates' results	1.0	0.8
Tax-free income	0.2	0.1
Non-deductible expenses	-0.4	-0.5
Use of tax losses not recognized earlier	0.0	1.4
Tax for previous financial years	-0.1	0.0
Tax expense in the income statement	-5.7	-4.9

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year attributable to shareholders of the parent company by the weighted average number of outstanding shares. The interest accrued on the hybrid bond in 2009 has been deducted from the profit for the financial year. The payment of interest on the hybrid bond using company shares has been taken into account in the diluted number of shares. EPS for the financial year is not altered by catering for the dilution effect.

The company has in place a share incentive scheme, in addition to which it has a right of exchange in respect of the interest accrued on the hybrid bond. Neither of these had a diluting effect on EPS in the reporting period.

	2010	**2009**
Profit for the period attributable to equity holders of the parent	27.9	29.9
Interest on hybrid bond less taxes	0.0	-1.2
Total	27.9	28.7
Weighted average no. of shares in thousands	54 015	44 937
Dilution effect of share incentive scheme	0	0
Possible payment of hybrid bond interest in shares	0	0
Weighted average no. of shares adjusted for dilution effect	54 015	44 937
Undiluted earnings per share (EUR)	0.52	0.64
Earnings per share adjusted for dilution effect (EUR)	0.52	0.64

Notes to the balance sheet

11. Intangible assets 2010		**Intangible assets 2009**	
Acquisition cost at 1.1.	79.2	Acquisition cost at 1.1.	69.3
Translation differences	8.5	Translation differences	3.2
Increase	1.2	Increase	2.8
Increase (acquisitions)	4.2	Increase (acquisitions)	2.0
Decrease	-3.1	Decrease	-0.9
Transfers between items	1.5	Transfers between items	2.8
Acquisition cost at 31.12.	91.5	Acquisition cost at 31.12.	79.2
Accumulated depreciation at 1.1.	-13.4	Accumulated depreciation at 1.1.	-11.5
Translation differences	-0.4	Translation differences	-0.2
Accumulated depreciation on disposals and reclassifications	2.9	Accumulated depreciation on disposals and reclassifications	0.9
Depreciation for the financial year	-3.5	Depreciation for the financial year	-2.7
Accumulated depreciation at 31.12.	-14.4	Accumulated depreciation at 31.12.	-13.4
Carrying amount at 31.12.10	77.1	Carrying amount at 31.12.2009	65.7

Allocation of carrying amount of assets with unlimited useful life

	2010	**2009**
Finnish red meat	2.0	2.0
Business in Sweden	60.9	53.2
Total	62.9	55.2

12. Goodwill	**2010**	**2009**
Acquisition cost at 1.1.	88.2	81.7
Translation differences	4.2	1.6
Increase	0.5	0.6
Increase (acquisitions)	7.5	4.3
Decrease	0.0	0.0
Carrying amount at 31.12.	100.4	88.2

Allocation of goodwill

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

Specification of goodwill	**2010**	**2009**
Finnish red meat	17.5	17.5
Business in Sweden	34.7	29.3
Business in Denmark	3.6	-
Baltic white meat	5.5	5.5
Baltic red meat	16.7	13.6
Business in Poland	22.4	22.4
Total	100.4	88.2

Impairment testing

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

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

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used are 6.5% (6.6%) for Finland, 6.8% (7.4%) for Sweden, 6.7% for Denmark, 7.6% (8.0%) for the Baltics and 9.7% (8.9%) for Poland.

The sensitivity of each CGU to impairment is tested by varying both the discount rate and thegrowth factor refl ecting profi tability development. Based on the sensitivity analyses conducted,a hypothetical increase of 20 percent in WACC with the cash flows from operating activities projected would result in impairment of approximately EUR 14.1 million in respect of Baltic red meat. A decrease of 20 percent in the growth factor reflecting profitability development would not, however, result in impairment in respect of Baltic red meat. With other units, testing indicated that a reasonably possible change in interest rates or growth factor reflecting profitability development would not result in impairment.

The recoverable amount for Baltic red meat exceeds the unit's carrying amount by EUR 5.0 million. A 4 percent increase in the discount rate would lead to a situation in which the recoverable amount for Baltic red meat equals its carrying amount.

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

The annual impairment testing performed did not result in the recognition of impairment charges in 2009 or 2010.

13. Property, plant and equipment 2010

	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and works in progress	Total
Acquisition cost at 1.1.	7.1	424.5	461.1	13.4	18.6	924.7
Translation differences	0.0	18.0	17.8	0.1	1.7	37.5
Increase	0.6	5.9	23.0	0.3	41.8	71.6
Increase (acquisitions)	0.5	40.7	88.4	2.7	0.7	133.0
Decrease	-0.1	-26.1	-21.4	-0.6	-0.1	-48.3
Transfers between items	-0.0	3.0	23.1	0.7	-28.3	-1.5
Acquisition cost at 31.12.	8.1	465.9	591.9	16.6	34.4	1 117.0
Accumulated depreciation at 1.1.	-0.1	-183.3	-261.6	-10.5	0.0	-455.4
Translation differences	-0.0	-10.9	-9.0	-0.1	-	-20.1
Accumulated depreciation on disposals and reclassifications	0.0	21.6	23.7	0.6	-	45.9
Accumulated depreciation on acquisitions	0.0	-23.2	-64.4	-2.4		-90.0
Depreciation for the financial year	-0.0	-14.1	-44.4	-0.9	-	-59.5
Impairment charge reversals	0.0	0.0	0.0	0.0	-	0.0
Accumulated depreciation at 31.12.	-0.2	-210.0	-355.8	-13.3	0.0	-579.2
Carrying amount at 31.12.2010	7.9	256.0	236.1	3.3	34.4	537.8

Property, plant and equipment 2009

	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and works in progress	Total
Acquisition cost at 1.1.	6.8	408.4	432.2	13.5	24.2	885.1
Translation differences	0.1	6.1	7.1	0.1	0.6	14.0
Increase	0.2	3.2	13.5	0.4	24.0	41.2
Increase (acquisitions)	0.0	1.9	1.6	0.0	0.0	3.5
Decrease	0.0	-0.7	-15.0	-0.8	-0.0	-16.5
Transfers between items	0.0	5.6	21.8	0.2	-30.2	-2.6
Acquisition cost at 31.12.	7.1	424.5	461.1	13.4	18.6	924.7
Accumulated depreciation at 1.1.	-0.1	-165.7	-229.8	-10.2	0.0	-405.8
Translation differences	-0.0	-4.2	-3.1	0.0	-	-7.3
Accumulated depreciation on disposals and reclassifications	0.0	0.6	11.7	0.8	-	13.2
Accumulated depreciation on acquisitions	0.0	0.1	0.2	0.0		0.3
Depreciation for the financial year	0.0	-14.0	-40.7	-1.1	-	-55.8
Impairment charge reversals	0.0	0.0	0.0	0.0	-	0.0
Accumulated depreciation at 31.12.	-0.1	-183.3	-261.6	-10.5	0.0	-455.4
Carrying amount at 31.12.2009	6.9	241.2	199.5	2.9	18.6	469.1

14. Shares in associates 2010

Shares in associates 2010	
Acquisition cost at 1.1.	20.9
Translation differences	0.4
Increase (acquisitions)	5.1
Decrease	-1.6
Acquisition cost at 31.12.	24.8
Share of associates' results	4.0
Dividends from associates	-1.8
Carrying amount at 31.12.2010	27.0
Shares in associates 2009	
Acquisition cost at 1.1.	17.8
Translation differences	0.4
Increase	0.6
Acquisition cost at 31.12.	18.8
Share of associates' results	2.9
Dividends from associates	-0.8
Carrying amount at 31.12.2009	20.9

A list of associates and their combined assets, liabilities, revenue and profit/loss (EUR million) as well as holding percentage appears below. The figures given are gross and not proportional to Group ownership.

Associates 2010

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership(%)
Owned by HKScan Finland Oy					
Honkajoki Oy group	17.4	9.5	25.9	2.7	50.00
Envor Biotech Oy	8.4	6.0	4.1	0.3	24.62
Pakastamo Oy	10.1	7.7	9.6	-0.0	50.00
Lihateollisuuden Tutkimuskeskus LTK	10.7	2.0	21.5	0.5	44.80
Best-In Oy	1.6	0.7	5.0	0.1	50.00
Länsi-Kalkkuna Oy	3.7	3.0	24.3	0.0	50.00
Owned by HK Agri Oy (formerly LSO Foods Oy)					
Finnpig Oy	1.3	0.5	3.4	0.1	50.00
Owned by Scan AB					
AB Tillväxt för svensk animalieproduktion (formerly SDT AB)	5.7	0.0	0.0	0.0	50.00
daka a.m.b.a	98.6	75.4	133.7	14.3	33.90
Fastighets AB Tuben	0.3	0.1	0.2	0.0	48.00
Höglandsprodukter AB	2.2	1.4	27.9	0.4	30.00
Siljans Chark AB	10.0	5.8	17.7	0.4	39.30
Svensk Köttrasprövning AB	0.1	0.0	0.3	0.0	35.00
Svensk Lantbrukstjänst AB	3.5	1.2	12.6	0.8	26.00
Svenska Djurhälsovården AB	3.4	2.0	7.0	-0.0	50.00
Taurus Köttrådgivning AB	0.5	0.2	0.9	0.0	39.33
Svenska Pig AB	0.8	0.4	1.2	0.1	22.00
M R L Transport AB	0.2	0.2	1.0	-0.0	30.00
Industrislakt Syd AB	0.9	0.9	3.5	0.0	50.00
Svenskt Butikskött AB	9.7	4.8	40.0	1.2	25.0
Gotlands Slagteri AB	6.2	4.0	8.2	0.0	25.0
Creta Farms Nordic AB	0.0	0.2	0.0	-0.2	50.0
Owned by Rose Poultry A/S					
Tican – Rose GmbH	6.1	5.4	0.9	0.0	50.00
HRP Kyllingefarm A/S	1.0	0.6	2.7	-0.4	50.00
Farmfood	12.8	6.6	1.8	0.0	33.00

Associates 2009

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership(%)
Owned by the Group's parent company					
Honkajoki Oy group	14.7	9.6	21.4	1.4	38.33
Envor Biotech Oy	7.1	5.0	3.3	0.1	24.62
Pakastamo Oy	11.1	8.5	11.0	0.4	50.00
Lihateollisuuden Tutkimuskeskus LTK	10.2	2.0	22.9	1.0	44.80
Best-In Oy	1.6	0.8	5.6	0.1	50.00
Länsi-Kalkkuna Oy	3.6	2.9	25.6	0.2	50.00
Owned by HK Agri Oy (formerly LSO Foods Oy)					
Finnpig Oy	1.3	0.6	3.0	0.2	50.00
Owned by Scan AB					
Bondens Bästä i Svalöv AB	0.2	0.1	1.3	0.0	50.00
SDT Sveriges Djurproducenters Tillväxt AB	5.0	0.1	0.0	0.0	50.00
Conagri AB	6.9	6.3	22.1	0.0	49.00
daka a.m.b.a	105.4	78.7	119.1	9.0	33.60
Fastighets AB Tuben	0.2	0.0	0.1	0.0	48.00
Höglandsprodukter AB	3.4	1.8	28.0	0.5	30.00
Siljans Chark AB	8.0	6.2	15.5	0.8	39.30
Svensk Köttinformation AB	0.3	0.2	0.8	0.0	50.00
Svensk Köttrasprövning AB	0.1	0.0	0.3	0.0	35.00
Svensk Lantbrukstjänst AB	2.7	1.1	10.7	0.4	26.00
Svenska Djurhälsovården AB	3.0	0.4	7.6	0.0	50.00
Taurus Köttrådgivning AB	0.3	0.1	0.8	0.0	39.33
Bertil Eriksson Slakteri AB	1.5	1.1	5.2	0.4	35.00
Svenska Pig AB	0.5	0.2	0.8	0.2	22.00
M R L Transport AB	0.2	0.2	0.6	0.0	30.00
Industrislakt Syd AB	1.0	1.0	4.7	0.0	50.00
Owned by SLP Pärsons AB					
Spjutstorps Smågris AB	2.2	2.1	0.5	0.0	49.00

15. Other non-current investments

Other non-current investments include the following assets:

	31.12.2010	31.12.2009
Available-for-sale financial assets		
- Publicly quoted investments in shares	0.1	0.0
- Unlisted investments in shares	0.4	0.1
Total	0.6	0.1
Other shares and holdings	12.5	10.4
Held-to-maturity investments	0.0	0.0
Financial assets recognized at fair value through profit or loss	0.0	0.0
Total other financial assets	13.1	10.5

Available-for-sale non-current financial assets

	31.12.2010	31.12.2009
At start of financial year	0.1	0.1
Exchange rate differences	0.0	0.0
Through acquisitions	0.5	0.0
Revaluation surplus	0.0	0.0
At end of financial year	0.6	0.1

16. Non-current receivables and investments

	31.12.2010	31.12.2009
Loan receivables from associates	0.5	0.2
Other receivables from associates	0.1	0.1
Non-current receivables from associates	0.7	0.3
Loan receivables	2.7	2.9
Other receivables	21.9	15.0
Finance lease receivables	0.0	0.0
Non-current loan and other receivables	24.6	17.9
Trade and other receivables	25.3	18.2
Other non-current investments	13.1	10.5
Deferred tax asset	14.4	12.3
Total non-current receivables	52.8	41.0

17. Deferred tax assets and liabilities

Specification of deferred tax assets	1.1.2010	Translation difference	Recognized in income statement	Recognized in equity	Companies acquired/ sold	31.12.2010
Pension benefits	1.1	0.0	-0.3	0.0	0.0	0.8
Impairment of PPE	0.1	0.0	-0.0	0.0	0.0	0.0
Other matching differences	2.5	0.4	-0.8	0.1	0.0	2.3
Arising from consolidation	0.5	0.1	-0.1	0.0	0.0	0.5
Adopted losses	4.6	0.2	1.2	0.0	0.9	6.8
Arising from hedge accounting	3.4	0.0	0.1	0.4	0.0	3.9
Total	12.3	0.6	0.1	0.5	0.9	14.4
Specification of deferred tax liabilities						
Depreciation difference and voluntary provisions	9.8	0.1	0.0	0.0	0.5	10.3
Other matching differences	3.0	0.6	0.0	0.0	1.5	5.2
Arising from consolidation	13.0	1.2	0.1	0.4	2.0	16.6
Recognized directly in retained earnings	0.4	0.0	0.0	-0.4	0.0	0.0
Pension benefits	3.1	0.4	1.8	0.0	0.0	5.3
Arising from hedge accounting	3.0	0.0	0.0	-1.6	0.0	1.5
Total	32.2	2.3	1.8	-1.6	4.1	38.9

Specification of deferred tax assets	1.1.2009	Translation difference	Recognized in income statement	Recognized in equity	Companies acquired/ sold	31.12.2009
Pension benefits	1.1	0.0	-0.0	0.0	0.0	1.1
Impairment of PPE	0.1	0.0	0.0	0.0	0.0	0.1
Other matching differences	2.2	0.1	0.3	0.0	0.0	2.5
Arising from consolidation	0.6	0.0	-0.1	0.0	0.0	0.5
Adopted losses	5.3	0.3	-1.0	0.0	0.0	4.6
Arising from hedge accounting	0.7	0.0	0.0	2.6	0.0	3.4
Total	10.1	0.4	-0.8	2.6	0.0	12.3
Specification of deferred tax liabilities						
Depreciation difference and voluntary provisions	8.6	-0.4	1.6	0.0	0.0	9.8
Other matching differences	7.5	-0.5	-3.9	0.0	0.0	3.0
Arising from consolidation	13.0	-0.6	0.6	0.0	0.0	13.0
Recognized directly in retained earnings	0.4	0.0	0.0	0.0	0.0	0.4
Pension benefits	0.0	0.0	3.1	0.0	0.0	3.1
Arising from hedge accounting	4.2	0.0	0.0	-1.3	0.0	3.0
Total	33.6	-1.5	1.4	-1.3	0.0	32.2

The Group has not recognized a deferred tax liability in respect of retained profits of subsidiaries.
The retained earnings of the Estonian companies include deferred tax liabilities of EUR 19.7 million.

18. Inventories

	31.12.2010	31.12.2009
Materials and supplies	88.8	73.9
Unfinished products	8.8	7.1
Finished products	45.7	23.7
Goods	0.0	0.0
Other inventories	6.2	4.1
Prepayments for inventories	2.6	2.1
Live animals, IFRS 41	7.6	7.6
Total inventories	159.9	118.7

19. Trade and other current receivables

	31.12.2010	31.12.2009
Trade receivables from associates	0.6	0.3
Loan receivables from associates	0.3	0.6
Other receivables from associates	0.1	0.0
Current receivables from associates	1.0	0.9
Trade receivables	169.3	133.2
Loan receivables	0.3	0.0
Other receivables	55.4	51.5
Current receivables from others	224.9	184.7
Interest rate derivatives, hedge accounting	0.2	0.0
Foreign exchange derivatives, hedge accounting	0.9	0.0
Commodity derivatives, hedge accounting	2.2	0.0
Current derivative receivables	3.3	0.0
Interest receivables	1.4	0.7
Matched staff costs, current receivables	1.4	0.7
Other prepayments and accrued income	8.5	7.2
Current prepayments and accrued income	11.3	8.7
Trade and other receivables	240.6	194.3
Tax receivables (income tax)	0.3	0.2
Income tax receivable	0.3	0.2
Total current receivables	240.9	194.5

Age breakdown of trade receivables and items recognized as impairment losses

	2010	Impairment losses	Net 2010	2009	Impairment losses	Net 2009
Unmatured	145.0		145.0	120.1		120.1
Matured						
Under 30 days	20.8	0.2	20.6	10.4	0.4	10.0
30-60 days	1.1	0.0	1.1	0.8	0.0	0.8
61-90 days	0.4	0.0	0.4	0.2	0.0	0.3
over 90 days [1]	3.3	0.8	2.5	1.6	0.5	1.1
Total	170.6	1.2	169.3	133.2	0.9	132.3

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

The fair values of receivables are presented in Note 27, “Fair values of financial assets and liabilities”.

20. Cash and cash equivalents

The carrying amounts best correspond to the amount of money which is the maximum amount of credit risk in the event that counter parties are unable to fulfil their obligations associated with the financial instruments.
Cash and cash equivalents according to the cash flow statement are as follows:

	31.12.2010	31.12.2009
Cash and bank	67.3	63.0
Short-term money market investments	2.2	10.9
Other financial instruments	3.9	2.0
Total cash and cash equivalents	73.4	75.9

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

21. Notes relating to equity

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

	Number of shares (1 000)	Share capital EUR mill.	Share premium reserve EUR mill.	RIUE EUR mill.	Treasury shares EUR mill.	Total EUR mill.
1.1.2009	39 302	66.8	72.9	66.7	0.0	206.4
Revert of treasury shares	-48				0.0	0.0
Share offering	14 720			76.4		76.4
31.12.2009	53 974	66.8	72.9	143.1	0.0	282.8
Revert of treasury shares	-2				0.0	0.0
Share offering	1 000			8.0		8.0
31.12.2010	54 973	66.8	72.9	151.1	0.0	290.8

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. Before the share offering relating to the acquistition of Rose Poultry, A Shares numbered 48 626 522 and K Shares 5 400 000. After the share offering registered on 17 December 2010, A Shares number 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 (734/1978) was in force, payments in cash or kind obtained on share subscription less transaction costs were recognized under shareholders' 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 recognized under shareholders' equity pursuant to express decision to that effect. The reserve for invested unrestricted equity is comprised of the directed issue relating to the Scan and Rose Poultry acquisitions and the share offering in 2009, which was recognized in full in the RIUE.

Treasury shares

At the beginning of 2010, HKScan held 51 982 A Shares as treasury shares. During 2010, a total of 1 752 A Shares reverted to the company. At year-end, the company held a total of 53 734 of its A Shares. These had a market value of EUR 0.4 million and accounted for less than 0.01% of all shares and less than 0.01% of all votes. The remaining 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. The following is an itemization of events in the hedging instruments reserve during the financial year.

Fair value reserve and hedging instruments reserve	**2010**	**2009**
Fair value reserve and hedging instruments reserve at 1.1.	-8.8	-1.7
Amount recognized in equity in the financial year (effective portion), foreign exchange derivatives	0.0	0.5
Amount recognized in equity in the financial year (effective portion), interest rate derivatives	-0.4	-11.3
Amount recognized in equity in the financial year (effective portion), commodity derivatives	2.8	1.0
Share of deferred tax asset of changes in period	-0.6	2.7
Fair value reserve and hedging instruments reserve at 31.12.	-7.0	-8.8

Dividends

Dividend of EUR 0.22 per share, totalling EUR 11.9 million, was distributed in 2010 (EUR 0.24 per share totalling EUR 9.4 million in 2009). Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.22 per share, totalling EUR 12.1 million, be declared.

22. Pension obligations

	31.12.2010	31.12.2009
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	3.1	3.6
Pension liability (+)/ receivable (-) in balance sheet	3.1	3.6
Defined benefit pension expense in income statement		
Pension obligations	0.5	0.1
Defined benefit pension expense in income statement (IFRS)	0.5	0.1
Change in liabilities/receivables arising from benefits in the financial year		
Balance at 1.1.	3.6	3.7
Defined benefit pension expense in income statement (IFRS)	-0.5	-0.1
Other change	0.0	0.0
Liabilities/receivables at end of financial year	3.1	3.6

23. Provisions

	1.1.2010	Increase in provisions	Exercised in finance year (-)	31.12.2010
Non-current provisions	8.5	0.3	-6.4	2.4
Current provisions	2.8	0.6	-1.1	2.3
Total	11.3	0.9	-7.5	4.7

	1.1.2010	Increase in provisions	Exercised in finance year (-)	31.12.2009
Non-current provisions	1.4	8.6	-1.5	8.5
Current provisions	1.9	1.5	-0.5	2.8
Total	3.3	10.1	-2.0	11.3

Non-current provisions mainly comprise costs relating to staffing arrangements having to do with the streamlining programme in Sweden.

24. Liabilities

	31.12.2010	31.12.2009
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	358.9	329.8
Other liabilities	2.3	0.1
Non-current interest-bearing liabilities	361.2	329.9
Non-interest bearing		
Other liabilities	12.4	5.9
Non-current non-interest bearing liabilities	12.4	5.9
Non-current provisions	2.4	8.5
Deferred tax liability	38.9	32.2
Pension obligations	3.1	3.6
Non-current liabilities	418.0	380.1
Current liabilities		
Interest-bearing		
Loans from financial institutions	113.0	78.0
Other liabilities	40.0	9.5
Current interest-bearing liabilities	153.0	87.5
Trade and other payables		
Advances received	4.3	0.1
Trade payables	140.6	100.7
Accruals and deferred income		
- Short-term interest payable	1.0	1.1
- Matched staff costs	56.1	46.5
- Other short-term accruals and deferred income	28.0	23.7
Derivatives	13.5	12.0
Other liabilities	19.0	17.9
Trade and other payables	262.5	202.0
Income tax liability	2.7	2.7
Current provisions	2.3	2.8
Current liabilities	420.6	295.1
Liabilities	838.5	675.3

HKScan Corporation issued on 23 September 2008 a EUR 20 million hybrid bond aimed at its majority shareholders. The bond is treated as equity in HKScan's IFRS financial statements. A hybrid bond is an equity bond that is subordinated to the company's other debt obligations. However, it is senior to other equity instruments. The date of interest payment on the hybrid bond is at the discretion of the issuer. The capital and accrued interest on the hybrid bond was paid back in full on 11 December 2009.

25. Financial liabilities

	2010	2009
Non-current financial liabilities measured at amortized cost		
- Debt securities	247.6	214.9
- Credit facilities	111.4	108.9
- Leasing and factoring	2.3	0.9
- Commercial paper	0.0	0.0
- Other financial liabilities	0.0	5.4
Total	361.2	329.9
Current financial liabilities measured at amortized cost		
- Debt securities	43.7	44.9
- Credit facilities	35.6	22.9
- Leasing and factoring	3.0	2.8
- Commercial paper	37.0	5.0
- Other financial liabilities	33.7	11.9
Total	153.0	87.5

The fair value of liabilities is presented in Note 27, "Fair values of financial assets and liabilities".

The Group's debt securities are subject to both fixed and variable interest rates. Taking into account derivatives and the sale of trade receivables, fixed-rate loans account for 41% (47% in 2009). The average rate of interest paid by the Group, taking into account derivatives and margins on loans, was 4.1% at the balance sheet date (3.2% in 2009).

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

	31.12.2010	31.12.2009
Under 6 months	364.5	301.0
6-12 months	49.7	72.6
1-5 years	69.6	43.8
Over 5 years	30.4	0.0
Total	514.2	417.4

The previous table calculates the interest rate maturity of interest rate derivative contracts to be terminated up to the first maturity date of the option.

The following table calculates the duration of interest rate derivative instruments to be terminated based on the yield curve at the balance sheet date so that it ends when the yield curve reaches the fixed rate of the interest rate derivative contracts.

	31.12.2010	31.12.2009
Under 6 months	253.3	191.2
6-12 months	12.4	8.4
1-5 years	218.1	217.8
Over 5 years	30.4	0.0
Total	514.2	417.4

Maturity of finance lease liabilities

Finance lease liabilities	31.12.2010	31.12.2009
Long-term interest-bearing finance lease liabilities	2.3	0.9
Short-term interest-bearing finance lease liabilities	0.8	0.3
Total finance lease liabilities	3.1	1.2
Broken down by property, plant and equipment		
Buildings and structures	0.0	0.5
Machinery and equipment	2.9	0.2
Vehicles	0.1	0.5
Total finance lease liabilities	3.1	1.2
Maturity of finance lease liabilities		
Finance lease liabilities – total minimum lease payments		
Within one year	0.8	0.3
After one year and within five years	2.3	0.9
After more than five years	0.0	0.0
Total	3.1	1.2
Finance leasing liabilities – present value of minimum lease payments		
Within one year	0.8	0.3
After one year and within five years	2.2	0.9
After more than five years	0.0	0.0
Total	3.0	1.2
Finance expenses accruing in future	0.1	0.0
Total finance lease liabilities	3.1	1.2

26. Financial risk management

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

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. 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. As a rule, Group funding is obtained through the parent company while funding to subsidiaries is arranged by the Treasury through intra-Group loans in the local currency of each subsidiary. Funding of the Group is centralized to a finance unit operating (Group Treasury) under the Chief Financial Officer.

Foreign exchange risk

The HKScan Group has productive activities in Finland, Sweden, Denmark, the Baltics and, through a joint venture in Sweden, in Poland. Group companies also engage in foreign trade. Owing to income and expenses as well as equity investments and earnings denominated in foreign currencies, the Group is exposed to foreign exchange risk arising from movements in exchange rates.

The Swedish krona, US dollar and Japanese yen and are the most significant exchange risks affecting the Group's commercial operations.The Group hedges commercial sale agreements but does not apply hedge accounting to these. Foreign exchange risk exposure in respect of each currency is reviewed monthly. Currency forwards, options and swaps can be used to hedge foreign exchange risks. Foreign exchange risk in commercial operations may be hedged for no more than 12 months into the future. As a rule, 30–70 percent of the projected net foreign exchange flow is hedged. The realized cash flow has been steady and the forecast cash flow is also assumed to be steady. The subsidiaries uses primarily internal derivative contracts made with the Group Treasury to hedge its operations.

The Group has foreign net investments and is thus exposed to risks arising from translation of investments denominated in foreign currencies into the functional currency of the parent company. The largest foreign currency-denominated equities of Group companies are in Swedish krona, Polish zloty, Danish krone and, until 1 January 2011, Estonian kroon. The Group observes the principle of hedging at least 50% and no more than 75% of the net investment. Net investment may be hedged by taking out a loan in the relevant currency or through the use of derivative instruments.

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

Hedging of the Group's net investments in the financial statements 2010:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	122.6	82.7	Foreign-currency loan	82.7	67 %
PLN	63.7	31.6	Currency future	31.6	50 %
EEK	107.1	61.4	Currency future	61.4	57 %
DKK	16.6	12.0	Foreign-currency loan	12.0	72 %

Estonia adopted the common currency, the euro, at the beginning of 2011, whereupon hedging of the Estonian kroon-denominated net investment was discontinued too.

Hedging of the Group's net investments in the financial statements 2009:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	108.2	72.3	Foreign-currency loan	72.3	67 %
PLN	53.1	29.8	Currency future and option	29.8	56 %
EEK	98.0	60.6	Currency future	60.6	62 %

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

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

	2010			2009		
Nominal values	USD	JPY	SEK	USD	JPY	SEK
Non-current assets						
- Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
- Loan and other receivables	0.0	0.0	107.1	0.0	0.0	129.3
Non-current liabilities						
- Interest-bearing liabilities	0.0	0.0	75.7	0.0	0.0	111.7
Current assets						
- Financial assets	1.2	0.0	4.7	1.4	0.0	3.1
- Trade and other receivables	6.6	0.5	5.2	1.6	0.6	3.3
Current liabilities						
- Interest-bearing liabilities	0.0	0.0	22.3	0.0	0.0	0.0
- Non-interest bearing liabilities	0.0	0.0	3.2	0.0	0.0	0.0
Position before hedging	7.8	0.5	15.9	3.0	0.6	24.0
Hedging position	-6.3	-1.7	6.1	0.0	0.0	0.0
Open position	1.5	-1.1	22.1	3.0	0.6	24.0

The following table analyzes the strengthening or weakening of the euro against the US dollar, Japanese yen and Swedish krona, all other things being equal. The movements represent average volatility over the past 12 months. Sensitivity analysis is based on assets and liabilities denominated in foreign currencies at the reporting date. The effects of currency derivatives, which offset the effects of changes in exchange rates, are also taken into account in sensitivity analysis. Net investments in foreign units and the instruments used to hedge these have been excluded from sensitivity analysis.

In respect of the US dollar, the effect would mainly be due to changes in the exchange rates applicable to dollar-denominated trade receivables and trade payables. In the Japanese yen, the effect would be due to changes in the exchange rates applicable to yen-denominated trade receivables. In the Swedish krona, the effect would mainly be due to changes applicable to krona-denominated borrowing and lending facilities.

	2010				2009			
	USD	JPY	SEK	Yht.	USD	JPY	SEK	Total
Movement	10.0	10.0	10.0		10.0	10.0	10.0	
Effect on profit after taxes	0.1	-0.1	1.6	1.7	0.6	0.1	1.2	1.9

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

Interest rate risk

The Group's short-term money market investments expose it to cash flow interest rate risk. The impact of these is not significant, however. Group revenues and operative cash flows are mainly independent of fluctuations in market rates. The Group's main exposure to interest rate risk arises through interest-bearing liabilities and trade receivables sold. The aim of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement. To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at either fixed or variable interest rates and use interest ratre derivatives to achieve a result in keeping with the treasury policy. The goal of the policy is to have some 40% of the Group's borrowings tied to a fixed interest rate and the interest rate maturity of the loans can vary from 6 to 36 months. At the balance sheet date and taking into account interest rate derivatives and trade receivable financing, fixed-rate loans accounted for roughly 41% (47%) of the loan portfolio. Trade receivable financing has been taken into account in the amount of loans exposed to interest rate risk. The interest rate maturity of the loans was approximately 8 months (5 months). Interest rate maturity becomes approximately 16 months (13 months) when calculated based on the yield curve at the balance sheet date.

At the balance sheet date, the nominal amount of the Group's outstanding interest rate derivatives was EUR 247.0 million (EUR 203.5m). The growth in the amount of interest rate derivatives was due to Rose Poultry's interest rate derivatives, the nominal amount of which was EUR 35.1 million. The average interest rate on the Group's interest-bearing liabilities, taking into account derivatives and margins on loans, stood at 4.1% at the balance sheet date (3.2%).
The sensitivity of net financial expenses at the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was ca. EUR 3.7 million (EUR 2.7m) 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 at the balance sheet date. The sale of accounts receivable has been included in interest-bearing liabilities.

Market risk in investment activities

The Group is exposed in its operations to a price risk arising from fluctuations in market prices to a slight extent. Changes in the value of financial assets recognized at fair value through profit or loss affect profit after taxes. Changes in the value of available-for-sale financial assets affect equity through other comprehensive income.

Commodity risk

The Group is exposed to commodity risk having to do with the availability of commodities and fluctuation in their prices. In Finland, the Group uses electricity derivatives to hedge against fluctuation in the price of electricity. Hedging level limits are defined in the electricity procurement policy. At least 70% of electricity procurement in the coming 12 months is hedged. Hedge accounting applies to the treatment of these derivatives.
The table below analyzes the effect that a rise or fall of 10% in the prices of commodity derivatives outstanding at the reporting date would have on profit, all other things being equal.

	31.12.2010		31.12.2009	
	price rises by 10%	price falls by 10%	price rises by 10%	price falls by 10%
Electricity futures	1.2	-1.2	1.2	-1.2

Credit risk

Credit risk management and credit control in the Group is centralized to the Group Treasury which works together with the business units. 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 credit quality of customers is subject to ongoing monitoring and evaluation. Almost all customers have credit limits that are systematically monitored. Some customers are insured through credit insurance. Credit is only extended to customers with an impeccable credit rating. Methods used to secure credit extended include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges.

The Group Treasury only concludes derivative contracts with reputable counterparties with a good credit rating.

The amount of impairment losses recognized as profit or loss in the year under review has been EUR 1.2 million (EUR 0.9m in 2009).

The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables in presented in Note 19.

Liquidity risk

The uncertainty in the financial markets and the economic recession did not increase the Group's risks relating to the availability of financing in the year under review and the Group's liquidity remained good in 2010. The Group constantly assesses and monitors the amount of funding required for operations by i.a. preparing and analyzing cash flow forecasts. The Group must maintain adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future. The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. The Group also has revolving credit facilities with banks, bank borrowings, current accounts with overdraft facilities and the short-term, EUR 100 million Finnish commercial paper programme.

Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, comprising a EUR 275 million seven-year amortizing term loan and a EUR 275 million five-year credit limit with two one-year extension options, one of which has been exercised. Untapped credit facilities at 30 December 2010 stood at EUR 203 million (EUR 207m). In addition, the Group had other untapped overdraft and other facilities of EUR 34 million (EUR 39m). The EUR 100 million commercial paper programme had been drawn in the amount of EUR 37 million (EUR 5m). The credit available from the facility is subject to variable rates and the related interest rate risk is managed through derivative instruments.

In the committed credit facility agreement, EUR 0.0 million matures in 2011, EUR 25.0 million in 2012 and EUR 250.0 million in 2013. The overdraft facility agreement is in force until further notice.

During the calendar year, the company renewed a EUR 25 million credit facility agreement, which matures in 2015.

The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are net gearing ratio and ratio of net debt to EBITDA. Financial backers are provided with quarterly reports on the observance of financial loan covenants. If the Group is in breach of the covenants, the creditor may demand accelerated loan repayment. Management monitors the fulfilment of loan covenants on a regular basis. Group management has identified no significant concentrations of liquidity risk in financial assets or sources of funding.

The following table describes the numbers of the Group's commitments at the balance sheet date by type of credit:

31.12.2010

Credit type	Scope	Exercised	Available
Overdraft facility	59.1	25.5	33.6
Credit limit	330.6	127.3	203.3
Commercial paper programme	100.0	36.9	63.1
Total	489.7	189.6	300.1

31.12.2009

Credit type	Scope	Exercised	Available
Overdraft facility	49.7	10.5	39.2
Credit limit	328.0	121.3	206.7
Commercial paper programme	100.0	5.0	95.0
Total	477.7	136.8	340.9

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

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

		Maturity of credit type					
Credit type	31.12.2010	2011	2012	2013	2014	2015	>2015
Debt securities	291.2	43.7	45.8	34.3	135.0	19.7	12.7
Credit facilities	146.9	35.6	0.0	111.4	0.0	0.0	0.0
Leasing and factoring	5.3	3.0	0.7	0.7	0.7	0.1	0.1
Commercial paper programme	37.0	37.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	33.7	33.7	0.0	0.0	0.0	0.0	0.0
Total	514.2	153.0	46.5	146.4	135.7	19.8	12.8

		Maturity of credit type					
Credit type	31.12.2009	2010	2011	2012	2013	2014	>2014
Debt securities	259.8	45.4	34.8	36.6	31.5	109.8	1.7
Credit facilities	131.8	22.9	9.6	0.0	99.3	0.0	0.0
Leasing and factoring	3.6	2.8	0.2	0.6	0.0	0.0	0.0
Commercial paper programme	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	17.2	11.8	3.2	2.2	0.0	0.0	0.0
Total	417.4	87.9	47.8	39.4	130.7	109.8	1.7

The table below analyzes the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at 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.

31.12.2010, Maturity of financial liabilities

Credit type	2011	2012	2013	2014	2015	>2015
Debt securities	53.8	51.1	40.9	138.8	20.6	15.5
Credit facilities	39.3	3.5	113.3	0.0	0.0	0.0
Leasing and factoring	3.1	0.8	0.7	0.7	0.1	0.1
Commercial paper programme	37.3	0.0	0.0	0.0	0.0	0.0
Other borrowings	34.2	0.0	0.0	0.0	0.0	0.0
Trade and other payables	258.7	0.0	0.0	0.0	0.0	0.0
Total	426.3	55.4	154.9	139.6	20.7	15.6

Maturity of derivative liabilities

Interest rate derivatives	-0.2	-1.4	-2.3	-1.9	0.0	-11.0
Commodity derivatives, hedge accounting	1.5	0.5	0.2	0.1	0.0	0.0
Foreign exchange derivatives	0.3	0.0	0.0	0.0	0.0	0.0
Foreign exchange derivatives, hedge accounting	-0.6	0.0	0.0	0.0	0.0	0.0

31.12.2009, Maturity of financial liabilities

Credit type	2010	2011	2012	2013	2014	>2014
Debt securities	49.6	38.2	39.4	33.7	110.9	1.7
Credit facilities	25.0	11.5	1.8	100.1	0.0	0.0
Leasing and factoring	2.9	0.2	0.6	0.0	0.0	0.0
Commercial paper programme	5.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	12.0	3.2	2.2	0.0	0.0	0.0
Trade and other payables	203.6	0.0	0.0	0.0	0.0	0.0
Total	298.1	53.2	44.0	133.9	110.9	1.7
Maturity of derivative liabilities						
Interest rate derivatives	0.0	-0.4	-1.8	-2.1	-1.5	-5.5
Commodity derivatives, hedge accounting	3.4	2.8	2.3	1.6	0.8	0.0
Foreign exchange derivatives	-0.9	0.0	0.0	0.0	0.0	0.0
Foreign exchange derivatives, hedge accounting	-0.2	0.0	0.0	0.0	0.0	0.0

The following table presents the nominal value and fair values 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.

	2010 Positive fair value	2010 Negative fair value	2010 Fair value net	2009 Fair value net	2010 Nominal value	2009 Nominal value
Interest rate swaps	0.0	-16.8	-16.8	-11.3	247.0	203.5
matured in 2010	-	-	-	0.0	-	0.0
matures in 2011	0.0	-0.2	-0.2	-0.4	10.0	10.0
matures in 2012	0.0	-1.4	-1.4	-1.8	31.2	29.8
matures in 2013	0.0	-2.3	-2.3	-2.1	42.5	39.8
matures in 2014	0.0	-1.9	-1.9	-1.5	45.7	39.5
matures in >2015	0.0	-11.0	-11.0	-5.5	117.7	84.5
of which defined as cash flow hedging instruments	0.0	-12.5	-12.5	-11.3	211.9	203.5
Foreign exchange derivatives	0.9	-1.2	-0.3	-1.1	149.9	104.6
of which defined as net investment hedging instruments	0.0	-0.6	-0.6	-0.2	44.3	36.9
Commodity derivatives	2.3	-0.1	2.2	-0.6	10.2	10.8
matured in 2010				-0.4		3.4
matures in 2011	1.5	0.0	1.5	-0.2	3.3	2.8
matures in 2012	0.6	-0.1	0.5	0.0	3.1	2.3
matures in 2013	0.2	0.0	0.2	0.0	2.3	1.6
matures in 2014	0.1	0.0	0.1	0.0	1.6	0.8

Derivatives to which hedge accounting applies

Changes in the value after taxes of derivatives designated as hedges of net investments made in foreign units amounting to EUR -0.8 million (EUR -2.2m in 2009) are recognized under other comprehensive income. Exchange rate differences accumulated in translation differences within equity are included in the income statement when the net investment or part thereof is disposed of. In addition, EUR 16.0 million of DKK-denominated loans and EUR 82.7 million of SEK-denominated loans are designated as hedges of net investments (EUR 72.3m of SEK-denominated loans in 2009). The changes in value of these are recognized under other comprehensive income at EUR -7.7 million (EUR 3.6m in 2009).

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR -0.3 million (EUR -8.4m in 2009) are recognized under other comprehensive income. 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 2.1 million (EUR 0.8m in 2009) are recognized under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss.

Capital management

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

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

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

The Group has announced an equity ratio target of 40%. The acquisition of Scan AB brought the Group's equity ratio to below 30%. The equity ratio of 34.2% at the balance sheet date was affected by the share offering executed in December 2009, the acquisition of Rose Poultry A/S in November 2010 and the company's earnings performance. The target in respect of net gearing ratio was also to return to the pre-Scan acquisition level, i.e. clearly below 101.7%. At the balance sheet date, the net gearing ratio was 101.7%.

Net gearing ratio (EUR million)

	2010	2009
Interest-bearing liabilities	514.2	417.4
Interest-bearing loan receivables	2.7	2.9
Cash and bank	73.4	75.9
Interest-bearing net liabilities	438.2	338.6
Equity	430.6	398.7
Net gearing ratio	101.7 %	84.9 %

27. Fair values of financial assets and liabilities

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

	Fair value		Carrying amount	
	2010	2009	2010	2009
Financial assets				
Other financial assets	3.9	2	3.9	2
Financial liabilities recognized at fair valuethrough profit or loss				
- assets held for trading	-	-	-	-
Trade and other receivables	240.6	194.3	240.6	194.3
Cash and cash equivalents	69.5	73.9	69.5	73.9

	Fair value		Carrying amount	
Non-current liabilities	2010	2009	2010	2009
Debt securities	259.4	212.7	247.6	214.9
Credit facilities	115.6	108.2	111.4	108.9
Leasing and factoring	2.4	0.7	2.3	0.8
Commercial paper	0.0	0	0.0	0
Other long-term liabilities	0.0	4.8	0.0	5.4
Accruals and deferred income	56.8	50.2	56.8	50.2
Total non-current liabilities	434.2	376.6	418.0	380.1
- of which interest-bearing	377.4	326.4	361.2	329.9

Current liabilities	Fair value 2010	Fair value 2009	Carrying amount 2010	Carrying amount 2009
Debt securities	43.7	44.9	43.7	44.9
Credit facilities	35.6	22.9	35.6	22.9
Leasing and factoring	3.0	2.8	3.0	2.8
Commercial paper	37.0	5.0	37.0	5
Other current liabilities	33.8	11.9	33.8	11.9
Advances received	4.3	0.1	4.3	0.1
Trade payables	140.6	100.7	140.6	100.7
Accruals and deferred income	85.1	71.5	85.1	71.5
Other liabilities	37.5	35.4	37.5	35.4
Total current liabilities	420.6	295.1	420.6	295.1
- of which interest-bearing	153.1	87.5	153.1	87.5

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

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

Available-for-sale financial assets consist mainly of unlisted share investments.

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. The fair value of investments could not be reliably determined and the estimate varies significantly, or the probabilities of various estimates located in the range could not be reasonably determined and used to evaluate fair value. There are no functional markets for unlisted shares and the for the time being the Group has no intention of disposing of these investments. Financial assets recognized at fair value are either eligible for secondary markets or the purchase rate of the counterparty at the balance sheet date was used in their measurement, which was also tested using generally applicable measurement methods using available market quotes. The fair value of an investment is determined on the basis of the bid price of the investment.

Derivatives

The fair values of currency futures are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rate or other market information at the reporting date. If the market value given by a counterparty is utilized, 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 at the reporting date. The overall rate consists of risk free rate and the risk premium 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 receivables.

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

	31.12.2010	Level 1	Leval 2	Level 3
Assets measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading securities	0.0	0.0	0.0	0.0
- Trading derivatives				
- Interest rate swaps	0.0	0.0	0.0	0.0
- Foreign exchange derivatives	0.9	0.0	0.9	0.0
- Commodity derivatives	2.3	0.0	2.3	0.0
of which subject to cash flow hedging	2.3	0.0	2.3	0.0
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	3.2	0.0	3.2	0.0
Liabilities measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-16.8	0.0	-16.8	0.0
of which subject to cash flow hedging	-12.5	0.0	-12.5	0.0
- Foreign exchange derivatives	-1.2	0.0	-1.2	0.0
of which subject to net investment hedging	-0.6	0.0	-0.6	0.0
- Commodity derivatives	-0.1	0.0	-0.1	0.0
of which subject to cash flow hedging	-0.1	0.0	-0.1	0.0
Total	-18.1	0.0	-18.1	0.0

	31.12.2009	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading securities	0.0	0.0	0.0	0.0
- Trading derivatives				
- Interest rate swaps	0.0	0.0	0.0	0.0
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	0.4	0.0	0.4	0.0
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	0.5	0.0	0.5	0.0
Liabilities measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-11.3	0.0	-11.3	0.0
of which subject to cash flow hedging	-11.3	0.0	-11.3	0.0
- Foreign exchange derivatives	-1.2	-1.0	-0.2	0.0
of which subject to net investment hedging	-0.2	0.0	-0.2	0.0
- Commodity derivatives	-1.1	-1.1	0.0	0.0
Total	-13.6	-2.0	-11.5	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.

28. Other leases

The Group as lessee

The Group leases many of its office 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 length of these leases are from three to five years on average.

Minimum rents payable on the basis of irrevocable lease agreements:

	31.12.2010	31.12.2009
Other rent commitments		
Maturing in less than a year	8.8	8.3
Maturing in 1-5 years	27.4	28.2
Maturing in over 5 years	20.1	21.1
Other rent commitments, total	56.3	57.5

The Group as lessor

The Group has leased, i.a. office premises.

	31.12.2010	31.12.2009
Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.2	0.3
Maturing in 1-5 years	0.1	0.1
Maturing in over 5 years	0.0	0.0
Rent receivables, total	0.3	0.4

29. Conditional liabilities and assets and purchase commitments

Commitments and contingent liabilities

	31.12.2010	31.12.2009
Debts secured by mortgages and shares		
Loans from financial institutions	56.1	33.9
Total	56.1	33.9
Real estate mortgages	48.9	55.5
Pledged securities	20.8	30.4
Floating charges	47.3	20.7
Total	117.0	106.6
Security for debts of participating interests		
Guarantees	5.3	5.0
Total	5.3	5.0
Security for debts of others		
Guarantees and pledges	13.8	12.4
Total	13.8	12.4

Other contingencies		
Leasing commitments		
Leasing commitments maturing in less than a year	6.6	4.4
Leasing commitments maturing in 1-5 years	16.7	12.7
Leasing commitments maturing in over 5 years	2.2	1.9
Other commitments	6.5	5.8
Total other contingencies	32.0	24.8

Maturity breakdown of security given for associates and others

2011	0.1
2012	0.3
2013	0.7
2014	0.0
2015	3.9
>2016	14.2
Total	19.1

30. 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 parent entity, subsidiaries, 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, vice presidents and their immediate family members. The Group strives to treat all parties equally in its business.

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative comprising around 1,800 Finnish meat producers. The cooperative is tasked with fostering 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 rent and other financial assets. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the group by persons on the group's Board of Directors and on the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 6.7 million in 2010 (EUR 6.7m in 2009). The said persons' animal purchases from the Group came to EUR 2.3 million in 2010 (EUR 2.2m in 2009).

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

Shares in subsidiaries:

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by the Group's parent company			
HKScan Finland Oy	1 000	53 582	100.00
HK International Ab, Sweden	10	12	100.00
AS Rakvere Lihakombinaat, Estonia	37 721 700	39 536	100.00
AS Tallegg, Estonia	5 853 200	16 755	100.00
Scan AB, Sweden	500 000	161 649	100.00
Rose Poultry A/S	101 002	23 896	100.00
Total		295 430	
Owned by HKScan Finland			
HK Ruokatalo Oy, Turku	1 000	16 946	100.00
HK Agri Oy (formerly LSO Foods Oy), Turku	3 000	946	100.00
Helanderin Teurastamo Oy, Loimaa	1 000	3 179	100.00
Lihatukku Harri Tamminen Oy, Vantaa	49	290	49.00
Kivikylän Kotipalvaamo Oy, Rauma	49	6 019	49.00
Järvi-Suomen Portti Oy, Mikkeli	100	4	100.00
Total		27 384	
Owned by AS Rakvere Lihakombinaat [*)]			
AS Ekseko, Estonia	6 984	272	100.00
AS Rigas Miesnieks, Latvia	155 920	12 427	100.00
Klaipedos Maisto Mesos Produktai, Lithuania	2 000	2 010	100.00
Total		14 709	

[*)] The carrying amounts are based on the carrying amounts in the companies' balance sheets and, in compliance with local accounting practice, include the movement in the subsidiary's equity, which has been taken into account in using the equity convention.

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by Rigas Miesnieks			
Jelgavas Galas Kombinats, Jelgava	31 015	1 854	98.84

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by Scan AB			
Esca Food Fastighets AB, Linköping	70 000	0	100.00
Esca Food Solutions KB, Linköping		0	4.,50
Bertil Eriksson Slakteri AB, Bäsinge	3 000	2 755	100.00
Falkbolagen AB, Malmö	5 000	658	100.00
Quality Genetics HB, Stockholm	926	413	92.60
Scan Produktion AB, Stockholm	1 000	0	100.00
SM Support Stenstorp AB, Stockholm	10 200	1 275	100.00
Kreatina A/S, Denmark	30 000	279	100.00
Kreatina Sp, Poland	5 000	0	100.00
Swedish Meats Support AB, Stockholm	80 000	5 019	100.00
Samfod S.A., Belgium	24 999	0	100.00
Scan Foods UK Ltd., UK	999	108	100.00
Swedish Meats RE AG, Switzerland	1 997	1 406	99.90
Svenska Livdjur & Service AB, Stockholm	200	112	100.00
Annerstedt Holding AB, Stockholm	50 000	2 579	100.00
SLP Pärsöns AB, Helsingborg	45 000	44 798	100.00
Skånekött AB, Skurup	30 000	0	100.00
Slakteriprodukter I Helsingborg AB, Helsingborg	6 000	0	100.00
Nyhléns & Hugosons Chark AB, Luleå	9 800	1 752	49.00
Flodins Kött AB, Stockholm	1 000	11	100.00
Annerstedt Flodins AB, Stockholm	50 000	1 470	100.00
AB O. Annerstedt, Stockholm	30 000	5 594	100.00
Total		68 229	
Owned by Rose Poultry A/S			
Vinderup Forsogsgårde I ApS, Vinderup	1	87	100.00
Rose Poultry AB, Göteborg, Sweden	10 000	315	100.00
Rose Poultry GmbH, Ellerau, Germany	1	24	100.00
Total		426	

Joint ventures

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by the Group's parent company			
Saturn Nordic Holding AB, Sweden	59 283 399	64 435	50.00

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

Assets, liabilities, income and expenses of Saturn Nordic Holding AB group included in the consolidated balance sheet and income statement:

(EUR million)	2010	2009
Non-current assets	82.6	81.3
Current assets	53.0	47.4
Non-current liabilities	-6.4	-5.8
Current liabilities	-40.2	-46.3
Net sales and other operating income	280.8	253.6
Operating expenses	-265.3	-244.3

Shares and holdings in associated undertakings

	Number of shares	Carrying amount (1 000 eur)	Ownership %
Owned by HKScan Finland Oy			
Honkajoki Oy, Honkajoki	900	1 007	50.00
Envor Biotech Oy, Forssa	128	22	24.62
Pakastamo Oy, Helsinki	660	564	50.00
Lihateollisuuden Tutkimuskeskus			
LTK osuuskunta, Hämeenlinna	22 400	0	44.80
Best-In Oy, Kuopio	500	50	50.00
Länsi-Kalkkuna Oy, Turku	250	250	50.00
Total		1 893	
Owned by HK Agri Oy (formerly LSO Foods Oy)			
Finnpig Oy, Vaasa	40	354	50.00
Owned by Scan AB			
AB Tillväxt för svensk animalieproduktion (formerly SDT Sveriges Djurproducenters Tillväxt AB), Stockholm	135 500	3 201	50.00
daka a.m.b.a, Denmark		6 318	33.90
Fastighets AB Tuben, Stockholm	1 200	13	48.00
Höglandsprodukter AB, Halmstad	1 500	839	30.00
Siljans Chark AB, Mora	3 680	461	39.30
Svensk Köttrasprövning AB, Skara	1 750	20	35.00
Svenskt Lantbrukstjänst AB, Lidköping	650	0	26.00
Svenska Djurhälsövården AB, Stockholm	4 400	700	50.00
Taurus Köttrådgivning AB, Stockholm	118	13	39.33
M R L Transport AB, Simrishamn	300	0	30.00
Industrislakt Syd AB, Hörby	25 000	6	50.00
Svenska Pig AB, Stockholm	220	2	22.00
Svenskt Butiksköttt AB, Johanneshov	333	1 673	25.00

Gotlands Slakteri AB, Visby	250	558	25.00
Creta Farms Nordic AB, Halmstad	500	56	50.00
Total		13 859	
Owned by Rose Poultry A/S			
Tican – Rose GmbH Eckernförde, Germany	1	366	50.00
HRP Kyllingefarm A/S, Sonderborg	752	112	50.00
Farmfood, Logstor	10 000	2 399	33.33
Total		2 877	

The Group carries on business through associates by engaging in i.a. meatpacking and value added meat processing and the production and sale of pet food, by trading in spices and by using leasing, waste disposal and research and advisory services. All commercial contracts are negotiated on market terms.

The following transactions were carried out with related parties:

	2010	2009
Product sales		
- Associates	40.4	34.9
Sales of animals to related parties	2.3	2.2
Product purchases		
- Associates	35.1	35.2
Purchases of animals from related parties	6.7	6.7
Severance pay to the CEO	0.0	1.3

Open balances at 31 December

	2010	2009
Trade receivables		
- Associates	1.8	2.5
Trade payables		
- Associates	8.8	8.5

Employee benefits of management

Salaries and fees		
CEO and deputy CEO	1.2	2.2
Board members and deputy board members	0.2	0.2

31. Events after the reporting date

(1) HKScan Corporation's Board of Directors decided in its meeting held on 4 January 2011 to convene an Extraordinary General Meeting on 4 February 2011 at 11 am to decide on the composition of the Board after receiving the notices of resignation of three Board members. Notice of resignation were tendered by Markku Aalto, Tiina Varho-Lankinen and Matti Murto. According to the decision of the District Court, the members of the Board of Directors of LSO Osuuskunta at the time – including the three persons mentioned above, who were members of HKScan's Board of Directors – would have been guilty of negligent abuse of insider information, for which the District Court imposed a fine. All three have registered their intent to appeal the District Court's judgement.

HKScan's largest shareholder, LSO Osuuskunta, proposed as new members of the Board of Directors Juha Kylämäki, Niels Borup and Tero Hemmilä. Juha Kylämäki (law student) is a farm entrepreneur and broiler meat producer. Niels Borup, MSc (Econ. & Bus. Admin.), is a farm entrepreneur and a pork and milk producer. Tero Hemmilä, M.Sc. (Agr. & For.), is managing director of Yara Suomi Oy.

In accordance with the proposal of HKScan's largest shareholder, LSO Osuuskunta, the Extraordinary General Meeting elected to HKScan's Board of Directors on 4 February 2011 Juha Kylämäki, Niels Borup and Tero Hemmilä.

At the organization meeting held immediately following the Extraordinary General Meeting, the Board elected Juha Kylämäki as its Chairman and Niels Borup as Deputy Chairman. In addition to the above-mentioned new members Matti Karppinen, Pasi Laine and Otto Ramel continue as members of HKScan's Board of Directors.

(2) The productivity programme of HKScan Finland's subsidiary, HK Ruokatalo, concerning the period 2011–2013 announced last autumn is ready and the employer-employee negotiations relating thereto concerning blue and white collar employees in HK Ruokatalo's industrial processes, which started in November, ended in January.

HK Ruokatalo and its blue and white collar personnel employed in industrial processes, have signed an agreement whereby the parties commit to a target programme which, when implemented, will improve the productivity of the company's industrial processes on average by 20 percent. A production facility-specific programme to develop cost competitiveness drawn up for the company's production facilities in Finland constitutes a key part of the agreement.

HK Ruokatalo's own industrial activity will be enhanced by returning HK Ruokatalo's partially outsourced operations relating to its core business (e.g. pork cutting) in stages to the company during 2011.

In order to streamline the company's industrial structure, HK Ruokatalo will, together with representatives of the personnel, seek solutions regarding the future roles of the production facilities in Säkylä and Mellilä.

Implementation of the productivity programme will mean a reduction of roughly 230 person-years in HK Ruokatalo's business chain, including subcontractors and outsourced operations, by the end of 2011.

The productivity programme aims to reduce overall expenditure by EUR 12 million annually. Of the annual cost benefits mentioned above, EUR 6 million are estimated to be achieved during 2011. The additional expenditure of EUR 3 million announced previously is not estimated to arise from the implementation of the programme.

(3) In October, the Finnish Competition Authority approved the plan of HKScan Finland and Osuuskunta Karjaportti to establish a new corporate entity that will continue the production of processed meats at Portti's plant located in Tikkala in the town of Mikkeli. The new company, Järvi-Suomen Portti Oy, began operations on 1 January 2011. HKScan Finland Oy is a majority shareholder in the new company with a 90 percent holding.

(4) HK Ruokatalo merged its meat procurement and primary production as well as feed trade into a single company at the beginning of 2011. The duties of the feed company Lounaisfarmi and the chicken production chain of HK Ruokatalo were transferred to LSO Foods, the name of which changed at the same time to HK Agri.

Parent company income statement for 1 January to 31 December (EUR 1 000)

	Note	2010	2009
Net sales	1	**0,0**	**30 774,3**
Other operating income	2	1 052.7	1 674.7
Materials and services		-0.0	0.0
Staff costs	3	-2 623.6	-4 092.2
Depreciation and impairment	4	-235.6	-19 242.1
Other operating expenses	5	-4 814.6	-4 986.1
EBIT		**-6 621.7**	**4 128.7**
Financial income and expenses	6	13 093.8	-11 014.2
Profit/loss before extraordinary items		**6 472.1**	**-6 885.5**
Extraordinary items	7	10 100.0	12 445.0
Profit/loss after extraordinary items		**16 572.1**	**5 559.5**
Appropriations	8	-33.9	6 701.1
Income taxes	9	-1 344.3	-1 401.8
Profit/loss for the period		**15 194.0**	**10 858.8**

Parent company balance sheet at 31 December (EUR 1 000)

	Note	2010	2009
ASSETS			
Fixed assets	10		
Intangible assets		451.6	2 209.5
Tangible assets		590.6	228 572.6
Financial assets		359 928.8	311 642.2
Non-current assets		**360 970.9**	**542 424.2**
Current assets			
Non-current receivables	11	310 384.6	149 292.1
Deferred tax asset	11	1 910.0	872.1
Current receivables	12	34 608.3	19 450.9
Cash and cash equivalents		23 763.6	12 486.5
Current assets		**370 666.6**	**182 101.5**
ASSETS		**731 637.5**	**724 525.7**
EQUITY AND LIABILITIES			
Equity	13		
Share capital		66 820.5	66 820.5
Share premium reserve		73 420.4	73 420.4
Revaluation reserve		0,0	3 363.8
Treasury shares		-38.6	-38.6
Fair value reserve		-2 035.7	5 507.1
RIUE		151 075.8	143 075.8
Other reserves		4 564.1	4 523.7
Retained earnings		1 517.9	2 533.4
Profit/loss for the period		15 194.0	10 858.8
Equity		**310 518.4**	**310 065.0**
Accumulated appropriations	14	**61.4**	**27 089.6**
Provisions	15	**3 112.4**	**3 164.3**
Liabilities			
Deferred tax liability	16	385.6	1 984.3
Non-current interest-bearing liabilities	16	319 911.8	305 442.2
Non-current non-interest bearing liabilities	16	1 695.4	5 904.6
Current interest-bearing liabilities	17	92 497.6	63 702.4
Current non-interest bearing liabilities	17	3 454.9	7 173.4
Liabilities		**417 945.4**	**384 206.9**
TOTAL EQUITY AND LIABILITIES		**731 637.5**	**724 525.7**

FAS Parent company cash flow statement (EUR 1 000)

	2010	2009
Cash flow from operating activities		
EBIT	-6 622	4 129
Adjustments to EBIT	2 467	2 018
Depreciation and impairment	236	19 242
Change in provisions	-52	-85
Change in net working capital	-12 120	7 744
Interest income and expenses	1 631	-16 568
Dividends received	11 463	5 554
Taxes	-1 344	-1 402
Cash flow from operating activities	**-4 341**	**20 632**
Cash flow from investing activities		
Purchases of shares in subsidiary	-23 896	-6 019
Purchase of other fixed assets	-604	-6 461
Disposals of other fixed assets	27	289
Loans granted	-152 092	-3 900
Repayments of loans receivable	164 303	18 808
Cash flow from investing activities	**-12 262**	**2 717**
Cash flow before financing activities	**-16 603**	**23 349**
Cash flow from financing activities		
Proceeds from share offering	8 000	76 334
Repayment of hybrid bond	0	-20 000
Non-current borrowings raised	43 927	73 975
Non-current borrowings repaid	-20 654	-153 840
Current borrowings raised	177 597	51 020
Current borrowings repaid	-181 560	-79 442
Interest on hybrid bond	0	-2 077
Dividends paid	-11 874	-9 422
Purchase of treasury shares	0	0
Group contributions received	12 445	2 032
Cash flow from financing activities	**27 881**	**-61 421**
Change in cash and cash equivalents	**11 278**	**-38 072**
Cash and cash equivalents at 1.1.	12 486	50 558
Cash and cash equivalents at 31.12.	**23 764**	**12 486**
Change in working capital:		
Increase (-)/decrease (+) in current operating receivables	-3 756	3 340
Increase (-)/decrease (+) in current non-interest bearing liabilities	-8 364	4 404
	-12 120	7 744

Notes to the parent company financial statements

Basic information about the company

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

Until 31 March 2005, HKScan Corporation engaged in production and sales activities. The business transfer from HKScan Corporation to HK Ruokatalo Oy took place on 1 April 2005, after which date HKScan Corporation has acted as the Group's parent company. HKScan Corporation comprises Group management and Group administration. HKScan Corporation transitioned to a holding company structure in its Finnish business at the beginning of 2010. The reorganization will streamline financial reporting and internal auditing in the Group, as in future the business in each market area can be kept separate from the parent company. The reorganization was accomplished by transferring HKScan Corporation's production-related property, plant and equipment in Finland as well as its holdings in subsidiaries and associates to HKScan Finland Oy, a holding company wholly owned by HKScan Corporation. The transfer took place in the form of a business transfer on 1 January 2010.

HKScan Corporation's A Share has been quoted on the NASDAQ OMX Helsinki exchange 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 Kaivokatu 18, 20520 Turku.

Accounting policies

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish accounting legislation (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 at 31 December 2010.

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

The amounts in the parent company income statement, balance sheet and notes are in thousands of euro unless otherwise stated.

COMPARABILITY WITH PREVIOUS YEARS

In assessing the comparability of 2010 and 2009, the business transfer in which HKScan Corporation's production-related property, plant and equipment in Finland as well as its holdings in subsidiaries and associates were transferred to HKScan Finland Oy as of 1 January 2010.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are recognized at the exchange rate on the day the transaction takes place. 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 average exchange rate quoted by the European Central Bank at the balance sheet date. Gains and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognized in financial income and expenses in the income statement.

DERIVATIVE INSTRUMENTS

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted at the balance sheet date. Changes in the value of currency futures are recognized in financial income and expenses in the income statement. 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 organized 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

As of 6 January 2009, the company's CEO has been Mr Matti Perkonoja. His employment has been agreed for a fixed term ending on 28 February 2012, when he will retire. Under the terms of the CEO's executive agreement, the CEO's employment may be terminated for a justified cause by both the company and the CEO. The period of notice given by the CEO is three months from the date of termination. In the event that the company terminates the employment before 28 February 2012, the CEO will nonetheless be paid his full salary inclusive of any performance bonus up to that date. The scheme consists of two parts. A bonus, which is 60 percent of the last month's salary according to the CEO's executive agreement times seven, is paid regardless of the company's performance. The variable portion is based on the realization of the EBIT budgeted for 2009–2011. The CEO does not have a separate supplementary pension from the company.

In 2010, CEO Matti Perkonoja was paid a total salary of EUR 0.8 million, of which performance bonus tied to performance targets accounted for EUR 0.2 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.

FAS Notes to the income statement (EUR 1 000)

	2010	2009
1. Breakdown of net sales		
Sales in Finland	0	30 774
	0	30 774
2. Other operating income, total		
Rental income	5	589
Other operating income	1 045	1 046
Gain on disposal of non-current assets	3	40
Other operating income, total	1 053	1 675
Employees, average	14	9
3. Staff costs		
Salaries and fees	-2 027	-3 548
Pension expenses	-429	-439
Other social security costs	-168	-106
Staff costs	-2 624	-4 092
Management salaries, fees and benefits		
Managing directors and vice presidents	1 187	1 891
Board members	190	226
Total	1 377	2 117
4. Depreciation and impairment		
Depreciation according to plan	-236	-19 242
Depreciation according to plan on non-current assets and goodwill	-236	-19 242
Total depreciation and impairment	-236	-19 242
5. Other operating expenses		
Rents/leases	-515	-1 117
Losses on disposal of fixed assets, tangible assets total	-0	-114
Losses on disposal of non-current assets	-0	-114
Audit fees	-95	-117
Audit fees, other expert services	-100	-78
Audit fees	-195	-195
Non-statutory staff costs	-221	-115
Energy	-79	-68
Maintenance	-93	-166
Advertising, marketing and entertainment costs	-244	-145
Service, information management and office costs	-2 430	-2 037
Other costs	-1 038	-1 028
Total other operating expenses	-4 815	-4 986
6. Financial income and expenses		
Financial income		
Dividends from Group companies	8 418	5 024
Dividends from participating interests	3 045	523
Dividends from others	0	7
Income from units	11 463	5 554
Interest income on non-current financial assets		
from participating interests	22	32
Interest income from other non-current financial assets	22	32
Other interest and financial income from Group companies	15 392	11 038
Other interest and financial income from others	18 748	6 382
Other financial income	34 140	17 420
Total financial income	45 625	23 006
Financial expenses		
Other interest and financial expenses payable to		
Group companies	-1 366	-6 631
Other interest and financial expenses payable to		
participating interests	-5	0
Other interest payable and financial expenses to others	-31 160	-27 389
Total other interest and financial expenses	-32 531	-34 020
Total financial expenses	-32 531	-34 020
Financial income and expenses, total	13 094	-11 014
Foreign exchange gains	17 457	5 461
Foreign exchange losses	-15 397	-7 070
Total foreign exchange gains and losses	2 060	-1 609

7. Extraordinary items

Extraordinary income, Group contributions	10 100	12 445
Total extraordinary items	10 100	12 445

8. Appropriations

Increase (-) or decrease (+) in depreciation difference	-34	6 701
Total appropriations	-34	6 701

9. Direct taxes

Income tax on ordinary operations	1 295	2 672
Income tax on extraordinary items	-2 626	-3 236
Tax for previous financial years	0	14
Change in deferred tax liabilities and assets	-13	-851
Income tax on ordinary operations	-1 344	-1 402

FAS Notes to the balance sheet

10. Non-current assets

Intangible rights 2010

	Intangible rights	Goodwill	Other log-term expenditure	Total
Acquisition cost at 1.1.	3 578	1 223	136	4 937
Decrease intra-Group corporate arrangements	-2 558	-1 223	-	-3 781
Increase	115	-	-	115
Decrease	0	-	-	0
Transfers between items	214	-	-	214
Acquisition cost at 31.12.	1 349	0	136	1 485
Accumulated depreciation at 1.1.	-1 561	-1 110	-56	-2 727
Accumulated depreciation on disposals intra-Group corporate arrangements	734	1 110	-	1 844
Accumulated depreciation on disposals and reclassifications	0	-	0	0
Depreciation for the financial year	-124	-	-27	-151
Impairment	0	-	0	0
Accumulated depreciation at 31.12.	-950	-	-84	-1 034
Carrying amount at 31.12.	399	0	52	452

Tangible assets 2010

	Land and water areas	Buildings	Machinery and equipment	Other tangible	Pre-payments	Total
Acquisition cost at 1.1.	3 147	215 560	188 670	3 280	2 427	413 084
Decrease intra-Group corporate arrangements	-3 147	-215 560	-188 412	-3 001	-2157	-412 277
Increase	-	-	308	100	81	489
Decrease	-	-	-65	0	0	-65
Transfers between items	-	-	0	0	-214	-214
Acquisition cost at 31.12.	0	0	501	379	137	1 017
Accumulated depreciation at 1.1.	-	-71 414	-110 438	-2 659	-	-184 512
Accumulated depreciation on disposals intra-Group corporate arrangements		71 414	110 322	2 392	-	184 128
Accumulated depreciation on disposals and reclassifications	-	-	41	-	-	41
Depreciation for the financial year	-	-	-83	-2	-	-85
Impairment	-	-	0	0	-	0
Accumulated depreciation at 31.12.	0	-	-157	-269	0	-428
Carrying amount at 31.12.	**0**	**0**	**344**	**110**	**137**	**591**

Revaluations included in acquisition cost

Revaluations at 1.1.	-	3 364	-	-	-	3 364
Increase	-	-	-	-	-	0
Decrease intra-Group corporate arrangements	-	-3 364	-	-	-	-3 364
Revaluations at 31.12.	**0**	**0**	**0**	**0**	**0**	**0**

Financial assets 2010

	Holdings in Group companies	Holdings in associates	Amounts owed by associates	Other shares and holdings	Total
Acquisition cost at 1.1.	309 797	1 594	47	204	311 642
Increase	77 478	-	-	-	77 478
Decrease intra-Group corporate arrangements	-27 409	-1 594	-	-188	-29 191
Transfers between items	-	-	-	-	0
Acquisition cost at 31.12.	359 866	0	47	16	359 929
Carrying amount at 31.12.	**359 866**	**0**	**47**	**16**	**359 929**

	31.12.2010	31.12.2009
Non-current assets		
Intangible assets		
Intangible rights	399	2 017
Goodwill	0	112
Other long-term expenditure	52	80
Intangible assets	452	2 209
Tangible assets		
Land and water areas	0	3 147
Buildings and structures	0	144 146
Machinery and equipment	344	78 232
Other tangible assets	110	621
Payments on account and tangible assets		
in the course of construction	137	2 427
Tangible assets	591	228 573
Financial assets		
Holdings in Group companies	359 866	309 797
Holdings in associates	0	1 594
Amounts owed by participating interests	47	47
Other shares and holdings	16	204
Financial assets	359 929	311 642
Non-current assets, total	360 971	542 424

11. Non-current receivables		
Non-current loan receivables	2 683	2 880
Deferred tax assets	1 910	872
Other receivables	774	905
Total	5 367	4 657
Amounts owed by Group companies:		
Non-current Group loan receivables	306 730	145 309
Other	0	0
Non-current receivables from Group companies	306 730	145 309
Amounts owed by participating interests:		
Non-current loan receivables from participating interests	198	198
Non-current receivables from participating interests	198	198
Total non-current receivables	312 295	150 164

	31.12.2010	31.12.2009
12. Current receivables		
Trade receivables	0	1
Short-term prepayments and accrued income (from others)	2 197	711
Total	2 197	712
Amounts owed by Group companies:		
Trade receivables	71	45
Loan receivables	13 056	570
Prepayments and accrued income (within Group)	8 407	4 887
Other receivables	10 529	12 671
Total	32 063	18 173
Amounts owed by participating interests:		
Trade receivables	6	0
Loan receivables	280	559
Other receivables	64	7
Short-term receivables from participating interests	349	566
Total current receivables	34 608	19 451
Main items included in prepayments and accrued income		
Matched financial items	1 378	313
Matched staff costs	60	53
VAT receivable	109	0
Other prepayments and accrued income	650	345
Total	2 197	711

13. Equity

Equity in 2010

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity at 1.1.2010	66 820	73 420	3 364	-38	143 076	10 030	13 392	310 064
Increase	-	-	-	-	-	40	-	40
Decrease intra-Group corporate arrangements	-	-	-3 364	-	-	-	-	-3 364
Decrease	-	-	-	-	-	-7 543	-	-7 543
Dividend distribution	-	-	-	-	-	-	-11 874	-11 874
Share offering	-	-	-	-	8 000	-	-	8 000
Direct recognition in retained earnings	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-		-		-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	15 194	15 194
Equity at 31.12.2010	**66 820**	**73 420**	**0**	**-38**	**151 076**	**2 527**	**16 712**	**310 518**

Equity in 2009

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity at 1.1.2009	66 820	73 420	3 364	-38	66 742	13 764	11 956	236 028
Increase	-	-	-	-	-	39	-	39
Decrease	-	-	-	-	-	-3 773	-	-3 773
Dividend distribution	-	-	-	-	-	-	-9 423	-9 423
Share offering	-	-	-	-	76 334	-	-	76 334
Direct recognition in retained earnings	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-		-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	10 859	10 859
Equity at 31.12.2009	**66 820**	**73 420**	**3 364**	**-38**	**143 076**	**10 030**	**13 392**	**310 064**

Distributable assets	31.12.2010	31.12.2009
Contingency fund	285	245
Treasury shares	-38	-38
Reserve for invested unrestricted equity	151 076	143 076
Retained earnings	1 518	2 533
Profit/loss for the period	15 194	10 859
Distributable assets	168 035	156 675

14. Accumulated appropriations

	31.12.2010	31.12.2009
Depreciation difference	61	27 090
Total appropriations	61	27 090

The unrecognized deferred tax liability on depreciation difference is EUR 16 000.

15. Statutory provisions

Provisions for pensions	3 112	3 164
Statutory provisions, total	3 112	3 164

16. Non-current liabilities

Deferred tax liability	386	1 984
Loans from financial institutions	319 912	305 442
Other liabilities	1 695	5 905
Total non-current liabilities	321 993	313 331

Non-current liabilities		
Interest-bearing:		
Amounts owed to others	319 912	305 442
Non-current interest-bearing liabilities	319 912	305 442
Non-interest bearing:		
Amounts owed to others	2 081	7 889
Non-current non-interest bearing liabilities	2 081	7 889
Total non-current liabilities	321 993	313 331

17. Current liabilities

Loans from financial institutions	71 023	48 369
Trade payables	173	307
Accruals and deferred income	2 825	5 612
Other liabilities	288	1 177
Total	74 309	55 464

Amounts owed to Group companies:		
Trade payables	76	70
Accruals and deferred income	91	8
Other liabilities	20 475	15 333
Total	20 642	15 411
Amounts owed to participating interests:		
Accruals and deferred income	1	0
Other liabilities	1 000	0
Total	1 001	0
Total current liabilities	95 952	70 876

Current liabilities		
Interest-bearing:		
Current amounts owed to Group companies	20 475	15 333
Current amounts owed to participating interests	1 000	0
Amounts owed to others	71 023	48 369
Current interest-bearing liabilities	92 498	63 702
Non-interest bearing:		
Current amounts owed to Group companies	167	78
Current amounts owed to participating interests	1	0
Amounts owed to others	3 287	7 095
Current non-interest bearing liabilities	3 455	7 173
Total current liabilities	95 952	70 876

Main items (non-current and current) included in accruals and deferred income		
Matched staff costs	638	638
Matched interest expenses	375	994
Matched taxes	20	325
Other accruals and deferred income	1792	3 663
Total	2 825	5 620

Liabilities due in five years or more		
Loans from financial institutions	0	0
Other long-term liabilities	0	0
Liabilities due in five years or more	0	0

18. Commitments and contingent liabilities

Commitments and contingent liabilities

	2010	2009
Debts secured by mortgages and shares		
Loans from financial institutions	0	0
Total	0	0
Real estate mortgages	0	2 856
Floating charges	5 046	5 046
Securities pledged	0	0
Total	5 046	7 902
Security for debts of subsidiaries and other Group companies		
Guarantees	42 873	68 479
Total	42 873	68 479
Security for debts of participating interests		
Guarantees	5 260	5 027
Total	5 260	5 027
Security for debts of others		
Guarantees	4 765	5 088
Total	4 765	5 088
Other contingencies		
Leasing commitments		
Maturing in less than a year	0	0
Maturing in 1-5 years	1	1
Maturing in over 5 years	0	0
Total	1	2
Other rent commitments		
Maturing in less than a year	519	514
Maturing in 1-5 years	0	519
Maturing in over 5 years	0	0
Total	519	1 033
Other commitments	8	15
Total other contingencies	528	1 050

19. Derivative instruments at 31.12.

Nominal values of derivative instruments

	2010	2009
Foreign exchange derivatives		
- Currency futures	123.4	86.0
Currency options	0	15.3
Interest rate derivatives		
- Interest rate swaps	211.9	203.5
Commodity derivatives		
- Electricity futures	10.2	10.8
Total	345.5	315.7

Fair values of derivative instruments

	2010 Fair value positive	2010 Fair value negative	2010 Fair value net	2009 Fair value net
Foreign exchange derivatives				
- Currency futures	755	-731	23	-1 109
Currency options	0	0	0	-25
Interest rate derivatives				
- Interest rate swaps	0	-12 481	-12 481	-11 322
Commodity derivatives				
- Electricity futures	2 300	-58	2 242	-691
Total	3 055	-13 270	-10 216	-13 147

Derivative instruments to which hedge accounting applies

	2010 Nominal value effective portion	2010 Fair value	2009 Nominal value effective portion	2009 Fair value
Foreign exchange derivatives				
Currency futures	44 343	-584	21 606	-190
Commodity derivatives				
Electricity futures	10 235	2 242	10 821	-600
Interest rate derivatives				
- Interest rate swaps	211 923	-12 481	203 525	-11 300
Total	266 501	-10 823	235 952	-12 090

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

Vantaa, 17 February 2011

Juha Kylämäki Chairman of the Board	Niels Borup Deputy chairman of the Board	Pasi Laine Member of the Board	Matti Karppinen Member of the Board
Otto Ramel Member of the Board	Tero Hemmilä Member of the Board	Matti Perkonoja CEO	

Auditors' report

TO THE ANNUAL GENERAL MEETING OF HKSCAN CORPORATION

We have audited the accounting records, financial statements, report of the Board of Directors and administration of HKScan Corporation for the period 1 January–31 December 2010. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, 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 the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws 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 accounts and finances of the company. The CEO is responsible for ensuring that the accounts of the company are in compliance with law and that the company's financial affairs have been arranged in a reliable manner.

DUTIES OF THE AUDITOR

Our responsibility is to express an opinion on the financial statements, consolidated financial statements and report of the Board of Directors based on our audit. The Auditing Act requires that we comply with ethical requirements. We have conducted the 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 and the CEO are guilty of an act or negligence which may result in liability in damages towards the company or 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, the result of operations and the cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

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

Turku, 14 March 2011

PricewaterhouseCoopers Oy
Authorized Public Accountants

Johan Kronberg APA	Petri Palmroth APA

Shares and shareholders

HKScan has adopted dividend distribution of at least 30 percent of the year's net profit as one of its key financial targets. The per-share dividend of EUR 0.22 for 2010 proposed by the Board is equivalent to 42.6 percent of the undiluted and diluted result. The corresponding figure in the previous year was 34.5 percent.

RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of HKScan Corporation was held on 23 April 2010 at Finlandia Hall in Helsinki. The AGM adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2009. Dividend for the financial year was confirmed at EUR 0.22 per share, i.e. a total of EUR 11.9 million. The date of payment of dividend was 5 May 2010.

The Annual General Meeting confirmed the number of members on the Board of Directors as six. Markku Aalto, Tiina Varho-Lankinen, Matti Karppinen and Matti Murto were elected to a new term on the Board and Pasi Laine and Otto Ramel were elected as new members. At the organization meeting held immediately following the AGM, the Board re-elected Markku Aalto as its chairman and Tiina Varho-Lankinen as deputy chairman.

The AGM decided that Board remuneration for members of the Board be paid EUR 21 000, the deputy chairman EUR 25 800 and the chairman EUR 51 600 per year. In addition, an attendance fee of EUR 500 per meeting would be paid for Board and committee meetings. Travel expenses would be reimbursed in accordance with the company's travel policy.

Authorized Public Accountants PricewaterhouseCoopers Oy, with APA Johan Kronberg as principal auditor, and APA Petri Palmroth were appointed as auditors until the end of the next Annual General Meeting. The deputy auditors are APA Mika Kaarisalo and APA Pasi Pietarinen.

The AGM also approved the authorizations proposed for the Board to acquire the company's own shares and to resolve on a share issue. These authorizations are explained in greater detail in the Report of the Board of Directors under the heading "Board of Directors' existing authorizations". In addition, the AGM resolved on the amendment of Articles 6, 7 and 9 of the Articles of Association, concerning the venue of general meetings, the notice to general meetings and the Board of Directors of the company, respectively. The amendments to the Articles of Association are described in more detail in the section "Amendments to the Articles of Association" of the report of the Board of Directors.

SHAREHOLDERS

At the end of the financial year, a total of 12 524 shareholders were entered in the register of shareholders, compared to 11 387 the year before. At the end of 2010, 23.3 percent (25.1%) of the company's shares were nominee registered or held by non-domestic shareholders.

SHAREHOLDER AGREEMENTS

The company is not aware of any shareholder agreements or other commitments agreed on share ownership or the exercise of votes in the company.

SHARE CAPITAL

The Company's registered and fully paid-up share capital at the beginning of the financial year and at the balance sheet date was EUR 66 820 528.10. The share capital breaks down as follows:

Series A shares	49 626 522 shares	90.19%
Series K shares	5 400 000 shares	9.81%
Total	55 026 522 shares	100.00%

According to the Articles of Association, each A Share conveys one vote and each K Share 20 votes. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares). Each share gives equal entitlement to a dividend. The shares have no nominal value.

INCREASES IN SHARE CAPITAL FROM 2009 TO 2010

The company's share capital reported to the Trade Register was not increased during the financial year 2010. The proceeds of EUR 8 million from the share offering to the shareholders of Rose Poultry A/S – Vinderup Poultry A/S, Skovsgaard Fjerkræslagteri A/S and Hedegaard A/S – executed in December 2010 were recognized in full in the reserve for invested unrestricted equity (RIUE).

The company's share capital reported to the Trade Register was not increased during the financial year 2009. The proceeds of roughly EUR 78 million from the share offering executed in November-December 2009 were recognized in full in the reserve for invested unrestricted equity (RIUE).

STOCK EXCHANGE LISTINGS

HKScan's A Share has been quoted on Nasdaq OMX since 6 February 1997 in the sector of Consumer Staples. During the year under review, 2010, 23 674 087 of the company's shares were traded for a total of EUR 192 609 598. The highest price quoted was EUR 10.20 and the lowest EUR 7.07. The middle price was EUR 8.18 and the year-end closing price was EUR 7.15. The share price fell by 8.9 percent on the year while the index for the Food Products sector (HX302020) fell by 4.2 percent on or 5.9 points on the year.

The company's market capitalization at the end of the financial year was EUR 393.1 million, having stood at EUR 423.7 million a year earlier, and breaks down as follows: Series A shares had a market value of EUR 354.5 million and the unlisted Series K shares a calculational market value of EUR 38.6 million.

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

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT

At year-end 2010, members of the Board of Directors and the company's CEO and his deputies as well as their related parties owned a total of 70 578 A Shares, which corresponded to 0.13 percent of the total number of shares and 0.04 percent of the votes.

NOTICES OF CHANGES IN OWNERSHIP

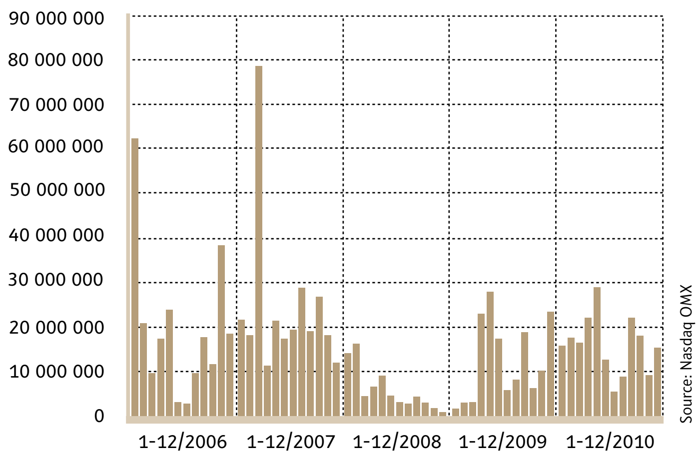
During 2010, the company received one notice regarding changes in holdings pursuant to Chapter 2:9 of the Securities Markets Act.

(1) Varma Mutual Pension Insurance Company announced that as a result of a share transaction executed on 7 December 2010, its shareholding in HKScan Corporation rose to 5.74 percent.

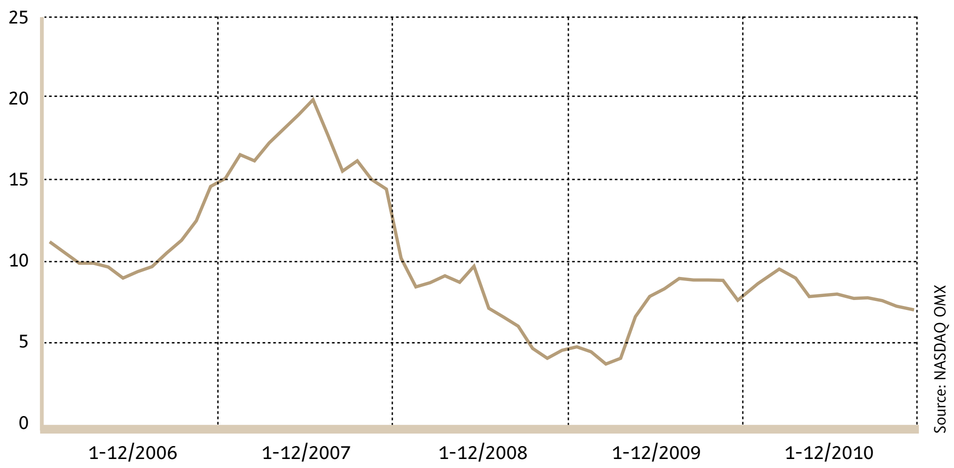
HKSCAN SHARE TRADING CODES

NASDAQ OMX, Helsinki: HKSAV
Reuters: HKSAV.HE
Bloomberg: HKSAV:FH
ISIN code: FI0009006308
Orderbook ID: 24273 (CCP, Central Counterparty clearing)

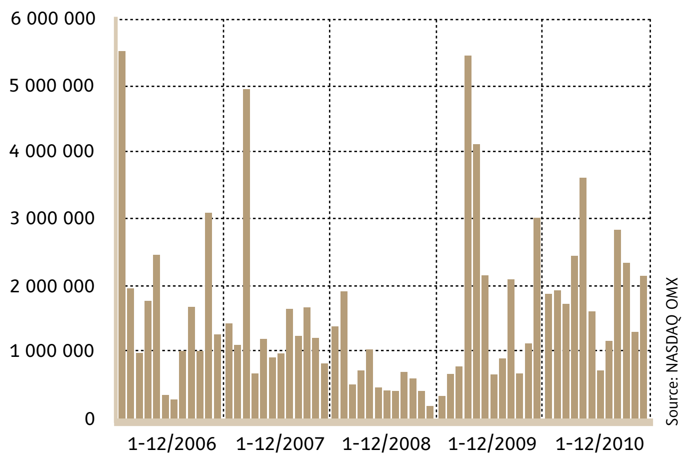
Shares traded 2006–2010
(value in euros of shares traded per month)



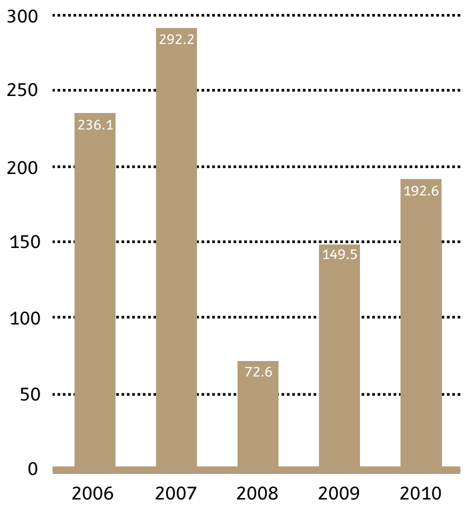
Share performance 2006–2010
(middle price in euros each month)



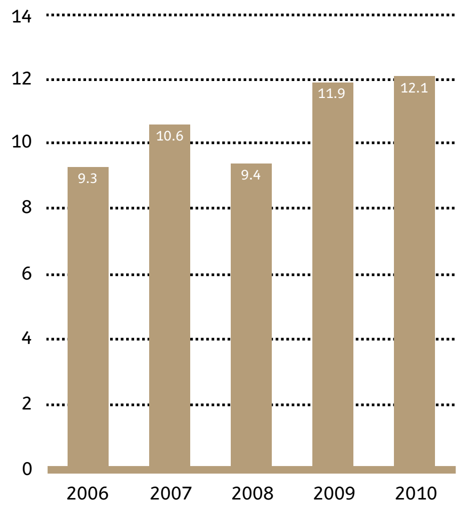
Shares traded 2006–2010
(number of shares traded per month)



Total shares traded 2006–2010 on NASDAQ OMX (EUR million)



Total dividends paid 2006–2010
(EUR million)



Analysis of shareholders as at 31 December 2010

Number of shares held	Shareholders	%	Shares held	%	Votes held	%
1-100	2 990	23.874	157 887	0.287	157 887	0.100
101-500	5 022	40.099	1 407 910	2.559	1 407 910	0.893
501-1 000	2 126	16.975	1 600 635	2.909	1 600 635	1.015
1 001-5 000	2 000	15.969	4 227 496	7.683	4 227 496	2.682
5 001-10 000	207	1.653	1 447 876	2.631	1 447 876	0.919
10 001-50 000	133	1.062	2 437 292	4.429	2 437 292	1.546
50 001-100 000	21	0.168	1 320 383	2.400	1 320 383	0.838
100 001-500 000	12	0.096	2 967 966	5.394	2 967 966	1.883
500 001-	13	0.104	39 320 902	71.458	141 920 902	90.036
Total	12 524	100.000	54 888 347	99.749	157 488 347	99.912
of which nominee registered	10		5 121 521	9.307	5 121 521	3.249
General account			138 175	0.251	138 175	0.088
Number of shares issued			55 026 522	100.000	157 626 522	100.000

Largest shareholders as at 31 December 2010

		A Shares	K Shares	% of shares	% of votes
1	LSO Osuuskunta	14 458 884	4 735 000	34.88	69.25
2	Sveriges Djurbönder ek.för	6 234 750	665 000	12.54	12.39
3	Varma Mutual Pension Insurance Company	3 182 994	0	5.78	2.02
4	Tapiola Mutual Pension Insurance Company	1 029 640	0	1.87	0.65
5	The Central Union of Agricultural Producers and Forest Owners (MTK)	842 304	0	1.53	0.53
6	The Local Government Pensions Institution	813 396	0	1.48	0.52
7	FIM Fenno Sijoitusrahasto	609 537	0	1.11	0.39
8	OP Investment Funds, OP-Finland Value Fund	600 000	0	1.09	0.38
9	FIM Securities Ltd	553 032	0	1.01	0.35
10	Danish Crown A.M.B.A	540 458	0	0.98	0.34
11	The State Pension Fund	500 000	0	0.91	0.32
12	OP-Delta Fund	450 000	0	0.82	0.29
13	Ilmarinen Mutual Pension Insurance Company	400 798	0	0.73	0.25
14	Sijoitusrahasto Taaleritehdas Arvo Markka Osake	325 884	0	0.59	0.21
15	Vinderup Poultry A/S	322 643	0	0.59	0.20
16	Skovsgaard Fjerkræslagteri A/S	215 096	0	0.39	0.14
	Nominee registered shareholders	5 078 806	0	9.23	3.22
	Other shareholders, total	13 468 300	0	24.48	8.54
	Total	49 626 522	5 400 000	100.00	100.00

Shareholder profile as at 31 December 2010

	% of shareholders	% of shares	% of votes
Corporates	4.90	41.34	71.51
Finance and insurance companies	0.23	2.39	4.07
Public sector entities	0.10	11.30	3.95
Households	93.61	17.43	6.08
Non-profit organizations	0.87	3.94	1.38
Domestic holders, total	99.72	76.40	86.99
Abroad	0.28	14.04	12.93
Waiting list	-	0.00	0.00
General account	-	0.25	0.09

Nominee registered shares included, foreigners held 23.35 % of the total number of shares. The corresponding figure a year earlier was 25.09%.

Share capital by share series as at 31 December 2010

Share series	Shares, no.	% of equity	% 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 %

Each A Share conveys one (1) vote, each K Share conveys 20 votes.

Annual General Meeting

HKScan Corporation's Annual General Meeting will be held at 11 am on Wednesday, 27 April 2011 in the Ballroom of Helsinki Fair Centre; address: Messuaukio 1, 00520 Helsinki. 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 20 April 2011 either through HKScan Corporation's website www.hkscan.com or by telephoning +358 (0)10 50 6218 (weekdays 9 am-4 pm), or by fax +358 (0)2 250 1667 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 13 April 2011 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd (the Finnish Central Securities Depository APK).

DIVIDEND

The Board of Directors is to recommend to the Annual General Meeting that a dividend of EUR 0.22 per share be distributed for 2010. 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 2 May 2011. The proposed payment date for the dividend is 10 May 2011. Shareholders whose shares are not registered in the book-entry securities system at the record date, 2 May 2011, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHARE REGISTER

The share register of HKScan Corporation is maintained by the Euroclear Finland Ltd (Finnish Central Securities Depository), PO Box 1110, FI-00101 Helsinki, Finland. Its street address is 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 to the book-entry securities register where their book-entry account is registered.

FINANCIAL INFORMATION

HKScan publishes English translation of the original Finnish annual report in April each year as well as three interim reports.

- the interim report for January-March will be released on 6 May 2011
- the interim report for January-June will be released on 10 August 2011
- the interim report for January-September will be released on 4 November 2011

The Annual Report is published in Finnish and English. The interim reports are published in Finnish, English and Swedish. The publications are available for review on our website www.hkscan.com where the company also posts its stock exchange releases. Printed versions of the annual report will be posted automatically to all shareholders with at least 750 shares and registered in the company's share register kept by Euroclear Finland Ltd. The interim reports are published in the form of stock exchange release and are also available for review on the website. Copies of interim reports will be sent on request by post or as an email attachment.

Annual reports and interim reports may be ordered via HKScan's website under HKScan > Feedback or by letter to HKScan Corporation, Corporate Communications, PO Box 50, FI-20521 Turku, Finland, by telephone +358 (0)10 570 100 / Corporate Communications, by fax to +358 (0)10 570 6102 or by email to hk.viestinta@hkscan.com

SILENT PERIOD

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

Annual summary 2010

HKScan published a total of 24 company releases in English via Nasdaq OMX in 2010.
These are available for review in full on the company's website www.hkscan.com under HKScan -> Stock Exchange Releases and also on the website of the Central Storage Facility at www.oam.fi

11 Jan 2010	Appointment in HKScan Corporation
22 Jan 2010	Matti Perkonoja to stay on as HKScan CEO until 2012
29 Jan 2010	HKScan's Q4/2009 performance better than anticipated
19 Feb 2010	HKScan Group's financial statements release for the financial year of 1 Jan - 31 Dec 2009
18 Mar 2010	Announcement on the holding of the annual general meeting of shareholders of HKScan Corporation
1 Apr 2010	Annual report and corporate governance statement 2009 of HKScan Corporation have been published
9 Apr 2010	Earnings development in HKScan Group's Finnish business more modest than anticipated in early part of year – launch of business chain development projects thus brought forward
23 Apr 2010	Resolutions passed by the annual general meeting of HKScan Corporation
29 Apr 2010	Insider trading investigation into LSO Osuuskunta's share trading results in no charges against CEO of HKScan
4 May 2010	HKScan Group interim report 1 January - 31 March 2010 - HKScan's success abroad compensates for challenges in Finnish market
10 Aug 2010	HKScan Group's interim report 1 January – 30 June 2010 - HKScan advances internationally, half-year earnings burdened by challenges in market area of Finland
9 Sep 2010	HKScan has signed an agreement to acquire the leading Danish poultry company, Rose Poultry A/S
10 Sep 2010	HKScan supplements its stock exchange bulletin published on September 9, 2010 at 3.30 pm relating to the acquisition of Rose Poultry A/S
15 Sep 2010	HKScan Group plans new structural changes in Finland and Sweden
5 Nov 2010	HKScan Group's interim report 1 January - 30 September 2010 - HKScan's third quarter in line with planning; Rose Poultry deal signed in September will, when executed, make HKScan a leading poultry company in northern Europe
11 Nov 2010	HKScan obtains required competition authority approvals for acquisition of Rose Poultry A/S
24 Nov 2010	Appointment in HKScan's management team
29 Nov 2010	Rose Poultry has transferred to HKScan's ownership
1 Dec 2010	Change in holding of own shares
8 Dec 2010	Notification on change in ownership (Varma Mutual Pension Insurance Company)
9 Dec 2010	HKScan Board has decided on a share issue directed to the shareholders of Rose Poultry
10 Dec 2010	HKScan's financial calendar year 2011
17 Dec 2010	HKScan's new series A shares registered with trade register
20 Dec 2010	Decision from district court in trial relating to share purchases made by LSO Osuuskunta in 2006

HKScan Corporation's corporate governance statement 2010

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation is based on Finnish legislation, HKScan's Articles of Association and the Finnish Corporate Governance Code as well as the charter and rules of procedure adopted by the Company's Board of Directors. HKScan furthermore complies with the rules and regulations of the Stock Exchange and the 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 Securities Markets Act. The corporate governance statement is issued separate of the Company's annual report.

HKScan Corporation observes the Finnish Corporate Governance Code drafted by the Securities Market Association with the exception that members to the Nomination Committee may be appointed also from outside the Board 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 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 Finnish Corporate Governance Code is available for review on the Securities Market Association website at www.cgfinland.fi.

Group organization

The management and operations of the HKScan Group are the responsibility of the General Meeting of Shareholders, the Board of Directors and its four Committees, and the CEO. Their duties are determined in accordance with the Finnish Limited Liability Companies Act. The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team.

ANNUAL GENERAL MEETING

Ultimate decision-making power in HKScan Corporation is vested in shareholders in General Meetings of Shareholders, which are convened at least once annually. The Annual General Meeting of Shareholders (AGM) is held by the end of June each year. The Board of Directors sends a notice to shareholders and draws up the agenda.

Notice of general meetings of shareholders shall be given by announcement published on the Company's website and, if so decided by the Board of Directors, in one or more national newspapers as determined by the Board of Directors no earlier than three months and no later than three weeks prior to the meeting. The notice is also given in the form of a stock exchange release.

The following matters, among others, are considered by the Annual General Meeting:

- the financial statements and report of the Board of Directors
- auditors' report
- adoption of the financial statements
- the distribution of profit
- the granting of discharge from liability
- the remuneration of members of the Board of Directors and the auditors
- the number of members of the Board of Directors
- election of the members to the Board of Directors and the auditors
- the granting of possible authorizations to the Board of Directors

Likewise changes in the share capital and Articles of Association are also items of business to be considered by the Annual General Meeting or, if necessary, by an Extraordinary General Meeting. An Extraordinary General Meeting shall be convened when the Board deems it to be warranted or when required under law.

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 Board comprises 5–7 members, all of whom possess the particular competence and independence consistent with the position. The term of Board members begins at the end of the General Meeting at which they were elected and ends at the end of the General Meeting first following their election. The Board of Directors elects a chairman and deputy chairman from among its number.

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

All the members of the Board of Directors are independent of the Company and two are independent of the Company's significant shareholders.

The following were elected to the Board by the AGM held in 2010:

Markku Aalto, chairman of the Board, b. 1950
Farmer, Jämijärvi

Tiina Varho-Lankinen, deputy chairman, b. 1962
MSc (Econ & Bus Admin)
Beef and broiler meat producer, Oripää

Matti Murto, b. 1964
MSc (Agriculture)
Beef producer, Salo

Matti Karppinen, b. 1958
MSc (Econ & Bus Admin)
CEO of Lännen Tehtaat plc, Espoo

Pasi Laine, b. 1963
MSc (Tech)
President, Energy and Environmental Technology, Metso Corporation, Helsinki

Otto Ramel, b. 1950
Degree in agricultural technology from the Swedish University of Agricultural Sciences and a business degree from Lund University
Farm entrepreneur and beef producer in Sjöbo, Sweden

During 2010, the Board held 16 meetings. The average attendance rate of Board members was 94.8 percent. The Board constitutes a quorum when more than half of its members are present. Besides the members, the Group's CEO, the Group's CFO and the Group's lawyer as secretary to the Board also regularly attend 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 the charter and supplementary rules of procedure 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:

- appointment and dismissal of senior executives and decisions on the remuneration and other terms of employment of management
- appointment and dismissal of Group Management Team members and decision on other terms of employment at the proposal of the CEO
- management incentive scheme and bonus criteria
- Group strategy and underlying assumptions as well as selection of strategy monitoring
- business plans, mergers and acquisitions
- other significant operating policies
- financial performance targets
- Group organizational structure
- commencement and discontinuation as well as acquisitions and disposals of business lines
- adoption of investment plans inclusive of cost estimates
- adoption of the report by the Board of Directors and financial reviews
- submission of the dividend recommendation

The Board of Directors holds monthly meetings except in the summer holiday season. More meetings may be held if required. The chairman of the Board prepares the agenda for the meeting based on a proposal made by the CEO and convenes the meetings, under normal circumstances with at least one week's notice.

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 most recent evaluation addressed 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 Corporation 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 their number, 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 the three members of the Audit Committee from among its number. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. The members of the Audit Committee must be independent of the Company and at least one member shall furthermore be independent of significant shareholders. 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 Corporation's Board of Directors include but are not limited to 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 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 Matti Murto and its members are Markku Aalto and Matti Karppinen. All the members are independent of the Company and, furthermore, Matti Karppinen is independent of significant shareholders. The Audit Committee held five meetings during 2010. The average attendance rate of Committee members was 100 percent. Committee meetings are also regularly attended by the Group's CEO and CFO and by its external auditors.

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 Markku Aalto (chairman), Tiina Teperi-Saari and Lars Gustafsson. The Nomination Committee held two meetings during 2010. The average attendance rate of Committee members was 100 percent.

Introductions:

Tiina Teperi-Saari (b. 1960)
BSc (Agriculture), pork producer, Alastaro
Lars Gustafsson (b. 1956)
Degree in Economics at Lund University of Agricultural Sciences
Farm entrepreneur, pork producer, Knislinge, Sweden

Remuneration committee

The Board elects the three members of the Remuneration Committee from among its number. The majority of the members of the Remuneration Committee must be independent of the Company. The CEO of the Company or other senior executives may not be elected to the Remuneration Committee.

The duties of the Remuneration Committee are defined in its charter adopted by the Board of Directors. The Remuneration Committee is tasked with preparing matters pertaining to the Company's remuneration schemes. The Remuneration Committee convenes as necessary 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 Tiina Varho-Lankinen and its members are Markku Aalto and Matti Karppinen. All members of the Remuneration Committee are independent of the Company. The Remuneration Committee held one meeting during 2010. The average attendance rate of Committee members was 100 percent.

The Remuneration Committee has used external consultants in its work.

Working committee

All Board members are members of the Working Committee, which is chaired by the chairman of the Board. 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 Working Committee held one meeting during 2010. The average attendance rate of Committee members was 83.3 percent.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and possible deputy CEO of the Company are appointed by the Company's Board of Directors. The CEO is tasked with managing the Group's business activities and administration in accordance with the Articles of Association, the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors. The CEO is accountable to the Board of Directors for the implementation of the aims, 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 shall furthermore report 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 Mr Matti Perkonoja (b. 1949, commercial college graduate). CFO Irma Kiilunen serves as deputy to the CEO. In managing the Group, the CEO is supported by the Group Management Team.

GROUP MANAGEMENT TEAM

HKScan Corporation's CEO is assisted by the Group Management Team consisting of CEO Matti Perkonoja as Chairman along with CFO Irma Kiilunen, Rose Poultry A/S managing director Olli Antniemi (HKScan's senior vice president strategy and development until 29 November, 2010), HKScan Finland Oy and HK Ruokatalo Oy managing director Jari Leija and Scan AB managing director Denis Mattsson. Management Team meetings are also attended by HKScan communications director Harri Saukkomaa, AS Rakvere Lihakombinaat managing director Anne Mere and AS Tallegg managing director Teet Soorm. The Management Team convenes approximately once a month and a charter has been prepared for it.

The Management Team has the following tasks:

- strategic management of the Group (strategy drafting and submission of strategy to the Board, strategy implementation)
- control and coordination of the various functions (annual planning and its supervision, organization of key resources, steering of human resources administration, maintenance of community and stakeholder relations, communications in respect of matters of major significance)
- preparation of matters for the consideration of the Board (strategy, budgets, major investments, financing etc.)
- development of management team performance (target setting, job descriptions, ground rules, members' personal development)

Meeting attendance of Board members

Attendance	Board of directors	Audit committee	Nomination committee	Remuneration committee	Working committee
Markku Aalto	16/16	5/5	2/2	1/1	1/1
Tiina Varho-Lankinen*	15/16	1/1		1/1	1/1
Matti Murto**	16/16	4/4			1/1
Matti Karppinen	15/16	5/5		1/1	0/1
Pasi Laine***	9/9				1/1
Otto Ramel***	6/9				1/1
Tiina Teperi-Saari			2/2		
Lars Gustafsson			2/2		

* Member of the Audit Committee until 23 April 2010. The Audit Committee held one meeting between 1 January 2010 and 23 April 2010.

** Member of the Audit Committee as of 23 April 2010. The Audit Committee held four meetings between 23 April 2010 and 31 December 2010.

*** Member of the Board of Directors as of 23 April 2010. The Board of Directors held nine meetings between 23 April 2010 and 31 December 2010.

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 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 2010 to developing internal auditing and updating of the Group's internal guidelines and policies was 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 organized around an internal controller function in the business areas. The Company's auditors, who constantly perform audits of various operational aspects, also participate in internal auditing.

At the end of 2010, an internal audit development project was started. In accordance with the decision of the Board of Directors, internal auditing will be carried out as of 2011 with an external partner using the so-called co-sourcing model.

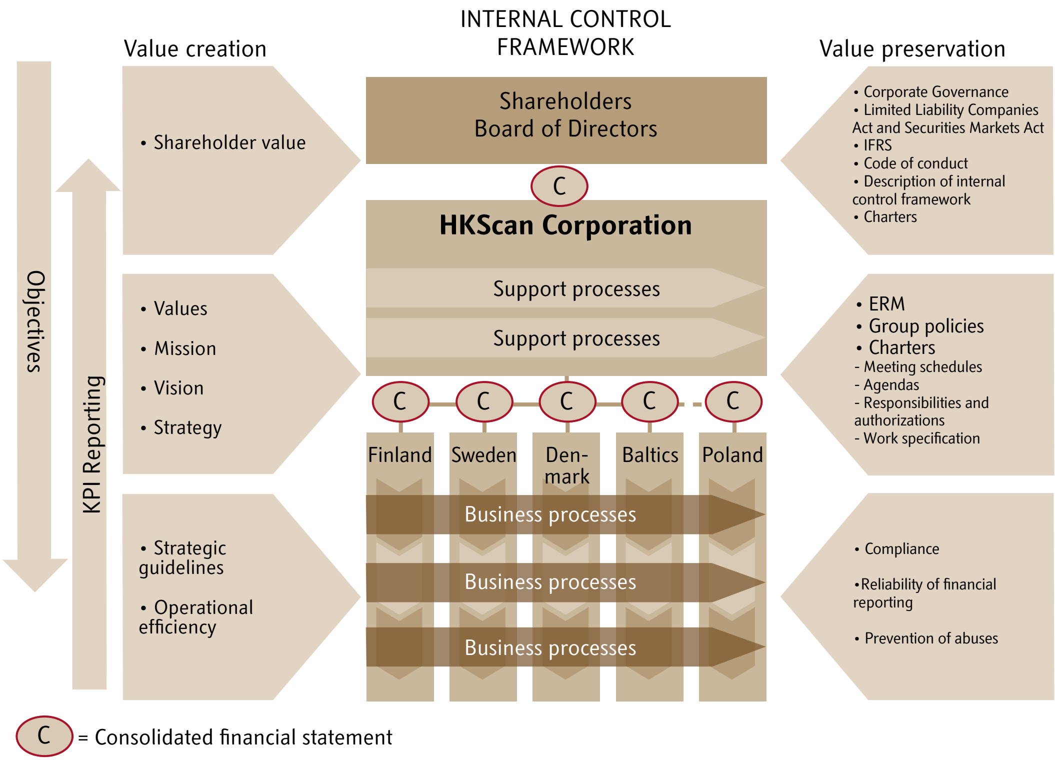
The aims of internal auditing are integrally linked with the Company's management system built on a principle of ongoing improvement. The implementation of corrective and preventative measures is a key part of the function of the entire process.

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 segment management and the managers of the relevant business processes. The Group CFO is responsible for the management of financial risks and risks to persons and property.

The Company implemented a systematic 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 new risk management policy will be 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.



The internal control framework contains elements originating in the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework.

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 an annual report to the Group's financial administration 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.

COMMUNICATION AND DISTRIBUTION OF INFORMATION

The guidelines and principles relating to financial reporting are reported in the Group's regular internal meetings and by email. The Group's financial administration organizes a Financial Forum at least once every year to address new accounting procedures, changes in internal guidelines and processes, and other topical issues in financial administration.

The Group observes a silent period of approximately one month before the publication of interim reports and financial statements. In respect of external distribution of information, Group Communications maintains guidelines concerning the disclosure of financial information.

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 markets. 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 2010, further improvement of the internal control framework was continued. Ongoing processes include the updating of internal guidelines, the specification of Group processes and the preparation of charters for the various bodies. The outcomes of this work will be reported to the Audit Committee and the Group Management Team.

AUDITORS

Under its Articles of Association, HKScan shall have two auditors and two deputy auditors; one of the auditors and one of the deputy auditors shall be an auditor or a firm of accountants authorized by the Central Chamber of Commerce. The auditors and deputy auditors are elected by the AGM. The auditors' term of office is the Company's financial year and their duties end at the Annual General Meeting of Shareholders first following their election.

The task of statutory auditing is to verify that the financial statements give a true and fair view of the result and financial position of the HKScan Group in the financial period audited. The auditor submits to the shareholders an auditor's report as a part of the annual financial statements and also provides the Audit Committee with regular reports on his/her observations.

Authorized public accountants PricewaterhouseCoopers Oy, with APA Johan Kronberg as principal auditor, and Petri Palmroth APA have served as the Company's independent statutory auditors.

INSIDER ADMINISTRATION

The Company complies with the Guidelines for Insiders of NASDAQ OMX forming part of the Exchange's rules and regulations. The revised version of the Guidelines was adopted effective 9 October 2009 and it is available for review on the Exchange's website www. nasdaqomx.com under "Listing center > Nordic market".

HKScan's insiders are split into a public register and a company specific (non-public) register. By law, insiders included on the public register of insider holdings include members of the Board of Directors, the Company's auditors and CEO. By corporate decision, the public register of insiders also includes the Group Management Team and designated representatives of the principal owners' administrative bodies. These come to approximately 20 persons.

By corporate decision, certain managing directors of subsidiaries, members of financial and accounting clerical staff, communications officers, management secretaries, etc. – a total of approximately 30 persons – have been included in the company-specific (non-public) register of permanent insiders.

HKScan's insiders may trade during 30 days following the disclosure of an interim report and financial statements bulletin. Insiders are barred from trading in the Company's share at other times.

The Company ensures compliance with insider holding guidelines by regularly reminding insiders of permitted trading windows and by checking the register maintained by Euroclear Finland (the Finnish Central Securities Depository) once a year to see the trades carried out by insiders. In the same context, the Company sends an extract from the register to each insider to allow him or her to check and complete their own personal information in the register.

The decision to establish project-specific registers of insiders is taken by the CEO on a case by case basis. Persons entered in a project-specific register are prohibited from trading in the Company's shares until the relevant project is announced or lapses. HKScan's Group administration maintains and manages the insider register. The actual register resides in the SIRE system of Euroclear Finland Oy (the Finnish Central Securities Depository). Public access to the registers has been provided since 17 October 2005 on the Company's website under "Investor information".

Risk management

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations.

Risk management has been organized as a part of the management system at HKScan and it is based on the consistent identification, assessment and reporting of risks throughout the Group. In 2010, the company implemented a systematic ERM process which aims 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 new risk management policy will be applied in all of the companies in the HKScan Group which carry out business operations.

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of segment management and the managers of the relevant business processes. The Group CFO is responsible for the management of financial risks and risks to persons and property.

Risk management is part of the management system and as far as possible and appropriate, it is implemented as a part of day-to-day business activities together with the support processes. This shows in the consideration of investment and other draft resolutions, process and job descriptions, the charters of the various bodies, performance reviews with employees, etc.

At HKScan, risks have been divided into four main categories: strategic risks, operative risks, economic risks and risks of damage. Strategic risks are assessed as a part of the annual strategy process and in connection with major business decisions. Economic risks and risks of damage are minimized to the extent possible by using policies and guidelines drafted for this purpose. Operative risks are assessed not only in connection with the annual action plans but also as a part of day-to-day business operations.

HKScan's most significant risks

STRATEGIC RISKS

Fluctuation in the availability and prices of raw materials

The prices and availability of the raw materials, such as pork, poultry, and beef, which are needed for the production of HKScan products, vary. The global overproduction of raw materials decreases the prices of raw materials and increases their availability, while underproduction leads to poorer availability and rising prices of raw materials. Owing to oversupply and the high prices in Finland, and to a certain extent in Sweden as well, the export of excess production to countries where raw material is less expensive presents a challenge. The cycle of economy and the EU's Common Agricultural Policy affect the balance of supply and demand in the long term. Factors rapidly affecting supply, like animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of processed meats sold by the company to retail are agreed for several months ahead in Finland, Sweden and the Baltics, and under these circumstances, the rise in the prices of raw materials cannot be passed on to product prices. Passing higher raw material prices to product prices may also be difficult in a situation where no fixed prices have been agreed in advance.

Increasingly fierce competition in the meat industry and the constant state of flux in the structure of the perishable goods market

Competition in HKScan's business sectors has grown tougher recently with retail chains to an increasing degree entering the food market to compete with their own products and brands. Besides domestic competitors, competition is also made fiercer by international companies and companies operating in lower-cost countries. The company is responding to increased competition through, for example, the efficiency of its core processes, high quality products, delivery reliability, and internationalization.

Adaptation of operations to possible changes in legislation and dependence on the authorities

HKScan's operations are regulated by the legislation of the company's respective countries of operation. Regional and supranational regulation, such as EU legislation, also affects the company's operations. The company's management considers that at present, the company is in compliance with legislation and other regulation. Legislation and other regulation and the interpretations thereof may change, however, and the company cannot guarantee that it would be compliant with such changed requirements without taking material action. In the event that the company expands its operations to new markets, the company will also have to observe local regulation in these new regions, which may differ considerably from regulation in effect in its current markets. In its operations, the company is also dependent on the authorities in its countries of operation. Authorities procedures may also vary considerably in the company's various sectors of operation.

Acquisitions and integration of businesses acquired

As a part of the development of its business, HKScan may acquire either in its current markets or in other geographical areas companies which enhance its competitive position. Risks relating to acquisitions include the unknown liabilities of the companies possibly acquired by the company, the possible inability to integrate and manage the business operations and personnel acquired, and the risk of the benefits or synergies of mass production not being realized. In addition, exclusion from industry consolidation might have an adverse effect on HKScan's strategic competitive position. Expansion to new geographical areas might also cause problems relating to exchange rate fluctuations, overlaps of different taxation systems, unexpected changes in statutory requirements, changes in and compliance with foreign legislation and regulations, and political risks and longer distances.

OPERATIVE RISKS

Animal diseases

An outbreak of animal diseases, such as avian influenza, Newcastle disease, foot and mouth disease, or BSE may affect the company's business and demand for the company's products. Animal diseases may affect consumer behaviour for a long time, although company management believes that consumption is usually normalized within a reasonable period of time from the respective animal disease discovery. The animal disease risk is levelled off by consumption transferring to the company's other meat product groups. In an integrated production line, such as some of the company's Baltic operations, discovery of an animal disease may temporarily sever, in a worst case scenario, the supply of raw materials, if substitute raw material sources such as importation from abroad do not exist.

Dependence on production plants and the uninterrupted operation of chains of distribution

HKScan is dependent on the uninterrupted operation of its production plants and distribution centres. If a key production plant of the company is destroyed or closed regardless of reason, its equipment is damaged in a significant manner or other disruptions occur in production, this is likely to cause delays in HKScan's ability to produce and distribute its products as scheduled. Depending on product, it may be possible for HKScan to transfer production to other locations, thus avoiding any significant interruptions to its operations, but changes in production of this kind may be more difficult to implement in respect of some product groups and may lead to significant delays in the deliveries of products and to lost sales, and give rise to additional expenditure.

The delivery of orders on very short lead times is characteristic of the company's industry. Short lead times increase the significance of an effective and dependable order/delivery chain and underscore the need to be able to anticipate consumer behaviour. Likewise, the significance of the reliability of logistics systems and other technological systems has increased. If distribution centres are damaged, destroyed or brought out of commission for whatever reason, or if the products held in the distribution centres suffer significant damage, HKScan will have to come up with an alternative method of delivering products to customers until such time that the damaged distribution centre can again be made available for operations.

Possible product quality issues

Food safety risks have to do with the purity of raw materials (residues, foreign substances), the healthfulness of products, packaging materials intended to come into contact with food, and microbiological purity. Particular attention is paid to the prevention and control of bacteria which cause food poisoning. In addition to rigorous in-house controls, the facilities of all industry operators are subject to strict scrutiny by the authorities. HKScan's high standard of requirements and rigorous internal control notwithstanding, HKScan cannot have absolute assurance of the risk-free management of the entire foodstuff chain. The realization of a risk relating to product safety or product liability may have a material adverse effect on the demand for the company's products among customers and consumers.

Reliance on skilled management and employees

HKScan's success is materially dependent on the professional expertise of the company's management and other personnel as well as on the company's ability to foster the commitment of current management and other personnel and recruit new, skilled employees in the future too.

Harmonization of Group management systems and operational models

Various development projects relating to the harmonization of business models are underway at HKScan, the aim being to achieve consolidation benefits. As a part of these development projects, the company's management systems are being updated, which may entail uncertainties if local benefits conflict with Group benefits.

RISKS OF DAMAGE

Unforeseeable factors

Natural disasters, fires, bioterrorism, 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 the distribution chains, or other reasons.

ECONOMIC RISKS

Financial risks

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash fl ows. The company's financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances. As a rule, HKScan's funding is obtained through the parent company while funding to subsidiaries is arranged by the Treasury through intra-Group loans in the local currency of each subsidiary. Funding of the Group is centralized to a finance unit operating under the Chief Financial Officer. Owing to income and expenses denominated in foreign currencies and equity investments and earnings denominated in foreign currencies, the company is exposed to foreign exchange risk arising from movements in exchange rates. The most significant exchange risks in the company's business arise from the US dollar, Japanese yen and Swedish krona. The largest equities of the companies in the HKScan Group are in Swedish krona, Polish zloty and Estonian kroon. The Group's financial risks are presented in more detail in Note 26 of the financial statements.

Board of Directors as of 4 February 2011

JUHA KYLÄMÄKI (B. 1962)
Chairman of the Board, law student

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

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

Independent of the Company and major shareholders.

Holds 5 044 shares in HKScan Corporation.

NIELS BORUP (B. 1964)
Deputy chairman of the Board, MSc (Econ & Bus Admin)

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

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

Public duties previously undertaken:
Member of the Board of LSO Osuuskunta 2008–02/2011

Independent of the Company and major shareholders.

Holds 8 000 shares in HKScan Corporation.

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

Finnish national
Member of the HKScan's Board since 2011

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

Main Board memberships and public duties currently undertaken:
Farmit Website Oy, chairman of the Board 2010–
Viljavuuspalvelu 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:
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 major shareholders.

Holds 3 500 shares in HKScan Corporation.

MATTI KARPPINEN (B. 1958)
Member of the Board, MSc (Econ & Bus Admin)

Finnish national
Member of HKScan's Board since 2008

Key employment history:
CEO of Lännen Tehtaat plc since 2005
CEO of Atria Corporation / Lithells AB, 2001–2005
Profit centre director, Nokian Renkaat plc, 1998–2001
Marketing director, Saarioinen Oy, 1994–1998
Marketing manager, Tamrock Oy, 1989–1994
Marketing manager, Unilever Finland Oy, 1985–1989

Main Board memberships and public duties currently undertaken:
Member of the Board of the Finnish Food and Drink Industries' Federation ETL
Member of the Supervisory Board of Tapiola Mutual Insurance Company
Member of the Board of Sucros Oy

Public duties previously undertaken:
Chairman of the Board of the Finnish Food and Drink Industries' Federation ETL
Member of the Board of the Confederation of Finnish Industries EK
Chairman of the Board of Finfood – Suomen Ruokatieto Oy until 31 December 2008
Chairman of the Board of Suomen Rehu until 21 June 2006
Member of the Board of Farmit Website Oy until 14 June 2007

Independent of the Company and major shareholders.

No shareholding in HKScan Corporation.

PASI LAINE (B. 1963)
Member of the Board, MSc (El Eng)

Finnish national
Member of HKScan's Board since 2010

Key employment history:
President, Paper and Fiber Technology, Metso's EVP and Deputy to the CEO since March 1, 2011
President, Energy and Environmental Technology, Metso Corporation 2008-2011
President, Metso Automation, 2006 - 28 February 2011
President, Metso Automation, Field Systems Business Line, 2003–2006
Senior Vice President, Metso Automation, Paper and Pulp Automation Solutions Business Unit, 2002–2003
Vice President, Metso Automation, Process & Energy Business Unit, 1998–2002
Managing Director, Elsag Bailey Hartmann & Braun Oy, 1996–1 998
Various positions at Valmet Automation in Finland, Canada, Germany and the UK, 1988–1996

Public duties previously undertaken:
Tamfelt Corporation, member of the Board

Independent of the Company and major shareholders

No shareholding in HKScan Corporation.

OTTO RAMEL (B. 1950)
Member of the Board,
Degree in agricultural technology from the Swedish University of Agricultural Sciences and business degree from Lund University

Swedish national
Member of HKScan's Board since 2010

Key employment history:
Farm entrepreneur, beef producer in Sjöbo, Skåne in southern Sweden

Main Board memberships and public duties currently undertaken:
Swedish Meats (Sveriges Djurbönder) ek.för, Chairman of the Board
Länsförsäkringar Skåne insurance company, Chairman of the Board
Alpcot Agro AB, member of the board

Public duties previously undertaken:
Skånemejerier, member of the Board 2004 – 2007
LRF, the federation of Swedish farmers, member of the Board 2001 – 2006
Svenska Lantmännen, Chaiman of the Board 2001 – 2003
Skånska Lantmännen, Chairman of the Board 1994 – 2001

Independent of the Company.

No shareholding in HKScan Corporation.

MARKKU AALTO (B. 1950)
Chairman of the Board until 4 February 2011, pork producer

Finnish national

TIINA VARHO-LANKINEN (B. 1962)
Deputy Chairman of the Board until 4 February 2011, MSc (Econ & Bus Admin), beef and broiler meat producer

Finnish national

MATTI MURTO (B. 1964)
Member of the Board until 4 February 2011, MSC (Agriculture), beef producer

Finnish national

Auditors for the 2010 financial year

AUDITORS
Authorized public accountants PricewaterhouseCoopers Oy
with Johan Kronberg MSc (Econ & Bus Admin),
APA of Länsi-Turunmaa as principal auditor
Petri Palmroth, MSc (Econ & Bus Admin),
Authorized Public Accountant, Turku

DEPUTY AUDITORS
Mika Kaarisalo, MSc (Econ & Bus Admin),
Authorized Public Accountant, Turku
Pasi Pietarinen, MSc (Econ & Bus Admin),
Authorized Public Accountant, Turku

Group Lawyer Markku Suvanto (Attorney-at-Law, trained on the bench), serves as secretary to the Board of Directors.

The shareholdings of Board members are reported as at 18 March 2011.

Management Board as of 13 January 2011

MATTI PERKONOJA (B. 1949)
CEO of HKScan Corporation, commercial college graduate

Finnish national

Key employment history:
CEO of HKScan since January 2009

Earlier:
HKScan CFO, 2000–2009
Unit director and commercial director in the Group and managing
director of Broilertalo Oy, 1993–2000
Active in the meat industry since the 1970s

Main Board memberships and public duties currently undertaken:
Chairman of the Supervisory Board of Rakvere Lihakombinaat
Chairman of the Supervisory Board of AS Tallegg
Chairman of the Board of Scan AB
Chairman of the Board of HKScan Finland Oy
Vice chairman of the Supervisory Board of Sokolów S.A.
Member of the Supervisory Board of Tapiola Life
Member of the employers' consultative committee of Mutual Employment Pension Insurance Company Varma
Member of the Board of the Finnish Food and Drink Industries' Federation ETL

Public duties previously undertaken:
Managing Director of LSO Osuuskunta until 10 October 2010
Chairman of the Board of LSO Foods Oy until 17 April 2009

HKScan shareholding: 52 936, of which 13 500 as share bonus

IRMA KIILUNEN (B. 1953)
CFO of HKScan Corporation, deputy to the CEO, BSc (Econ & Bus Admin)

Finnish national

Key employment history:
CFO of HKScan since January 2009

Earlier:
HKScan's finance director since 2001
Duties in finance and financial administration in various HKScan Group companies 1977–2001

Main Board memberships and public duties currently undertaken:
Member of the Board of HKScan Finland
Member of the Board of HK Ruokatalo Oy
Member of the Board of HK Agri Oy
Member of the Board of Scan AB
Member of the Board of Rose Poultry A/S
Member of the Supervisory Board of Rakvere Lihakombinaat
Member of the Supervisory Board of AS Tallegg
Member of the Board of Best-In Oy
Member of the Board of Maustepalvelu Oy
Member of the Board of Lihateollisuuden tutkimuskeskus LTK

HKScan shareholding: 6 642, of which 1 752 as share bonus

JARI LEIJA (B. 1965)
Managing Director of HKScan Finland and executive vice president, Finland, vocational qualification in engineering

Finnish national

Key employment history:
Managing director of HKScan Finland as of 2009
and managing director of HK Ruokatalo Oy since December 2007

Earlier:
Senior vice president in charge of HK Ruokatalo's poultry business
In charge of HK Ruokatalo Oy's production and delivery logistics and the terminals in Vantaa and Tampere in the capacity of executive vice president, production
Logistics manager
Vantaa plant manager
Joined the Group in 1993

Main Board memberships and public duties currently undertaken:
Chairman of the Board of HK Agri Oy
Member of the Board of Kivikylän Kotipalvaamo Oy
Member of the Board of Harri Tamminen Oy
Member of the Board of Länsi-Kalkkuna Oy
Deputy member of the Board of Pyhäjärvi-instituuttisäätiö foundation
Deputy member of the Board of Transbox Oy

HKScan shareholding: 43 788, of which 13 500 as share bonus

DENIS MATTSSON (B. 1953)
Managing Director of Scan AB and executive vice president, Sweden, eMBA

Finnish national

Key employment history:
Managing director of Scan AB since June 2009

Earlier:
Vice president, food industry, Scan, 2007–2009
Managing director, RavintoRaisio Oy, 2006–2007
Commercial director, Atria Oy, 1999–2006
Commercial director, Nestlé Oy, 1994–1999

Main Board memberships and public duties currently undertaken:
Member of the Board of HK Ruokatalo Oy
Member of the Board of Nyhléns & Hugosons AB
Member of the Board of Kreatina A/S
Member of the Board of Scan Foods UK Ltd.
Member of the Board of Best-In Oy
Member of the Board of Livsmedelsföretaqen (Li) Sverige
Member of the Board of Kött och Chark företagen (KCF) Sverige

HKScan shareholding: 7 000, of which 0 as share bonus

OLLI ANTNIEMI (B. 1959)
Managing Director of Rose Poultry A/S and executive vice president, Denmark, BSc (Econ)

Finnish national

Key employment history:
Managing Director of Rose Poultry A/S since November 2010

Earlier:
HKScan senior vice president, strategy and development January-November 2010
HK Ruokatalo, director of development June-December 2009
Managing director of Scan AB, March–June 2009
Executive vice president, HKScan's Baltic Group, 2003–2009
Marketing director and exports director at HK Ruokatalo
Also served the Huhtamäki Group in positions including a spell with Leaf in the United Kingdom

Main Board memberships and public duties currently undertaken:
Member of the Supervisory Board of Rakvere Lihakombinaat
Member of the Board of Sokolów S.A.

HKScan shareholding (30 September 2010): 4 818, of which 3 504 as share bonus

SIRPA LAAKSO (B. 1965)
Executive vice president, HR
MSc (Econ.)

Finnish national

Key employment history:
Executive vice president, HR of HKScan since January 2011

Earlier:
Altia Plc, SVP, HR Resources 2007–2010
Vaasan & Vaasan Oy, HR Director 2005–2007
Novartis Finland Oy, HR Director 1999–2005

Main Board memberships and public duties currently undertaken:
Confederation of Finnish Industries EK, member of the development group on corporate responsibility

Public duties previously undertaken:
Kotkan työterveys Oy, member of the Board

HKScan shareholding: -

The shareholdings of Management Board members are reported as at 18 March 2011.

Market analysts

Banks and stockbrokers in Finland analyzing HKScan as an investment.

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

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