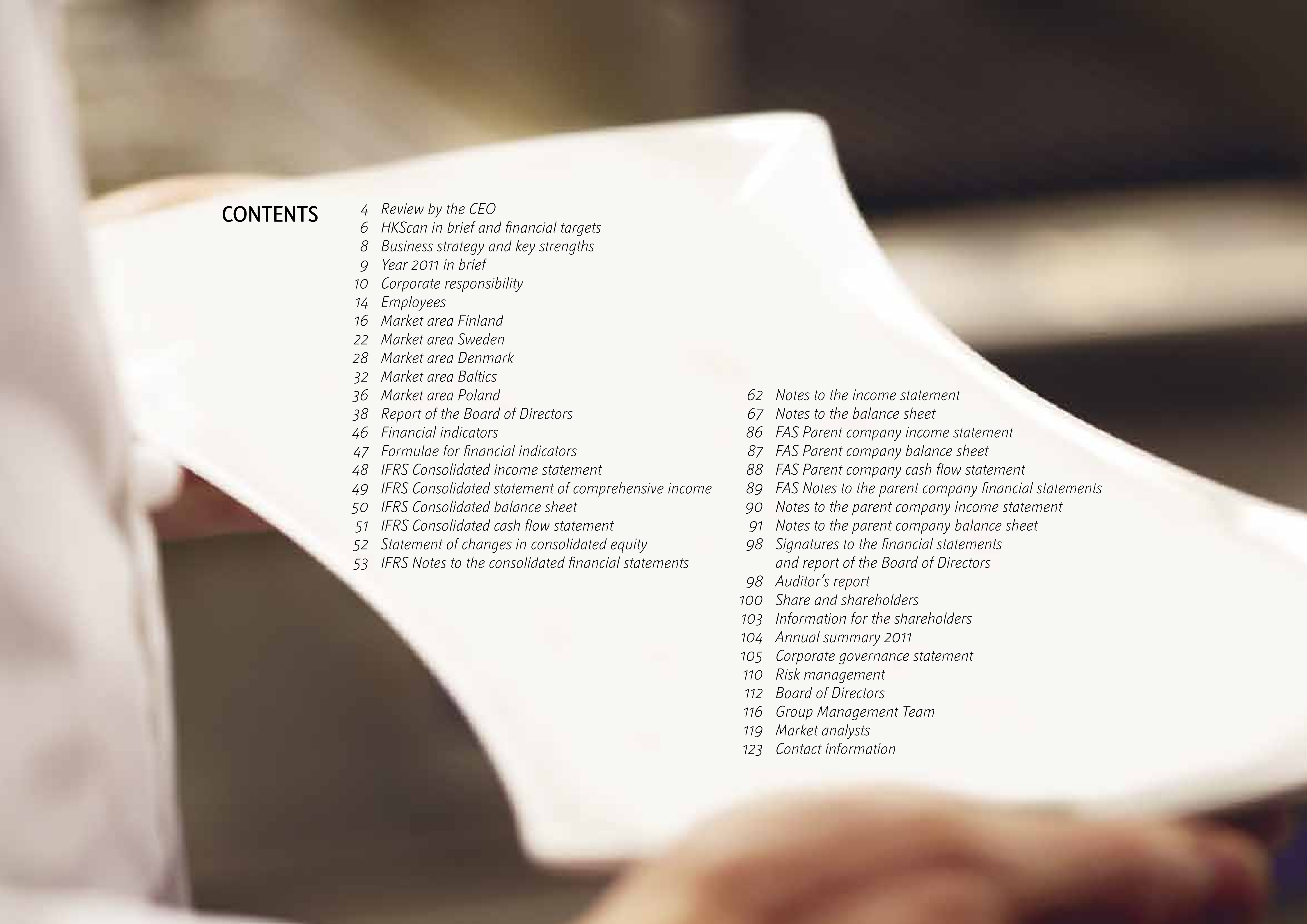
HKScan

ANNUAL REPORT 2011



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HKScan – a success story of already nearly a century

Despite a wide range of challenges during the year, HKScan's market position remained strong in all the market areas and there were no significant changes. Meat consumption increased in all the market areas, and the Group's profitability stabilized towards year-end: the last quarter was in line with expectations following weak development during the early part of the year.

Situation stabilizes in market areas and efficiency measures bite

In Finland, profitability of the business improved at the end of the year. Increases in sales prices and cuts in costs contributed most to the positive trend. During autumn 2011, transition to more controlled contract production began in the pork industry in Finland. The transition is proceeding according to plan. The protracted challenges in the pork business began to ease towards the end of the year.

In 2011, the most important product launch in Finland was HK Rapeseed pork, which turned out to be commercially successful. In Christmas sales, HK Rapeseed pork Christmas ham earned its place on numerous tables. The barbecue season succeeded well too.

In Sweden, the market continued to be challenging throughout the year. Swedish meat raw materials are in short supply and producer prices have remained high. Pork and beef imports to Sweden have indeed increased significantly. The main reason for this has been the favourable exchange rate situation for importers.

As an alternative to private brands, HKScan is launching in Sweden a range of Hansa brand products in 2012. The meat to be used in these products will originate primarily from the Group's other units outside Sweden taking into account the Group's meat balance, price level and exchange rates.

Expectations for stabilization of the business in Sweden are high, as an equivalent product to the Finnish Rapeseed pork, Svensk Rapsgris, will be launched on the retail market this summer. During the pilot phase Rapsgris has already evoked considerable interest within primary production.

In Denmark, considerable focus was devoted to the new structuring of the business. The year 2011 was Rose Poultry's first full year of operations in the Group, which is advancing its strategy in Denmark too. There is a shift from frozen production and products towards providing fresh produce in the domestic markets, especially in Sweden.

As in previous years, business in the Baltics and Poland developed positively despite growing challenges in the external operating environment.

Recovery of profitability continues

The Group's financial expenses rose considerably in 2011. The main reasons were higher margins on loans, interest rate derivative costs and higher rates. To improve profitability, HKScan has set as a key near-term goal strengthening of cash flow and, consequently, reduction of interest-bearing liabilities. The investment programme is continuing at a modest level.

Responsibility starting point of operations

HKScan is a responsible player in the meat sector whose starting point in product development and production is excellent taste and high quality. No compromise is made on the foundation either; it is built on an efficient and transparent production chain. In 2011, a corporate responsibility scheme was implemented by the Group in Finland, Sweden and the Baltics. Denmark joined the scheme during the course of the year.

Consumer market changes as trailblazer

The consumer market is becoming fragmented into smaller consumer groups and this trend is continuing to grow. Operators in the industry with the prerequisites to succeed are those who best understand and take advantage of the prevailing situation. In the future, a key factor for success in the HKScan Group will be strong brands and development of the offering under them. The Group must continue to be able to meet consumer expectations and even anticipate them.

Important aspects for consumers are the taste and quality of food, and responsible production methods. When the positive experience engendered by good food is added, a package particularly appreciated by consumers is achieved.

The Group responds to fluctuations in consumer demand with a comprehensive portfolio offering options for the diverse needs of different consumers groups. A wide product range evens out fluctuations in demand during global economic problems as well.

Already nearly a century of success

The food industry is fairly conservative, even though food itself and as a topic of discussion is never out of fashion. Nutrition is an everyday concern. Changes in the consumer market mean changes in the Group too, and food-related trends are monitored closely. Ingrained habits of individual consumers, in turn, change rather slowly, as food-related customs and habits are often inherited from childhood.

Managing changes in consumer habits is important. There are also other aspects which change slowly in a positive way at HKScan. Employment relationships within the Group are mainly long and ownership over the years has remained essentially unchanged. This provides stability in the control and management of things.

Looking back on history, it can be said that HKScan has been a long success story. The Group is preparing to celebrate its centenary in 2013.

Time for acknowledgement

I have worked in the meat sector for a long time. Some 20 years have passed in the employment of the HKScan Group and its predecessors. When I look back, there have been many changes in the industry, but this has been the case everywhere else too. In many respects the development has been positive for everyone in my view. We have achieved a lot together!

Although I am leaving the operational activities of the Group, my relationship with the industry will undoubtedly remain strong in my new role as a consumer of HKScan's high-quality and tasty products. I will continue to enjoy them with pride.

I wish to extend warm thanks to the HKScan Group's employees, owners, customers, contract producers of meat and all other partners for their contribution in 2011 and during all the preceding years. I would once again like to express my gratitude to consumers in all our market areas too.

At the same time I wish my successor, Hannu Kottonen, as well as the HKScan Group and its stakeholders under his leadership every success.

Turku, February 2012

Matti Perkonoja

The table is set in the region of the old Hanseatic League

I took the opportunity after last summer to familiarize myself more closely with HKScan and I became excited about the many development opportunities the Group, in my view, has. The Group's leading market position in Northern Europe as a versatile meat company as well as well-known consumer brands and high quality products provide an excellent basis on which to build an even stronger future. I personally especially appreciate in food good taste, not forgetting a responsible production chain, safety and healthiness. For example, the unique innovation launched last year in Finland, tender and tasty HK Rapeseed pork, features regularly on the dining table of my own family.

In recent years, HKScan has expanded and grown rapidly. My goal is to improve productivity and cash flow, but also to unify the corporate culture and structures to further strengthen the Group. In addition, new tasty products and product concepts are needed alongside the classic products in future too.

The prospects are good. The Group's respected brands, delicious taste and high quality of the products, responsible production chain as well as skilled employees create an excellent foundation for further development.

On my own behalf, I should like to warmly thank Matti Perkonoja and I wish him a pleasant and tasty retirement. Work to develop the delicacies of HKScan and consumers alike will continue.

Turku, March 2012

Hannu Kottonen

Pictured left Matti Perkonoja, who headed HKScan until the end of February 2012, and on the right Hannu Kottonen, who took up the post of CEO at the beginning of March 2012. The CEOs were photographed in the new head office, HK-Center, completed in Turku at the end of 2011.

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 10 countries and it has nearly 11 400 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.

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 Sokołów S.A.

Mission statement

MEAT AND MORE

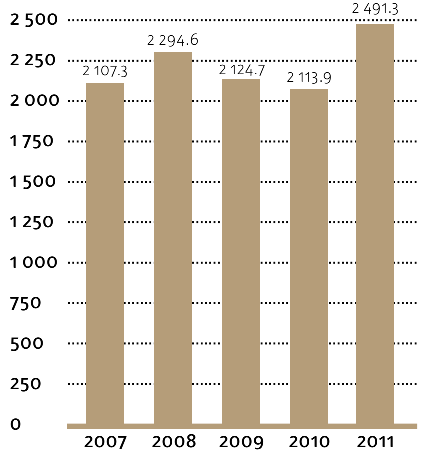
HKScan is a responsible food company which creates economic value added for its stakeholders through its meat-based product portfolio, food concepts and tasty products that are designed to contribute to the lives of consumers by making cooking easy and enjoyable.

Vision

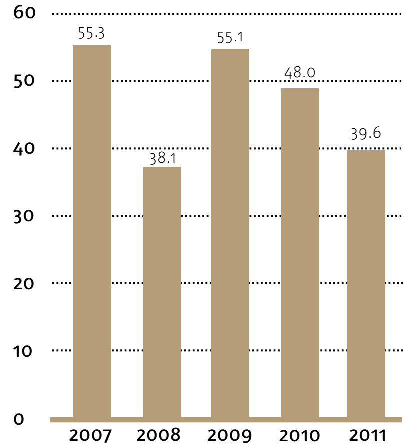
MEAT INDUSTRY SHAPER

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.

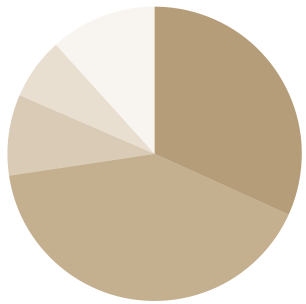
Net sales 2007–2011
(EUR million)



EBIT 2007–2011
(EUR million)



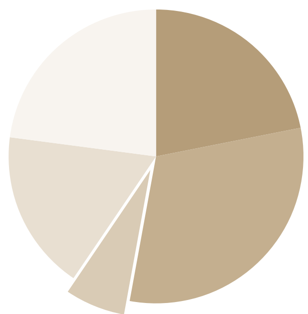
Breakdown of net sales (%) 2011
EUR 2 491.3 million



* shares calculated including internal sales

Finland	31.8 %
Sweden	40.9 %
Denmark	8.9 %
The Baltics	6.8 %
Poland	11.7 %

Breakdown of EBIT (%) 2011
EUR 39.6 million



* shares calculated exclusive of Group administration costs

Finland	25.2 %
Sweden	35.7 %
Denmark	-7.6 %
The Baltics	20.3 %
Poland	26.4 %

HKScan Corporation
Net sales in 2011: EUR 2 491.3 million*, CEO Hannu Kottonen

Director
Anne Mere

Director
Denis Mattsson

Finland	The Baltics	Sweden	Denmark	Poland
Net sales in 2011: EUR 812.4m	Net sales in 2011: EUR 173.3m	Net sales in 2011: EUR 1 045.7m	Net sales in 2011: EUR 228.1m	Net sales in 2011: EUR 298.9m**
HKScan Finland Oy	AS Rakvere Lihakombinaat	Scan AB	Rose Poultry A/S	Saturn Nordic Holding AB
HK Ruokatalo Oy	AS Tallegg	Pärsons AB		-> Sokolów S.A.
HK Agri	AS Ekseko			
Järvi-Suomen Portti Oy				

* Net sales between segments EUR -67.1 million

** Saturn Nordic Holding AB, a joint venture owned by HKScan and Danish Crown on a 50-50 basis, holds 100% of shares in Sokolów. In 2011, half of Sokolów's net sales 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

MEETING CONSUMER NEEDS WITH INNOVATIVE PRODUCTS OF HIGH QUALITY AND STRONG BRANDS

The aim of HKScan's product development 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 tasty 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.

The company strives to further enhance the positive image of its products by building on its leading brands.

BOOSTING CUSTOMER SATISFACTION

The company aims to serve the most satisfied customers 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 delivery of correct products to customers, the consistent and high quality of the products and, above all, products that taste good.

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

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

The Group's strategy in the long term is to continue to grow and to 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 market areas.

Key strengths

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

LEADING LOCAL BRANDS AND MULTIPLE PRODUCT SEGMENTS

In all of its market areas, 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 and Pärsons in Sweden and Rose in Denmark are highly respected in their respective product groups. Correspondingly, the Group'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.

HKScan's multiple product segments bring stability to the company's business in the Baltic Rim markets.

STRONG MARKET POSITION

HKScan enjoys a strong market position in Northern Europe. HKScan's management estimates that owing to the concentrated structure of retail, the Group benefits from its strong market position especially in its largest market areas of Sweden and Finland, where the concentrated structure of retail offers large operators an advantage over smaller rivals.

The Group's strong market position in selected business sectors creates the foundation for strong customer relationships and close cooperation.

SKILLED PRODUCT DEVELOPMENT

HKScan's long history as a manufacturer of meat products and the Group's knowledge of consumers provide a solid basis for its product development. 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.

TOTAL VALUE 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 value chain management allows the company to optimize its activities in the various stages of the chain cost-effectively. Total value chain management also allows the tracking of meat raw material from farm to shop shelf, enabling the Group to responsibly report on the origin of the raw material of the meat products that it sells.

OPERATIONAL EFFICIENCY

HKScan has enhanced its operational efficiency in recent years. In Finland, the most important investments in 2011 were the expansion of the beef slaughterhouse at Outokumpu, which was completed during the summer. In addition, the cooling capacity of the carcass cold storage facility was increased in Forssa. In Sweden, the main investments were development of the processes in the units at Kristianstad and Linköping. In Denmark, the investments involved the improvement of Rose Poultry's production processes. In the Baltics, the main investments continued to involve the modernizations carried out on the production lines at Rakvere to secure manufacturing capacity and the programme for restructuring production at Tallegg. In Poland, the most important projects were improvement of the Sokolów Podlaski production facility and the beef slaughtering line at the Tarnów plant.

SKILLED EMPLOYEES

HKScan has a workforce of committed, responsible and skilled employees.

RESPONSIBLE OPERATIONS

HKScan recognizes its responsibility as a major Northern European meat company. The sectors emphasised in the company's corporate 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.

Year 2011 in brief

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

HKScan Corporation

- EBIT strengthened during the last quarter of 2011.
- Protracted challenges in the pork business began to ease towards the end of 2011, and the situation is stabilizing especially in the market area of Finland.
- No significant changes in market position in any of the Group's market areas during the year. Market position continued to strengthen in Finland, however.
- Meat consumption increased in all the Group's market areas.
- The Group's financial costs have increased substantially. A key near-term goal is to strengthen cash flow, thus reducing interest-bearing liabilities.
- Problems in the global economy have only a minimal impact on consumer demand for HKScan's products, as the Group's comprehensive product portfolio offers options for the diverse needs of different consumers groups.

Key indicators (EUR million)	2011	2010
Net sales	2 491.3	2 113.9
EBIT	39.6	48.0
EBIT margin, %	1,6	2.3
Profit before taxes	11.3	36.5
Earnings per share, EPS	0.18	0.52

Finland

- In Finland, net sales rose 13.1 percent. Approximately half of the growth came from Järvi-Suomen Portti Oy's merger with the Group at the beginning of 2011.
- EBIT growth: 13.1 percent. Measured by profitability, Q4/2011 was one of the best in recent years.
- Protracted difficulties in the pork business stabilized.
- Surplus pork stocks were offloaded onto the market profitably.
- Implemented price increases together with more efficient production management rectified the situation towards the end of the year.
- Market position strengthened in poultry, fresh meat and cold cuts.
- Rapeseed pork (HK Rypsiporsas®) has proved to be a success in the market.
- The year was good commercially. The Group succeeded in the summer barbeque season. Performance at the end of the year was also successful, especially in Christmas sales, thanks to Rapeseed Christmas pork.
- Efficiency programme is under way in Järvi-Suomen Portti Oy.

Key indicators (EUR million)	2011	2010
Net sales	812.4	718.5
EBIT	12.1	10.7
EBIT margin, %	1.5	1.5

Sweden

- In Sweden, net sales in krona remained on the same level as the previous year. Development in net sales was affected by the halt in the growth of consumer staples and the strong growth in the share of private label brands during the year. In addition, the Christmas season in 2011 was quieter than expected.
- EBIT decreased to EUR 17.2 million. In 2010, EUR 7.9 million non-recurring gains and substantial exceptional costs due to implementation of the efficiency programme must be taken into account.
- Production volumes of pork decreased further. Imports cover over 35% of consumption.
- Imports of beef already account for over 50 percent of consumption. Scarcity in the supply of Swedish beef and pork places pressure on local raw material purchase prices, which rose considerably at the end of the year.
- Hansa brand range of products to be launched on the market as an alternative to private brands
- At the end of 2011 the origin-labelled Chosen by Farmers concept launched for the consumer-packed meat category.
- Early in 2012, Swedish rapeseed pork (Svensk Rapsgris) to restaurant customers. Concept expanded to retail trade during summer 2012.

Key indicators (EUR million)	2011	2010
Net sales	1 045.7	997.1
EBIT	17.2	20.4
EBIT margin, %	1.6	2.0

Denmark

- In Denmark, reasons for the weak business development:
  - low level of sales prices, especially for chicken leg quarters, in the EU markets and the Middle East
  - increased costs at the beginning of the year, mainly due to high raw material prices
  - clearing of export stocks of chicken leg quarters during Q4.
- The Malaysian export market, which re-opened at the end of the year, will improve export volumes and profitability.
- The ongoing business development programme advancing according to plan.
- In line with its strategy, Rose Poultry will focus increasingly in the future on fresh poultry products, particularly in the Danish and Swedish markets.

Key indicators (EUR million)	2011	2010
Net sales	228.1	21.8*
EBIT	-3.7	-0.0*
EBIT margin, %	-1.6	0.0*

* Rose Poultry was consolidated to the Group as of 29 November 2010.

The Baltics

- Net sales grew in the entire Baltic region, the highest growth in Lithuania. EBIT increased by 12.8 percent
- Baltic units well adapted to the prevailing market situation and maintained strong profitability in line with targets.
- Challenges in 2011:
  - High raw material prices and increased energy costs.
  - Inflation increased food prices in the entire Baltic region, which in turn affected consumption.
  - Consumer behaviour clearly more uncertain during the second half of year in particular.
- Success in sales of Rakvere's and especially of Tallegg's seasonal products.
- Tallegg has developed its products and modernized its production processes and lines to meet growing demand.
- In Latvia, the reorganization of production was completed as planned.
- In Lithuania, the new, successful products and development of customer relationships contributed to growth.

Key indicators (EUR million)	2011	2010
Net sales	173.3	160.4
EBIT	9.8	8.7
EBIT margin, %	5.6	5.4

Poland

- In Poland, Sokolów's net sales were up 7% (in local currency 10%). December sales reached an all-time record.
- Sokolów's sales improved as planned, both in modern and in traditional retail chains.
- Costs continued to rise in pork production. Transferring price increases to consumers has posed a challenge, which has weakened the profitability of pork.
- The year 2011 was overall challenging in the Polish meat sector. Large and diverse companies such as Sokolów have coped with the situation better.
- The most significant investment in Poland involved improvement of processed meat production.

Key indicators (EUR million)	2011	2010
Net sales *)	298.9	279.3
EBIT *)	12.7	15.5
EBIT margin, % *)	4.2	5.6

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

Corporate responsibility

- **HKScan wants to operate responsibly and also to communicate its responsibility throughout its market areas.**
- **HKScan wants to include stakeholders in its responsibility processes through listening, participation and discussion.**
- **HKScan wants to see responsibility at the core of the business and as part of the strategy, not as a separate communicative measure.**

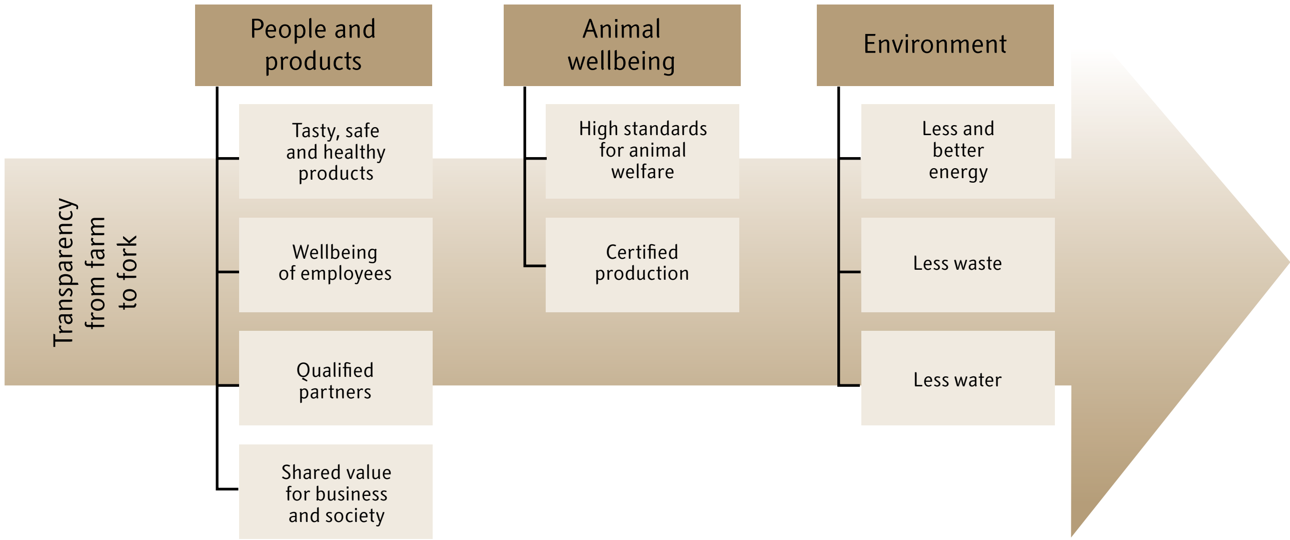
HKScan has defined the aspects of its corporate responsibility through the most pertinent dimensions for its branch and stakeholders. These are: product safety, nutrition, environmental matters, employee wellbeing at work, wellbeing of production animals, local aspects and economic responsibility (MTT 2009). The Group has compiled the goals and measures in its responsibility scheme in line with these areas. HKScan's day-to-day operations are steered by responsibility principles drawn up for each area.

The Group's responsibility scheme was implemented in the market areas of Finland (HK Ruokatalo Oy and HK Agri Oy.), Sweden (Scan AB and Pärsons AB) and the Baltics (AS Rakvere Lihakombinaat and AS Tallegg). Denmark (Rose Poultry A/S) joined the scheme during 2011. The responsibility measures put into practice in the market areas are described in more detail in connection with the business segments. 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 objectives.

The responsibility scheme at HKScan is headed by the Group's senior vice president of projects and development, who reports to the Group's Management Team. There is a Group-level steering group for each responsibility aspect and working groups operating in various areas of responsibility. In addition to this a designated person, who reports to the management team in each area, is in charge of the responsibility schemes in the respective market areas.

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 branch. The Group's subsidiaries are actively involved in joint industry research and development projects. In order to increase transparency, HKScan reports on the measures and challenges relating to responsible operation on the Group's website at www.hkscan.com.

Focus areas in responsibility



TOWARDS MORE OPEN DIALOGUE WITH STAKEHOLDERS

In 2011, HKScan began developing its work with stakeholders by updating its stakeholder map through a survey directed at the Group's management and external stakeholders in the Group's home country, Finland.

The aim of the survey was also to identify the expectations of stakeholders. Topical issues for stakeholders in HKScan's corporate responsibility in autumn 2011 concerned, in particular, product safety, economic responsibility and animal wellbeing.

HKScan aims in future to take into account all stakeholders in a more systematic way and to start measuring stakeholders' expectations through a more comprehensive stakeholder survey. The Group strives to ensure that stakeholders can have confidence that the Group's entire supply chain operates responsibly.

HKScan's stakeholders

Stakeholder	Stakeholder's expectations	HKScan's expectations
Consumers	Tasty, safe and healthy products. Information, opportunity to provide feedback, confidence in the products and activities of the company.	Increase in appreciation of and trust in HKScan and its products.
Customers - Retail - HoReCa - Exports - Industry	Reliable business partnership, comprehensive product portfolio and brands, product quality and safety, information exchange, joint development projects.	Reliable business partnership, growth in sales of both parties, information exchange, joint development projects.
Shareholders, investors and financiers	Added value for shareholders, a true and fair view of the company's operations and finances. Success and continuity of the company.	Creation of added value, securing of financing and maintenance of confidence.
Meat producers	Continuing and contractual business relationships, meat producer advice and fair prices for raw material, securing of meat production continuity.	Contractual and uninterrupted supply of production animals at market price.
Employees	Continuity of employment, remuneration, appreciation of work and fair treatment.	Work input, strengthening of corporate culture and creation of common practices, improvement of competence.
Authorities - National government - Local authorities	Statutory cooperation, monitoring, information exchange, opinions, ensuring implementation of requirements.	Ensuring uninterrupted own operations, securing operations subject to licence, statutory cooperation. Influencing industry issues also on an international level.
Media and opinion influencers - Special interest groups and NGOs - Parties and political actors	Information about the company and its operations, expertise, continuous development of industry-related aspects.	Provision of open and factually-based information about the company and the branch, joint industry development projects.
Partners - Subcontractors - Suppliers - Business partners - Research and training institutions - Local communities	Continuing and contractual business and cooperation relationships. Development of operations in cooperation, utilizing of HKScan's expertise.	Continuing and contractual business and cooperation relationships. Development of operations in cooperation and utilizing of partner's expertise.

Responsibility measures and objectives

As a responsible company, HKScan strives to meet the expectations of its stakeholders through the following measures and goals. More detailed descriptions of the measures are provided in the summaries of the market areas and on the Group's website at www.hkscan.com.

Aspects and principles of HKScan's corporate responsibility	Main measures in 2011	Objectives for 2012-2014
Tasty, safe and healthy products - Our products are safe and they have been produced to the highest quality standards. - We produce products that are tasty, suitable for different purposes and which meet the requirements of the time. - We aim to produce and develop products that enhance health and wellbeing.	- Rapeseed pork complying with nutrition recommendations launched in Finland, launch of equivalent product in Sweden in 2012. - Criteria for healthiness are used in product development in Finland and the Baltics. Measures have been taken in Sweden and Denmark, too, to reduce additives. - Certification of product safety and quality management has continued in all the market areas.	- Criteria for product healthiness will be determined on a market area specific basis. - The number of rapeseed pork products will be increased in Finland and the Rapeseed pork concept will be launched in Sweden. - Salt content and additives will continue to be reduced from products in Finland, Sweden and the Baltics. - Certification of operations in compliance with product safety standards ISO 22000, FSSC 22000 or BRC will be continued in all the market areas, including the subsidiaries.
Wellbeing of employees - We take care of our personnel and encourage employees towards innovation and teamwork. - We believe in equal opportunities to succeed and lead by example.	- The Group has introduced the 'Leadership' and 'People' standards, created a joint framework for performance reviews and started a competency survey. - HKScan's Works Council (EWC), the cooperation body for Group management and personnel, began its activities.	- The wellbeing of employees will be enhanced through an early support and intervention model aimed at reducing absences due to illness, supporting continuing at work and return to work. Employee training programmes will be continued.
Qualified partners - We strive at treating all our partners fairly.	- A joint sourcing agreement for the Group was created in 2011. The agreement also takes into account responsibility criteria.	- Early identification of product safety risks will be promoted throughout the chain and responsibility criteria will be taken into account comprehensively in selections of raw material and material suppliers.
Shared value for business and society, and transparency - We aim at sustainable growth in food production and to create shared value for society. - Our aim is for stakeholders to be able be confident that our entire production chain operates responsibly.	- Financial value added has been reported in the financial statements section of the Annual Report. The Group's subsidiaries carried out local development investments during the year. - The Group's subsidiaries are actively involved in joint industry development projects in their market areas, support local cooperation and promote the culinary culture.	- The Group will aim to present responsible operations in its market areas more visibly than before and to achieve more open dialogue with its stakeholders. - The Group's main financial targets are presented in the introductory section of the Annual Report.
Wellbeing of production animals High standards for animal welfare: - We ensure the welfare of production animals through identifying and applying best practices. Certified production: - We demand high standards of animal welfare from our primary producers.	- Criteria for and monitoring of production animal welfare has been specified in all the market areas. The subsidiaries participate in animal welfare enhancement and partly in auditing programmes such as the KIK system in Denmark, Responsible Meat Production in Finland and 'Grundcertifiering Gris' certification in Sweden.	- The welfare of production animals will be monitored on a regular basis and enhanced through market area specific guidelines. - Competence in animal welfare issues among personnel working with production animals and producers will be enhanced through advice and training. - The wellbeing of production animals will be ensured on contract farms, in animal transportation and in the Group's abattoirs through continuous monitoring and development of operations.
Environment Less and better energy, less water, less waste: - We work to reduce the environmental impacts of our production processes. - We work towards decreasing the amount of waste together with our distributors.	- In Finland, Sweden, Denmark and the Baltics it has been possible to improve the efficiency of energy and water consumption compared with 2010. - Waste treatment and recycling methods have improved. - The companies in Finland, Sweden and Denmark have participated in surveys studying the climate impact of meat production. - More environmentally-friendly packaging solutions have been tested and taken into use.	- The Group will continue to reduce energy and water consumption and decrease the amount of waste arising. - Carbon dioxide emissions will be reduced and the carbon footprint calculated for a larger number of products. - The Group's subsidiaries will actively participate in research projects studying the environmental impacts of meat production and developing models for more sustainable production methods. - The use of renewable materials in packaging will be gradually increased.

Outi, milk and beef producer
Photo: HK Agri's Female Farmer Calendar, February 2012.

Employees at HKScan in 2011

HKScan is the fifth largest meat company in Europe and one of the leading food companies in Northern Europe. It has operations in 10 European countries.

At the end of 2011, Group companies employed slightly under 7 900 blue-collar and white-collar personnel, in addition to which there were just under 6 200 employed indirectly through the joint venture Sokolów. The table below presents the breakdown of employees by country.

In 2011, roughly 82 percent of employees were blue-collar and 18 percent white-collar. The figures were the same a year earlier.

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 operative 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 blue- and white-collar employees to unionize and bargain collectively.

In order to further improve and harmonize HR administration in the Group, an HR strategy and objectives derived from it were drawn up. One key sub-area was assessment of competencies at the various organizational levels. The survey ascertains what kind of know-how will be required in the various sections and jobs within HKScan in the future and how personnel competence can be developed so that the right people in the right places are available.

Employees by country at year-end

	2011	%	2010	%	2009	%
Finland	2 564	32.5	2 325	28.9	2 210	31,7
Sweden	2 511	31.9	2 622	32.5	2 689	38.6
Denmark	844	10.7	969	12.0	43	0.6
Estonia	1 543	19.6	1 605	19.9	1 552	22.3
Latvia	208	2.6	292	3.6	181	2.6
Lithuania	52	0.7	48	0.6	44	0.6
Poland (Scan)	153	1.9	189	2.3	235	3.4
Other countries	7	0.1	8	0.2	9	0.2
Total	7 882	100.0	8 058	100.0	6 963	100.0
Sokolów	6 175	-	6 145	-	5 577	-

NUMBER OF EMPLOYEES IN 2011

The HKScan Group had an average of 7 882 employees at the end of 2011 (8 058). In addition, the Sokolów Group had 6 175 employees (6 145).

In the meat industry, where the extent of operations varies according to seasonal fluctuations, the average number of employees during the year is more indicative. During 2011, the Group had an average of 8 287 employees (7 491). The increase was due to the restructuring arrangements in 2010. The Danish company, Rose Poultry A/S, and the Latvian company, AS Jelgavas Galas Kombinats, joined the Group in the latter part of 2010 and Järvi-Suomen Portti Oy early in 2011.

Analysis of employees on average by market area: 2 750 in Finland, 2 789 in Sweden, 867 in Denmark and 1 881 in the Baltics. In addition, the Sokolów group had an average of 6 191 employees.

HKScan, along with the meat industry in general, has been able to preserve jobs also during the bank and euro crisis better than many other sectors. Development and efficiency programmes have been running in all the market areas. Their starting point is internal restructuring within the Group and the need to improve the company's competitiveness and profitability.

The HKScan Group paid a total of EUR 312.9 million (EUR 255.4 m) in salaries and fees in 2011. When pension costs and other social expenses are included, the total rose to EUR 379.3 million (EUR 316.6 m).

EUROPEAN WORKS COUNCIL

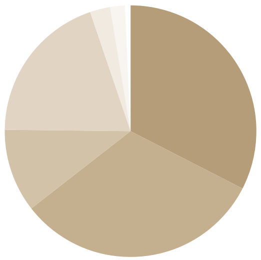
The HKScan Group's European Works Council (EWC) began its activities in autumn 2011. Its operations and methods of working are based on EU-wide agreements guiding personnel cooperation in multinational companies in Europe.

HKScan's Works Council promotes dialogue between representatives of the Group management and the employees in issues that are significant and, due to their scope, transnational.

The EWC convenes biannually, in May and November, in one of countries within HKScan's field of activities. The first meeting was organized in Vantaa, Finland, in November 2011.

The number of representatives is based on the number of employees in each country. HKScan's Works Council had 15 personnel representatives when it started up. Their term of office is four years. In addition, the Group's management has appointed five employer representatives to the Works Council.

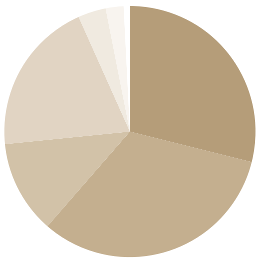
Employees by country at the end of 2011



Finland	32.5 %
Sweden	31.9 %
Denmark	10.7 %
Estonia	9.6 %
Latvia	2.6 %
Poland (Scan)	1.9 %
Other	0.7 %

Additionally, the Sokolów Group employed 6 175 persons.

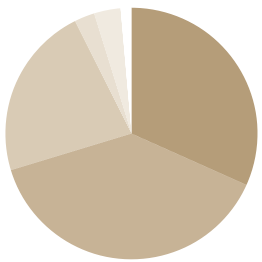
Employees by country at the end of 2010



Finland	28.9 %
Sweden	32.5 %
Denmark	12.0 %
Estonia	19.9 %
Latvia	3.6 %
Poland (Scan)	2.3 %
Other	0.8 %

Additionally, the Sokolów Group employed 6 145 persons.

Employees by country at the end of 2009



Finland	31.7 %
Sweden	38.6 %
Estonia	22.3 %
Latvia	2.6 %
Poland (Scan)	3.4 %
Other	1.4 %

Additionally, the Sokolów Group employed 5 577 persons.

Business in Finland picked up towards the end of the year

HKScan's business in Finland is carried out by HKScan Finland Oy. Its largest subsidiaries are HK Ruokatalo Oy, HK Agri Oy and Järvi-Suomen Portti Oy. HK Ruokatalo is in charge of industrial operations, sales, marketing, logistics and deliveries while Järvi-Suomen Portti is a maker of meat products. HK Agri procures pork, beef and chicken for the needs of HKScan Finland's subsidiaries. Lihatukku Harri Tamminen Oy is known for its consumer-packed meats, especially its choice beef, and Kivikylän Kotipalvaamo Oy for its fresh and processed meats such as sausages and cured meats.
The Group's brands in Finland are HK, Kariniemen, Tamminen, Kivikylän and Portti.

Finland	2011	%	2010	%
Net sales, EUR million	812.4	31.8	718.5	33.0
EBIT, EUR million	12.1	25.2	10.7	19.4
EBIT margin, %	1.5		1.5	
Employees at 31.12.	2 564	32.5	2 325	28.9

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

The year 2011 fell into two distinct periods in Finland. Business picked up markedly towards the end of the year.

The performance of the HKScan Group in the market area of Finland in the early part of the year was hampered above all by the long-running challenges in the pork business as well as by low price levels in the domestic market and exports. These caused profits in the first two quarters to fall clearly short of target.

The situation changed for the better in the latter half of the year. The pork business was stabilizing. The sales price increases implemented along with more effective production management helped pick up the pace towards the end of the year. Profitability was boosted by the gradual de-stocking of excess pork inventories remaining from the previous year, and by good Christmas sales. Further corrective actions included a controlled adjustment in pork production volumes.

These measures made the fourth quarter the best of the year in Finland, and also one of the best quarters overall in recent years.

Commercially speaking, the year 2011 went as planned. A favourable summer season boosted HK Ruokatalo's share of the overall market calculated as including not only the company's own brands but also its private-label production. The February launch of HK Rapeseed pork was a success, and the positive year was rounded out by the Christmas ham season.

PROGRESS MADE ON PRODUCTIVITY PROGRAMME AT HK RUOKATALO

An agreement was signed with employee group representatives in January 2011 concerning the productivity programme at HK Ruokatalo agreed in autumn 2010. The programme concerns the years 2011–2013 and seeks to bring about improvements of 20% on average in productivity in accordance with a separately drawn-up facility-specific plan.

Implementation of the productivity programme means a reduction of roughly 230 person-years in HK Ruokatalo's business chain, including subcontractors and outsourced operations. The pork cutting that had been outsourced earlier was insourced again and centralized to Forssa in autumn 2011 as part of the programme.

The investment in the beef slaughtering facility in Outokumpu was completed in the summer. The facility's processing capacity increases as a result of the investment thus improving profitability in respect of beef. With an eye to ensuring its beef slaughtering and cutting capacity, HK Ruokatalo signed a service agreement with Paimion Teurastamo Oy in the early part of the year. According to the agreement, the beef sourced by HK Agri in Western Finland are slaughtered in Paimio. In terms of annual volume, this comes to 3–6 million kg.

Of the other Group companies based in Finland, Kivikylän Kotipalvaamo Oy and Lihatukku Harri Tamminen Oy also suffered from the market uncertainty in the early part of the year. The market picked up towards the end of the year.

HK RAPESEED PORK TAKES OFF

HK Ruokatalo's Rapeseed pork project took a huge leap forward in February 2011 with the marketing launch of Rapeseed pork products. The products were received extremely well by consumers and retail alike and the year saw several new products in the Rapeseed pork range. The popularity of Rapeseed pork contributed to the increase in pork consumption in Finland. One of the biggest hits was the HK Rapeseed pork Christmas ham, which took pride of place on Christmas dinner tables all across the nation.

By the end of the year, Rapeseed pigs accounted for roughly one third of the pork marketed by HK Ruokatalo.

PROCESSED MEATS SUPPLIER IN EASTERN FINLAND

Järvi-Suomen Portti Oy launched operations at the beginning of 2011. This leading food company based in Eastern Finland makes processed meats in Mikkeli under the brand names Portti, Ukko-Pekka and OK.

Järvi-Suomen Portti Oy was created on the foundations of the Osuuskunta Karjaportti cooperative to carry on its meat-processing tradition. In order to ensure the future of the modern facility located in the Tikkala district of Mikkeli, HKScan Finland and Osuuskunta Karjaportti established the joint venture Järvi-Suomen Portti Oy with stakes of 90% and 10% respectively. In May 2011, the company was acquired in full by HKScan Finland and is now a part of the HKScan Group.

Its major product groups are processed meats, cold cuts, sausages and cooked meat strips. In the latter, Järvi-Suomen Portti is an important national actor. Consumer-packed meats such as beef and pork steaks are a growing product group both in retail and in HoReCa sales.

An important operational policy decision in 2011 was the reorganization of sales and marketing and the rollout of a customer and consumer driven approach through development projects. The dedicated sales staff of Järvi-Suomen Portti are responsible for all product sales except for HoReCa products, which were transferred to HK Ruokatalo's HK Pro sales organization in May 2011.

In the summer, Järvi-Suomen Portti announced an efficiency programme for the years 2011–2012 to increase production efficiency and improve capacity utilization in Mikkeli. The first step in enhancing the division of work among HKScan Finland's subsidiaries and in eliminating overlaps was to transfer logistics, order picking and IT functions from Mikkeli to Vantaa.

HK AGRI SERVES PRIMARY PRODUCTION

The year 2011 was the first for HK Agri as a company of its current scope. Meat procurement and other primary production activities were previously spread among three separate companies. At the beginning of 2011, the functions were all centralized to a single company, which at the same time changed its name from LSO Foods Oy to HK Agri Oy.

HK Agri procures pork, beef and chicken for the needs of HKScan Finland's subsidiaries from Finnish contract producers under production contract with HK Agri. At year-end 2011, HK Agri had contracts with approximately 4 400 producers.

During the year under review, HK Agri took delivery of some 76 million kg of pork, 21 million kg of beef and 54 million kg of poultry. The company's market share in pork procurement held at 38% but declined in beef by a few decimal points to 25%. In poultry procurement, HK Agri's market share increased to 53%. Meat production farms were supplied with 585 776 piglets and 35 446 calves for rearing.

HK Agri and HK Ruokatalo took part in the EU-wide Welfare Quality® project in which the welfare of pigs was evaluated on the basis of 12 criteria. The Finnish meat chain can take pride in the finding that pig welfare in Finland was clearly better than in other parts of Europe. Strengths in Finland included animal health, species-specific behaviour and good housing. Welfare Quality® benchmarking studies will in future be conducted also for other production animals.

HK Agri and its producers and the Group company Lihatukku Harri Tamminen Oy intensified their cooperation to increase the supply of beef to quality-conscious consumers. Tamminen's range of "Genuine Choice Beef" was augmented and work was started on putting together a production chain for organic beef as well.

Finland (HK Ruokatalo Oy and HK Agri Oy), Responsibility objectives and measures in 2011

Corporate responsibility aspects	Objectives for 2011	Measures in 2011
Tasty, safe and healthy products	- Rapeseed pork will account for a quarter of HK pork products by year-end. - With 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. - ISO 22000 product safety certification will continue in all the production facilities.	- With Rapeseed pork, the amount of hard fat decreased by approx. 100 000 kg at the Finnish dining tables. - Annual reduction of salt content by approx. 60 000 kg compared with 2007. - Number of Heart symbol products exceeds 100. - Monosodium glutamate eliminated from 80% of products. - Products from all parts of the carcass: Consumers are offered the opportunity to select pork liver, kidneys, heart or tongue, for example. - All production facilities ISO 22000 certified.
Wellbeing of employees	- Introduction of early intervention model. - Development of strategy rollouts and performance reviews. - Continuation of training programmes.	- Early invention model and age programme introduced. - Rollout of strategy and performance reviews improved. - Training programmes continued and recruitment process developed.
Qualified partners	- Creation of joint Group sourcing agreement in 2011.	- Responsibility aspects also taken into account in sourcing criteria.
Shared value for business and society	- Sponsorship as nutrition partner to the Finnish Olympic team.	- Sponsorship as nutrition partner to the Finnish Olympic team continued. - Cooperation begun in Western Finland with the Paimio slaughterhouse and development of the Outokumpu beef slaughterhouse in Eastern Finland ensures sufficiently short transportation journeys for production animals to the Group's abattoirs in Finland. - History, know-how and Finnish culinary culture was highlighted in the packaging renewal and the HK Sininen Lenkki® campaign.
Animal wellbeing	- A national set of measures for animal welfare will be adopted in pork production. - A corresponding set of measures will be created for beef production.	- A national set of measures for responsible meat production has been adopted in pork production and a corresponding set of measures has been defined for beef. - Pain relief in castration of piglets mandatory. - Participation in development projects: Development of a set of measures for animal welfare (Welfare Quality), traceability and commercialization of responsible meat production, (Suvali, MTT) as well as improvement of the financial viability of primary production in HK Agri's projects.
Environment	- Continuous objective: reduction of water and energy consumption. - Participation in continuing research projects and beginning follow-up projects.	- Water and energy consumption relative to production has decreased compared with 2010. Owing to increased production volumes, total water consumption and the amount of waste have increased compared with 2010. - Participation in projects modelling the carbon footprint of beef production, among others. - Reduction of packaging material in tray and thermoformed packaging (by 20-40%) and development work in the use of renewable and recyclable materials.

Delicious HK Rapeseed pork heartily embraced in Finland

For well over a year now, Finns have been treated to the delicious and tender HK Rapeseed pork products, and the response has been enthusiastically positive. Rapeseed pork is hailed as an innovation both by consumers, for whom it means less hard fat, and meat producers, for whom Rapeseed pork has generated added value in primary production.

AIM: BETTER PORK

Although pork is by far the most popular type of meat in Finland, its image has left something to desire. Only a few years ago, pork was still perceived as fatty, tough, and difficult to cook. Finnish consumers had a desire for domestic pork that was tastier, more tender, healthier and easier to use.

HK Ruokatalo accepted the challenge and resolved to develop the kind of pork that would meet these consumer wishes. Four years of research and development resulted in the launch of HK Rapeseed pork in February 2011.

HARD FAT REPLACED WITH SOFT

The idea behind Rapeseed pork is simple. Pigs on HK Ruokatalo's contract farms are fed with Finnish grain, to which rapeseed oil has been added, in accordance with a strict feeding programme. This results in a natural change in the quality of the fat: the amount of hard fat decreases and is replaced with soft, for the most part polyunsaturated fat. The fat content of the meat of rapeseed-fed pigs remains unchanged.

The types of soft fat increased the most are omega 3 fatty -acids, which Rapeseed pork contains four times more than ordinary pork. The change in fat brings the fat quality of Rapeseed pork in line with nutrition recommendations.

The fattier the meat, the more good fats Rapeseed pork consumers receive. The Rapeseed pork products with the highest fat content, such as HK Amerikan Pekoni bacon, can bear the marking, "Source of omega 3 fatty -acids". Products with a lower fat content bear the marking "Low hard fat" to indicate the good quality of the fat.

HK Rapeseed pork is
- the result of extensive research;
- raised on carefully selected farms which observe a precise feeding programme;
- fed besides Finnish grain also rapeseed oil, which improves the quality of the fat in the meat in a natural way;
- tastier and more tender than ordinary pork, according to consumer testing.

WELL CARED-FOR PIGS AND SATISFIED PRODUCERS

Meat producers undertake to comply with strict terms when they start to rear rapeseed-fed pigs. These include taking regular feed samples for monitoring purposes and adjusting the composition of the feed when necessary. Producers also mark all rapeseed-fed pigs with a double-line tattoo number for identification purposes. The number is used to separate rapeseed-fed pigs from ordinary pigs and the raw material derived from them throughout the production process. In terms of other care and conditions, rapeseed-fed pigs are reared in the same way as ordinary pigs.

Thanks to the added oil in their feed, rapeseed-fed pigs are healthy, shiny-bristled and curly-tailed, the latter being an indicator of pig welfare. The pigs have also been found to be of more consistent size and invariably improved meatiness at slaughter.

Producers have been satisfied with the good growth and development of rapeseed-fed pigs. They have also considered it highly motivating to be a part of something entirely new.

With only a few exceptions, the Rapeseed pork production process after slaughter is for the most part the same as in ordinary production. The difference manifests e.g. in cutting: due to the soft fat, Rapeseed pigs are easier for employees to cut up.

Owing to the limited supply of Rapeseed pork raw material, the role of supply and demand planning as well as enterprise resource management is heightened to ensure that customers are certain to receive the desired quantity of the right products at the agreed time.

SOFT FAT MAKES FOR EXCELLENT TASTE

HK Rapeseed pork has now been on the market for just over a year and it has taken its well-earned place at dining tables throughout Finland. Finns enjoy good, healthy food that is preferably also locally produced. HK Rapeseed pork is recognized as a guaranteed Finnish brand.

Besides its favourable soft fat, Rapeseed pork also has many other qualities appreciated by consumers and food professionals alike. Rapeseed pork is in a class of its own when it comes to taste, texture and tenderness. It is almost as if the soft fat lubricates the meat and makes it more succulent. This is especially evident in e.g. Rapeseed pork Christmas ham and pork neck, which are clearly more tender, succulent and flavoursome than ordinary pork.

The difference between ordinary and Rapeseed pork products is not as obvious in sausages and sandwich meats. These staple favourites of Finns taste the same as ever. And with the good fat composition, even the products with higher fat content are now a little less of a guilty pleasure.

RAPESEED PORK IS A UNIQUE INNOVATION

Pork is by far the most popular of all meats in Finland. In 2010, per-capita pork consumption was approximately 35 kg or half of all meat consumption. Most of this is consumed in the form of various sausages and cold cuts, yet three out of four households also bought pork meat for cooking. In earlier years, meat and meat products have been a significant source of hard fat, and thus one of the major public-health issues in Finland.

Rapeseed pork is a unique innovation on the global scale. Already by autumn 2011, roughly eight months after the launch of Rapeseed pork, the hard-fat intake of Finns had decreased by approximately 100 000 kg thanks to these products. No other meat industry company has achieved equivalent results in modifying the quality of pork fat.

At present, HK Ruokatalo's Rapeseed pork range in Finland comprises more than 100 products. Rapeseed pork now accounts for roughly one third of the company's pork meat and HK Ruokatalo aims to switch to using Rapeseed pork in all of its pork products. Once this aim is realised, the hard-fat intake of Finns will decrease by well over half a million kilos. A decrease of this magnitude in hard fat will have a genuine impact also on public health in Finland.

By January 2012, sales of Rapeseed pork products had already reached nearly 16 million kg. Approximately 70% of Finnish consumers are aware of Rapeseed pork, and consumer satisfaction in the products has been very high. On a scale of 1 to 7, users of Rapeseed pork have rated the products at 5.9.

Pork consumption once again increased in Finland in 2011 after a long hiatus. HKScan estimates that its Rapeseed pork launch explains at least part of the 5-percent bump. According to a study by Finland's meat advisory organization Lihatiedotus*, consumers estimate the perception of Rapeseed pork healthiness to surpass that of ordinary pork.

Rapeseed pork has thus claimed its rightful place on the consumer wish list for pork. It would already be fair to say that Rapeseed pork has truly enhanced the reputation of pork among Finnish consumers.

Besides its nutritional benefits, Rapeseed pork has also had the aim of generating added value and of enhancing profitability in the production chain. Rapeseed pork has had a positive effect on the shared R&D efforts of the entire production chain, as Rapeseed pork has clearly contributed to greater collaboration and renewal throughout the chain.

RAPESEED PORK CONCEPT EXPANDS TO SWEDEN

Based on the excellent experiences with Rapeseed pork in Finland, the concept is now being expanded to Sweden. Other HKScan market areas may well follow.

Early in 2012, Scan AB is bringing Swedish Rapeseed pork (Svensk Rapsgris) to restaurant customers. The concept is expanding to include the retail trade in summer 2012. During the pilot phase, the concept evoked significant interest within primary production as well.

* Perception of the healthiness of pork, Finnish meat advisory organization (Lihatiedotusyhdistys ry), 2011

Terhi, pork and beef producer
Photo: HK Agri's Female Farmer Calendar 2012.

Year of moderate growth in Sweden

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. Scan is the largest meat industry business in Sweden and its main brands, Scan and Pärsons, are part of the culinary identity of Sweden.

Sweden	2011	%	2010	%
Net sales, EUR million	1 045.7	40.9	997.1	45.8
EBIT, EUR million	17.2	35.7	20.4	36.9
EBIT margin, %	1.6		2.0	
Employees at 31.12.	2 511	31.9	2 622	32.5

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

Implementation of Scan's business development programme continued in Sweden.

The year was a period of moderate growth for Scan, especially in the early months when retail sales volumes declined in Sweden by an exceptional amount. It was inclined to be reflected in the industry's figures too.

Scan AB's approximately 5 percent growth in euro-denominated net sales is attributable to changes in exchange rates. Measured in krona, 2011 was at the previous year's level. Scan's EBIT declined during 2011. In the comparison year, however, the non-recurring gains realized in 2010 must be taken into account. Implementation of the efficiency programme in 2010 gave rise to substantial exceptional costs as well.

SUCCESSFUL BRANDS

Scan invested considerable effort in the summer's important barbecue season and succeeded well. The means employed were active product development and targeted marketing efforts.

The Group's two main brands in Sweden – Scan and Pärsons – held their lead in their respective brands. This happened despite the halt in the growth of consumer staples and the fact that the retail trade has significantly increased the proportion of private brands in its range.

The early part of the year in all of the HKScan Group's market areas was characterized by the heavy supply of imported pork, in Sweden too. This was partly the result of overproduction of pork in Europe and partly due to the feed scandal during the previous year in Germany, which upset the market and reduced the consumption of pork in the EU area.

The heavy supply of imports lowered prices in Sweden, weakening the competitiveness of production based on Swedish meat raw material for most of the year. With respect to the primary production of pork, volumes are continuing to fall. However, with respect to beef, imports already account for more than half of consumption in Sweden.

DEVELOPMENT PROGRAMME MOVES FORWARD

In 2010, the updated Scan development programme was advanced on several fronts. The programme aims to increase the efficiency and competitiveness of operations and thereby improve the Group's profitability in the Swedish market area.

The programme, which is running until 2013, includes both strategic and operational elements. It has also involved changes in the structure of production and, in connection with these, production has been concentrated in fewer locations. Linköping, in particular, has become more clearly the hub for Scan's industry. The most recent investment was the introduction of a new beef cutting line at Linköping midway through 2011.

Improvement of profitability also aims at the launch of the new Hansa product range, which is intended as an alternative to private brands. Meat raw material for Hansa can be procured, taking into account the HKScan Group's meat balance sheet, price level and exchange rates, from other areas within the Group outside Sweden.

LOCALLY AND SAFELY

Scan AB is widely known for high-quality meat produced in Sweden. Safe products and domestic origin are an important marketing factor for the company: consumers can be confident that only Swedish meat is sold under the Scan brand.

Now Scan has introduced a new range to complement its selection: a locally produced meat range called Gårdskött. In this range the meat has been raised on carefully selected, well-managed farms. Each product in this locally produced range meets the highest ethical standards and can be traced back to the farm where the meat was raised.

When buying Scan's-Gårdskött products, consumers are informed about the exact origin of the food, and they are able to be sure that environmental aspects and animal welfare have been realized. These factors weigh in the purchase decision-making of an increasing number of consumers.

A new innovative product for health-conscious consumers being launched by Scan during 2012 is Svensk Rapsgris pork developed on the basis of the Finnish Rapeseed pork concept. Preliminary marketing of the meat began in late 2011, early in 2012 the meat will be introduced to restaurant customers and in summer 2012 to retail stores.

Scan is at the leading edge in the meat sector regarding responsibility matters such as aspects relating to product safety and environmental issues in meat production. Similarly, issues relating to animal welfare are well managed by Scan and its primary production chain. The operating models it has developed function as blueprints for other companies in the sector.

PRIMARY PRODUCERS SUFFER FROM PRODUCTIVITY PROBLEMS

Scan procures meat raw material from the subsidiary Svenska Livdjur & Service AB (SLS), which is also responsible for the development of long-term producer relationships.

In Sweden, primary production was characterized by profitability problems. Oversupply of pork within the EU and the German feed scandal increased imports, especially of raw material for the industry. This weakened the profitability of Swedish pork producers and increased the number of farmers giving up production. It means that pork production volumes will decrease further in the future.

With respect to beef, slaughtering operations increased somewhat, as many farmers anticipated that the production aid paid for bull calves will be discontinued. Discontinuation of the aid in March 2012 will reduce the supply of Swedish beef coming to market.

SLS's own operations developed positively. The company strengthened the efficiency of its organization and service level. At the same time transport contracts, among other agreements, were renewed in such a way that transports were centralized enabling the transportation companies to more easily develop their operations.

Sweden (Scan AB and Pärsons AB), Responsibility objectives and measures in 2011

Corporate responsibility aspects	Objectives for 2011	Measures in 2011
Tasty, safe and healthy products	- Swedish, local and natural tastes are favoured in the products. - The aim is to also reduce salt-content of products. - The aim is to reduce costs of customer complaints by 25%. Costs indicate effectiveness of quality management.	- Continued efforts to reduce additives (e.g. monosodium glutamate E621) and product testing in salt reduction. - 'Nyckelhål' label on some products. These have a lower fat and sugar content. - Development and commercialization of the Svensk Rapsgris rapeseed pork concept to be launched in 2012. - Costs of customer complaints decreased by more than 30%.
Wellbeing of employees	- Particular attention is paid to managing of the number of absences due to illness and to personnel training.	- Systematic orientation programme for new employees. - Comprehensive training programmes and investment in performance reviews and leadership. - Absences due to illness remained at a moderate level of about 5%.
Qualified partners	- Adoption of the Scan Code of Conduct in business relationships.	- All Scan suppliers are required to sign the Code of Conduct and to have a certified quality management system by the end of 2012.
Shared value for business and society	- Support for Astrid Lindgren Children's Hospital will continue. - Creation of a farm-specific traceability concept.	- Support for Astrid Lindgren Children's Hospital will continue. - Creation of a farm-specific traceability concept. - Promotion of Swedish culinary culture by participating in sponsorship of the Chef of the Year contest. Attention to traditions and local aspects in product development.
Animal wellbeing	- Completion of national certification of pig farms during 2011. - Regular audits conducted by third parties will continue.	- Animal welfare is a key word in the Scan Code of Conduct. A new system for monitoring animal welfare is being scrutinized on farms.
Environment	- In Sweden, the long-term goal is to reduce carbon dioxide emissions by 50% from the 2003 level by 2020. - Objective: continuous improvement of efficiency of energy and water use.	- Energy and water consumption has decreased and become more efficient compared with 2010. The total amount of waste has increased. - Participation in a joint industry project which has established criteria for climate certified food. - In packaging, replacing PET trays with vacuum packaging has both improved the quality of the products and reduced packaging material and the amount of waste. - Palm oil will be replaced entirely by animal fat during spring 2012. - Pärsons' carbon footprint labelled products.

Local food from Swedish farms

Scan AB has a generations-long tradition as a producer of meat and processed meats. In Sweden, growing customer interest is currently directed specifically at home-cooked food which is produced in Sweden and which represents Swedish culinary tradition. The product range From Swedish Farms (Välkommen hem till svenska gårdar) is a step in the direction of nurturing the Swedish food heritage and highlighting the Swedish food culture.

Scan is committed to using only Swedish meat in its products bearing the Scan brand. To redeem the high expectations of consumers, Scan also continuously monitors the quality of the meat.

High-quality meat is based on good care of production animals. Scan's Swedish-sourced meat comes from farms where the cattle graze freely in summer and the pigs have sufficient room in their pens and straw to stimulate them.

RESPONSIBLE PRODUCTION CHAIN

At Scan, high quality and control cover the entire chain from production animal rearing through to ready products. The production chain is monitored through the company's own internal inspections as well as by means of certified quality systems audited by external parties.

The Scan brand ensures that the meat is 100% Swedish. Hormones have not been used in breeding, thus the meat does not contain residues from antibiotics or other drugs. Quality assurance is enhanced continuously.

FROM SWEDISH FARMS PRODUCT RANGE REPRESENTS SWEDISH CULINARY TRADITION

Scan has noticed that more and more consumers want to know where the food they buy comes from. At the same time they place higher requirements on farmers too. In Sweden, growing consumer interest at the moment is directed specifically at home-cooked food which is produced in Sweden and which represents Swedish culinary tradition.

Scan's From Swedish Farms (Välkommen hem till svenska gårdar) concept has been created to meet the growing demands of consumers interested in where their food comes from. The concept's processed meat recipes originate from Swedish farms and the concept's consumer-packed meat products can be traced back to the farm marked on the pack. The Gårdskött concept supports local employment and boosts consumers' confidence in Swedish meat production with an eye to the future too.

LOCAL TASTES AND CAREFULLY SELECTED FARMS

Products selected for the From Swedish Farms (Välkommen hem till svenska gårdar) product range include juniper berry-seasoned sausage, black pepper-seasoned meatballs and Småland fermented groat sausages. Inspiration for these new products emerged from Swedish tastes and they have been selected in collaboration with three farms, each of which have brought their own special features to the recipes. The new products were launched in the autumn of 2011.

The farms selected for the concept are looked after with particular care, and the animals are cared for and treated well too. Healthy animals produce better and tastier meat. The farms included are Bäck in Småland, Vedemö in East Gothland and Högstorp in West Gothland.

For the pilot launch Scan also selected Trolle Ljungby, a pig farm located near Kristanstad in Skåne, southern Sweden. Like all Scan's farms the animals at Trolle Ljungby are taken care of well. The animals are inspected regularly, there is close cooperation with a veterinarian, and considerable attention is paid to optimal feed for the animals and to the production facilities.

Trolle Ljungby's range includes a variety of pork meat products, such as picnic roast, chops, cleaned sirloin and bone-in rib. The farm's meat has been sold to approximately 30 neighbouring area ICA stores in Skåne, southern Sweden. It is therefore real local food.

BÄCK FARM IN SMÅLAND

The Bäck farm is located in the undulating and forested scenery of Småland. The farm's name – brook in English – derives from the brook murmuring behind the barn. Bäck is owned and farmed by Lena and Roland Johansson. They are actively involved in agriculture, focusing on forestry and breeding. The farm breeds Angus and Simmental cattle and has some 50 head of cattle as well as chickens. In addition, fodder for the animals is cultivated on the fields, junipers grow in the forest and the garden provides herbs and root vegetables.

VEDEMÖ FARM IN EAST GOTHLAND

Vedemö is a medium-sized farm located in a small village a few kilometres from Motala in East Gothland. Karin Olsson and her family have owned and farmed Vedemö for 11 generations. The farm has focused on breeding pigs and has nearly 2 200 animals at one time: 2 000 pigs, 200 sows and 30 sheep. The farm grows oats, wheat, barley and hay as fodder for the animals.

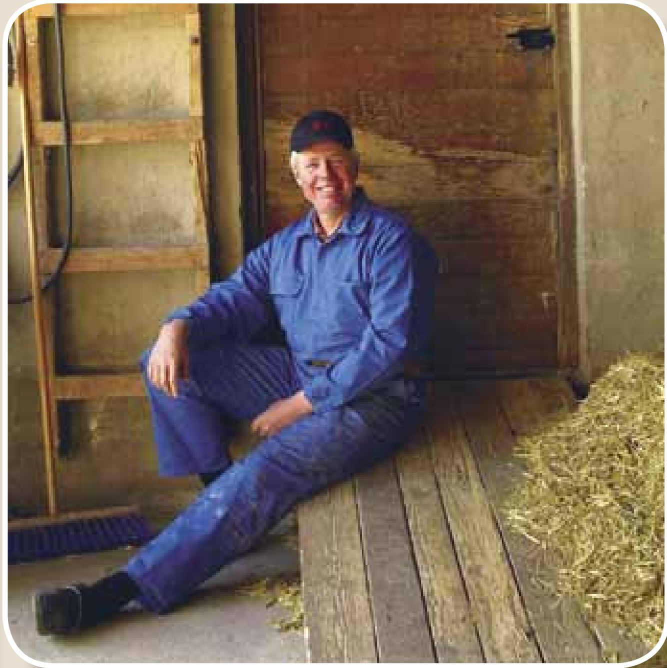
HÖGSTORP FARM IN WEST GOTHLAND

Högstorp is an old family farm already in the tenth generation. Today it is owned and farmed by Lars Haglund and his family. The farm is located in the beautiful flat region of West Gothland on the south side of Lake Vänern near Grästorp. The Högstorp farm has approximately 50 head of bull cattle as well as chickens and bees. Oats, barley, winter wheat and hay for animal feed are cultivated on the fields. The garden provides potatoes, onions and vegetables. The family grows a large proportion of their own food on their farm.

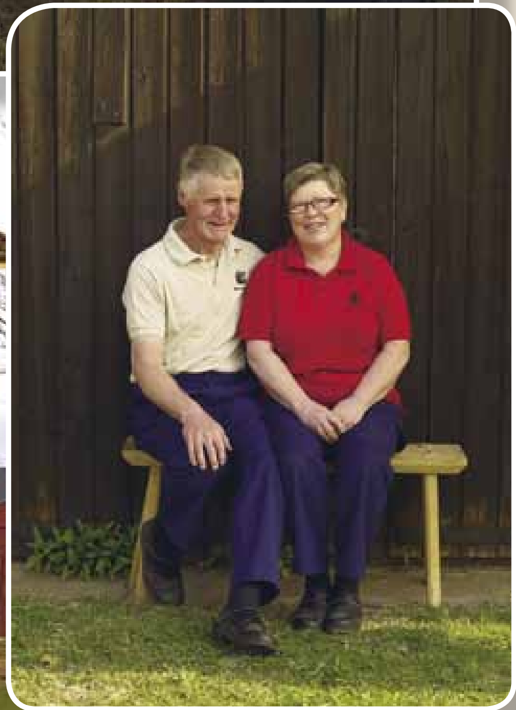
TROLLE LJUNGBY

Trolle Ljungby with its 12 500 hectares is one of the largest farms in Sweden. The farm mainly carries on traditional pig farming and it sells approximately 12 500 pigs per year. The day-to-day care of the pigs is the responsibility of three employees, and strong emphasis is placed on optimal nutrition as well as on good production conditions. In addition to pig farming, Trolle Ljunby has dairy cattle and is involved in crop cultivation.

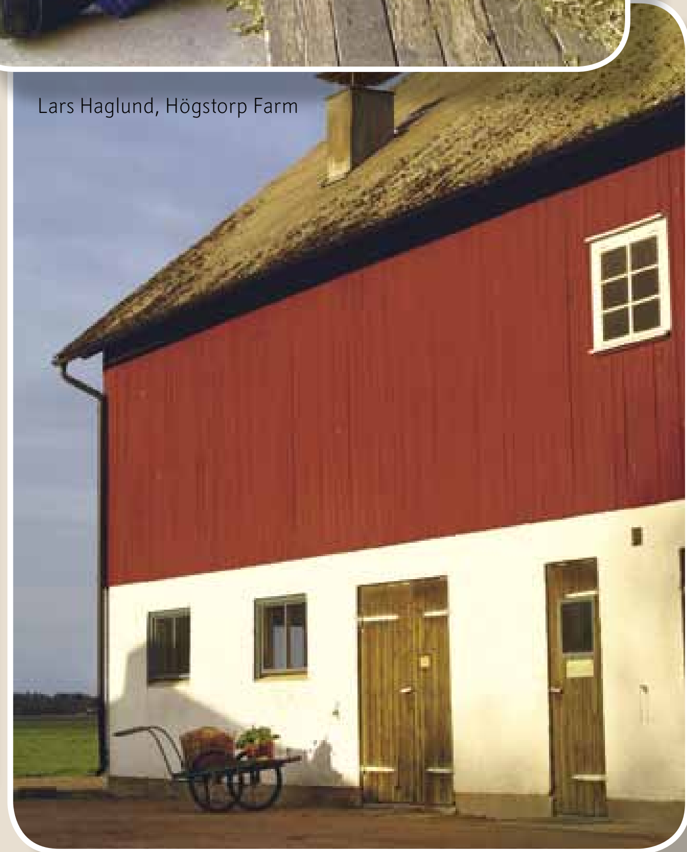
Trolle Ljungby, i.e. the farm originally known as Ljungby, has been in the ownership of the Trolle-Wachtmeister family since the beginning of the 19th century. The castle is among Skåne's most famous Renaissance buildings. The main building consists of two houses, which were later combined, and it is surrounded by an impressive moat. The oldest parts of the castle date back to the 16th century, but its current appereance originates from 1630 when, following a devastating fire, it was rebuilt and expanded. The castle's beautiful garden is one of the few Renaissance gardens in Sweden.



Lars Haglund, Högstorp Farm



Lena and Roland Johansson, Bäck Farm



Year of development ahead in Denmark

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.

ROSE

Denmark	2011	%	2010	%
Net sales, EUR million	228.1	8.9	21.8	1.0
EBIT, EUR million	-3.7	-7.6	-0,0	-0.0
EBIT margin, %	-1.6	-	0.0	-
Employees at 31.12.	844	10.7	969	12.0

The percentage indicates the Danish market area's share of the corresponding Group figure. Rose Poultry A/S has been merged with the HKScan Group since 29 November 2010.

The development programme in Rose Poultry A/S was advanced according to plan. The integration of Denmark's largest poultry company into the HKScan Group has gone smoothly.

The year 2011 was Rose Poultry's first full financial year as part of the HKScan Group. The company became part of the Group through an acquisition in November 2010, when it was purchased by HKScan. The sellers at the time were three Danish family companies.

Rose Poultry's strategic suitability for HKScan is excellent. Its well-known Rose-brand and strong market position as Denmark's largest poultry meat processor seamlessly complement HKScan's other international business.

As a result of the Rose Poultry acquisition, the HKScan Group became a leading player in the poultry meat sector in Northern Europe. It is now the clear market leader in Denmark, Finland and Estonia.

AIMING TO IMPROVE PROFITABILITY

Rose Poultry aims to further strengthen its position in Denmark, Sweden and the UK, which constitute its main markets. It also wants to increase its sales in the key export markets of the Middle East and South-East Asia.

The markets in the poultry sector are global and very competitive. A number of Rose Poultry's main products too – especially frozen broilers in various forms – are sensitive to international price fluctuations. This is why it is necessary to continuously ensure competitiveness.

To strengthen competitiveness, a development programme is underway in Rose Poultry through which the efficiency of the company's business operations will be enhanced. The programme seeks to achieve greater cost-effectiveness, and through this clearly higher profitability for HKScan in the Danish market area.

Implementation of the development programme continued in accordance with the plans made earlier. Operations were centralized and rendered more efficient by discontinuing slaughtering activities at the Padborg plant in the summer and transferring them to Rose Poultry's main facilities in Vinderup. At the same time, the efficiency of the slaughtering process at the Skovgaard plant was able to be enhanced.

PRODUCT DEVELOPMENT PAVES THE WAY

In Denmark and Sweden, the majority of the poultry products are sold as frozen products. Accordingly, Rose Poultry aims to gradually accustom Danish and Swedish consumers to using fresh poultry products, like consumers in Finland. This will enable a broadening range of products for consumers under the proprietary Rose brand as well as under private labels, and at the same time help the company to stand out from competitors operating with imported meat.

During 2011, commercially important new products from Rose Poultry included fresh minced broiler meat in Denmark and correspondingly in Sweden fresh corn-fed chicken. The new products were well received in both countries.

Rose Poultry's opportunities in developing the product range will expand even more in the future, as it will be able to utilize HScan's strong know-how in fresh products.

LOW-FAT CONTENT, SAFETY AND TRACEABILITY

Danish consumers are renowned throughout the world as aficionados of pork foods. Especially the younger generation, however, is increasingly preferring poultry meat.

Nutrition issues are the trend today, and poultry meat is considered a light, youthful option as a food raw material. It is easy to prepare from it modern meals seasoned in a variety of international ways too. The most popular poultry products at the moment are breast fillets.

Food safety and ethical considerations are topical and important issues in Denmark. Rose Poultry A/S has invested considerably in recent years in improving the health and welfare of production animals in every way, both in rearing facilities and during transport and in conjunction with abattoir processing.

An aspect closely linked to food safety is traceability. Rose Poultry has been a pioneer in developing the Danish KIK quality assurance system (Kvalitetssikring I Kyllingproduktion – Quality Assurance in Chicken Production), which is globally significant too. The KIK system collects all documentation about food safety, animal welfare and animal health. In practice, this means that the farmers, food suppliers, distributors and slaughterhouses are able to document their processes.

Thanks to the KIK system, Rose Poultry is able to trace the chicken from suppliers through the slaughterhouse. This is an important asset for the company in the international export market as well.

STRONG PRIMARY PRODUCTION CHAIN

Rose Poultry A/S is Denmark's largest poultry meat processing and marketing company. It has around 85 contract suppliers, who provided the company with more than 130 million kg of poultry meat in 2011. A large number of suppliers are family-managed farms, but there are also large breeders who operate under a company structure.

The majority of rearing facilities are located in Jutland with good transport connections to the Vinderup and Skovgaard production facilities, where the birds are slaughtered.

Around 10 of the company's contract suppliers are organic producers. Interest in organically produced broilers is continuously growing in Denmark, and Rose Poultry's organic broilers have been favourably received by consumers.

Transparency in Danish broiler production through KIK system

Rose Poultry represents safety of in all areas of broiler production. Quality is of paramount importance to the company and therefore Rose's broilers are tasty and succulent, regardless of the product consumers choose. Although very strict environmental and safety requirements have been set for the Danish food industry, Rose Poultry's own practices are in many cases even more stringent than these.

BEST QUALITY GRADE, SAFETY AND TRACEABILITY

The broiler industry must ensure for their products and their production a standard of quality which is also in line with the Danish authorities' requirements for food safety and animal welfare. These are also required by most of the major customers. The Danish Veterinary and Food Administration has based on regular random tests always given Rose Poultry the best quality class, which is proof of high safety in itself.

Rose wants to offer consumers healthy and safe food. Therefore, Rose works according to the KIK system (Kvalitetssikring I Kyllingproduktion - Chicken Production Quality Assurance), which is built on the "from farm to fork" principle. KIK is a complete quality and documentation system developed by the broiler industry. The system is based on the HACCP principles, and by using networks, training, documentation and various control measures food safety as well as animal health and welfare can be ensured and documented.

The KIK system covers the supply chain, including slaughtering; from this point the procedures at the production plants take over. These are covered by standards such as BRC and IFS.

Through the KIK data recording system Rose Poultry is able to document every stage of the process and trace the life cycle of the finished product right back to the producer. It also enables documentation of the life cycle of each broiler – not just back to their own egg stage, but to that of their grandparents too.

PRODUCTION CHAIN FROM FARM TO FORK

The following diagram explains the entire production chain from farm to fork, and it also shows who reports to KIK.

Reporting to the KIK system takes place chronologically. First, the hatchery enters traceability data on delivery terms, hatchery management, rearing and storage. Next, feed suppliers notify all data concerning feed procurement and specific production processes, for example cleaning and disinfecting of the production environment, veterinary medication and bacteriological and hygiene inspection reports.

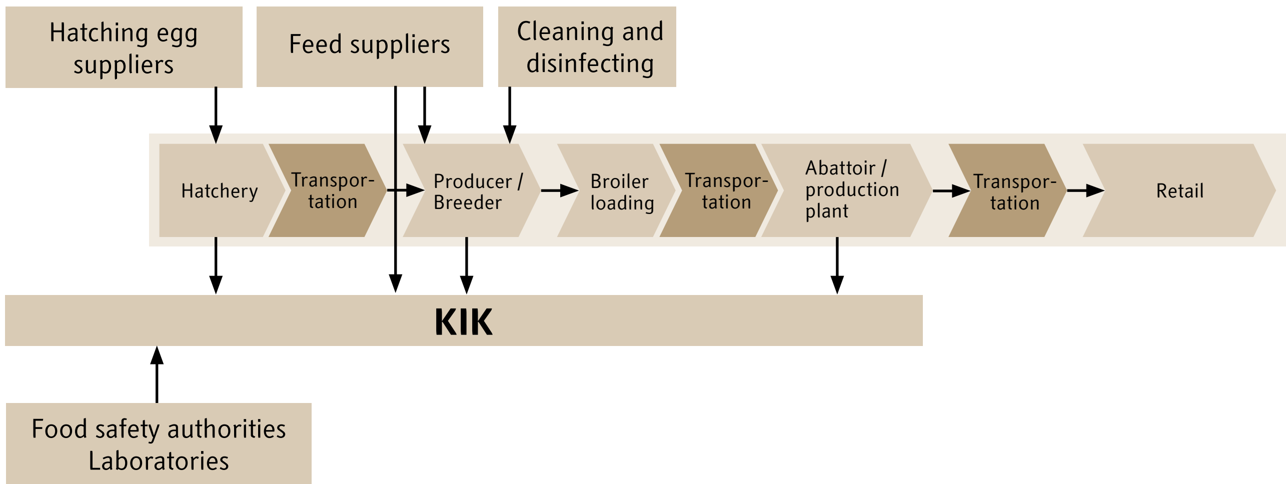
The broiler producer then provides a detailed record of the entire production process from start to slaughter. Finally, abattoir records data on catching, transportation and the slaughter process.

WORLD'S BEST DOCUMENTED BROILER

The KIK database contains all relevant information about Danish broiler production. It is a unique tool which enables the various stages of production to be documented in detail and diversely. The KIK programme is also a tool to improve procedures and animal welfare.

Thanks to the KIK system, Danish broilers have become the best documented in the world. All of Rose Poultry broiler producers participate in the KIK programme, and facilities in the system are audited annually. The effectiveness of the system is reflected also in that the Danish authorities use KIK as their reference system.

Chicken Production Quality Assurance in Denmark: KIK system



KIK'S BENEFITS TO ROSE POULTRY

- Essential data is collected on-line in the documentation and traceability system.
- Data on quality, food safety, animal welfare and health can be rapidly submitted to customers, consumers and the authorities.
- The various stages of the production chain can be analyzed to develop and optimize the processes, and also to adapt to changing market conditions.
- KIK is a part of the basis of the future of Danish broiler production.
- KIK creates opportunities for developing and maintaining good business relationships by providing the benefits of systematic documentation to Danish broiler product users.

KIK system is EN45011 certified, and leading retailers will accept KIK in line with the British ACP and the Dutch IKB.

Denmark (Rose Poultry A/S joined the responsibility scheme during 2011), Responsibility measures in 2011

Corporate responsibility aspects	Measures in 2011
Tasty, safe and healthy products	- The salt and fat content of products is already at a low level. Nyckelhål labelling (lower fat and sugar levels) in use on some products. - Reduction of additives in marinated products. - Organic and corn-fed chicken products included in the product range. - IFS and BRC product safety certificates in force.
Wellbeing of employees	- Occupational safety is an important focal area. Continuous training programmes for employees.
Qualified partners	- Responsibility criteria are taken into account when approving suppliers.
Shared value for business and society	- Participation in joint industry projects and local cooperation projects. - Support for choosing Danish broiler meat.
Animal wellbeing	- All broiler producers are part of the KIK quality assurance and traceability system which improves product safety, animal welfare and production conditions. Facilities belonging to the KIK system are audited by an independent party as agreed.
Environment	- Energy and water consumption has decreased and efficiency improved, mainly due to discontinuation of slaughtering operations at the Padborg facility. Waste is used as fuel in the power plants or recycled. - Carbon dioxide emissions have decreased each year. The results of the poultry carbon footprint survey will be published in 2012.

Year of positive development in the Baltic markets

HKScan's market area of the Baltics comprises Estonia, Latvia and Lithuania. The Group consists of Rakvere Lihakombinaat, the largest meat-sector company in the Baltics, along with pork producer Ekseko and Tallegg, the largest producer of poultry and eggs in Estonia. The Group further comprises Rigas Miesnieks and Jelgavas Galas Kombinats in Latvia and Klaipedos Maisto Mesos Produktai in Lithuania.

Estonia:

Latvia:

Lithuania:

Baltics	2011	%	2010	%
Net sales, EUR million	173.3	7.0	160.4	7.4
EBIT, EUR million	9.8	24.7	8.7	15.6
EBIT margin, %	5.6		5.4	
Employees at 31.12.	1 803	22.9	1 945	24.1

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

The year 2011 was favourable, as expected, for HKScan's Baltic Group. Market position was strengthened especially in Estonia and Latvia.

The economic operational environment in the Baltics appeared to be on a gradual rebound from the recession of the previous year. Evidence for this effect came from the slight increase in meat product demand in the early part of the year, coinciding with a dip in the high unemployment rate.

This trend took a downturn in the latter half of the year due to the euro crisis and consumer uncertainty. The rate of inflation picked up, however, resulting in higher prices for meat raw materials as well as for other production inputs, especially energy. Upward cost pressure was also experienced in labour costs.

Despite these challenges, HKScan's Baltic Group adapted its operations admirably to the prevailing market situation. It sought to grow its net sales and boost its EBIT. Full-year EBIT margin for 2011 in the Baltics rose to 5.6% and thus exceeded the Group's long-term target of 5% of net sales.

KEYS TO SUCCESS

Rakvere Lihakombinaat and its subsidiaries as well as Tallegg built their operations on multiple footings in the year under review. The companies firstly focused on maintaining operational quality and continuity, an important consideration for any market leader. Secondly, the companies observed the strict cost discipline that provides the ability to react to changing expenditure in a challenging economic operational environment.

The third key footing came from the successful product offering. The Baltic Group can offer a selection of products which meet the gastronomic wishes and expectations of consumers at the right price.

Economic uncertainty, unemployment and rising food prices were reflected in consumer buying behaviour as the year progressed. Since more food was cooked at home, the use for simple, basic ingredients increased.

Product range development is indeed one of the key strengths of HKScan's Baltic Group.

Products in synch with the times kept the sales of both Rakvere and Tallegg healthy throughout the year, also during high seasons. Oven-ready meats and roasts were popular in the winter season, products for grilling in the summer. High seasons are also a prime time for new product launches, in which sector the Baltic Group successfully captured the interest of consumers.

POULTRY PRODUCTS POPULAR

Demand for poultry products is climbing in the Baltics. Latvia and Lithuania lead the way, yet consumption increased in Estonia as well. Conversely, the consumption of both pork and beef, both of which are perceived as more expensive, has fallen somewhat due to the economy and the erosion of consumer purchasing power.

In order to meet the increased demand for poultry meat, Estonia's largest poultry meat producer Tallegg redesigned both its production processes and production lines. These allowed Tallegg to further grow its market share. Significant advances were made especially in ground broiler meat.

Rakvere also increased its production of ground meat products and introduced a number of well-received new products. The investment made in production line efficiency will in future enhance Rakvere's potential for marketing ground meat products throughout the Baltics and for offering new taste experiences. Rakvere also successfully augmented its ham range.

Consumer expectations regarding the quality and healthiness of meat products are on the rise in all the Baltic countries. The trend is clear. Yet to date it appears to have little influence in real-life buying situations, where the emphasis for consumers remains on price awareness. Campaigns and special offers also influence decision-making.

YEAR OF BIG CHANGES IN LATVIA

Remarkable developments were also seen in Latvia, where the merger of the recently acquired company AS Jelgavas Galas Kombinats with AS Rigas Miesnieks proceeded according to plan. The integration of production departments completed in the early part of the year delivered considerable cost savings and increased efficiency.

The acquisition gave Rigas Miesnieks access to modern production capacity, which allowed the old and somewhat impractical production facility in downtown Riga to be closed. All of the products marketed by the HKScan Group in Latvia are now expertly and cost-effectively produced by Jelgava, and by Rakvere in Estonia. The product distribution warehouse and the company's head office with its administrative departments remain in Riga.

AS Rigas Miesnieks currently holds a market share of slightly over 30%, which makes it Latvia's leading meat sector company. Its main brands, Rigas Miesnieks and Jelgava, are renowned and respected throughout the nation. The poultry product brand Kika, newly launched on the market, was also extremely well received by Latvian consumers.

Sales grew strongly in Lithuania as well, where growth was fuelled by successful new products and a focus on customer relationship development. The Klaipedos Maistas brand of the HKScan Group further solidified its standing in the Lithuanian market.

Baltics (AS Rakvere Lihakombinaat and AS Tallegg), Responsibility objectives and measures in 2011

Corporate responsibility aspects	Objectives for 2011	Measures in 2011
Tasty, safe and healthy products	- Criteria for product healthiness to be drawn up. - Aim is to reduce salt content of products: Tallegg by approx. 1%; Rakvere by approx. 3%. - Nutrition research and communication to be developed in cooperation with industry research institutes.	- Criteria for product healthiness: Reduction of salt and fat content and keeping the amount of additives to a minimum. - Reduction of salt and additives in a significant number of products. - Inclusion of GDA (Guided Daily Amount) and allergen information on products continued.
Wellbeing of employees	- Enhancement of performance reviews and employee training.	- Expansion of the use of performance reviews. - Personnel training.
Qualified partners	- Joint sourcing criteria.	- Joint sourcing criteria, which include responsibility criteria.
Shared value for business and society	- Support for local events and families will continue. - Investments in local production.	- Support for local cultural and sports events and for Estonian children and families. - Support for the Estonian Good Food Festival and participation in the domestic food campaign in Estonia. - A new broiler hen breeding facility in Anija, Estonia, and modernization of the Jelgava plant in Latvia.
Animal wellbeing	- New animal welfare guidelines are in use. Particular attention is given to controlling animal diseases.	- Guidelines that take into account animal welfare are in use at the farms. - Refurbishment of broiler loading area at the abattoir at Tallegg will improve animal welfare.
Environment	- Tallegg's new wastewater management system will be completed and will reduce water consumption. - Rakvere will continue measures to improve energy efficiency.	- The investments at Tallegg and Rakvere have reduced emissions in 2011. At Tallegg, water consumption has decreased by 15 000 m^3 compared with 2010. Significant improvements have been made in waste treatment at Rakvere.

Revival of old production animal farms revitalize Estonia's rural areas

Estonia has a considerable number of abandoned former production animal farms, which in former times produced meat and milk for the huge Soviet market. HKScan's subsidiaries in Estonia have for years been reviving these farms, thus improving Estonian pork and poultry production.

Many Estonian farms have passed from one owner to another, but have since been allowed to deteriorate and fall into disrepair. At the same time, many local residents who previously worked in animal and poultry production lost their livelihood too. HKScan's Estonian subsidiaries, Rakvere Lihakombinaat and Tallegg, have rebuilt and put back into production use a number of old farms.

HKScan's strength in the Estonian market is based specifically on the use of local raw materials, an integrated production chain and quality control.

The production facilities of HKScan's Estonian subsidiaries, Rakvere Lihakombinaat and Tallegg, have in place a product safety management system certified to the ISO 22000 standard. Ekseko's pork production in Estonia has been awarded an ISO 9001 quality certificate and an ISO 14001 environmental management certificate.

ENVIRONMENTAL IMPACTS ASSESSED THOROUGHLY

A thorough environmental assessment is always carried out before reopening animal facilities. Local residents can still remember the undesirable environmental impacts caused by the animal production facilities some twenty years ago. For this reason, environmental assessments are always necessary. Nevertheless, providing local residents with information is important too. Help in this is provided by the decision-making bodies of the local municipality, which support development of enterprise in their own district.

All of the reconstructed production facilities are equipped with modern technology, and considerable attention is paid to animal welfare. The welfare of production animals is extremely important to Estonia also because the country exports meat and meat products to other EU countries as well.

During the past two years, two pig farms and two broiler facilities have been rebuilt and opened in Estonia. Rakvere Lihakombinaat manages and coordinates the pig farms. The broiler facilities are the responsibility of Estonia's largest poultry and egg producer, AS Tallegg, which is HKScan's other Estonian subsidiary.

"BIRD-SCREEN" AT INAUGURATION OF PÄÄSUSILMA

The inaugurations of animal facilities have been rather festive events including as participants the local mayor and frequently also Estonia's Minister of Agriculture. The Pääsusilma facility, which is the most modern broiler breeder-hen facility in the Baltics, was opened in July 2011. To avoid disturbing the birds and the risk of animal disease, a direct TV image from inside the facility was broadcast for the duration of the inauguration to the opening ceremony held outside the building. The participants were able to watch the birds scratching and listen to their cheerful clucking in real time on the large screen.

The new farm houses 13 500 birds, and with this number the aim is to guarantee the production of hatching eggs to increase Estonian broiler production by nearly two million birds annually.

Pääsusilma is Tallegg's fourth hatching egg producing facility. Tallegg considers that it is extremely important to produce hatching eggs required for broiler production on its own farms, as this reduces the risk of bringing animal diseases into the country. Until now, hatching eggs have been imported to Estonia from various parts of Europe.

In 2012, the Kaarma broiler facility located close to Rakvere will be rebuilt. The volume of poultry meat produced is still relatively low in Estonia, however – domestic production covers just over half the market's need. There is therefore room for growth.

SÄKNA PIG FARM ONE OF ESTONIA'S MOST MODERN

At the end of last year AS Ekseko, which supplies pigs to Rakvere Lihakombinaat, opened in Põlvamaa, Mooste the renovated Säkna pig farm. One of Estonia's most modern, this pig farm can house up to 4000 meat pigs and it raises 12 800 pigs to slaughter weight each year.

The journey of fresh, high-quality Estonian pork to the plates of consumers requires careful planning of the entire production chain, as is the case elsewhere in HKScan's market areas. The production building at the Säkna farm meets all the modern requirements for raising pigs and is equipped with modern technology for feeding, adjusting ventilation and handling manure.

A period of about 3.5 months is an important period in piglet rearing in terms of feeding and living environment. The liquid feed used at the Säkna farm is well suited for feeding piglets and it also enables grain produced by local farmers and whey obtained as a by-product of the dairy industry to be used.

EVE SAMULI HEADS TALLEGG'S BROILER PRODUCTION DEPARTMENT

Eve Samuli graduated in 1993 from the then Estonian Academy of Agriculture in animal husbandry and went to work as a technologist at Tallegg's feed mill. At the time, Tallegg still purchased its poultry feed from the feed combine located in Keila. Samuli's primary task was to improve the quality of the feed. Tallegg opened its own feed mill a year later and Samuli worked there for a number of years as the chief veterinary technician. Currently, she is head of the broiler production department. The department features a broiler rearing establishment, a rearing establishment for young birds, hatching egg production and a hatchery.

Samuli familiarized herself with poultry production already as a student during periods of practical training. Even then, poultry rearing seemed to be a rapidly developing and changing sector, and therefore one of the most exciting areas in livestock production. It is precisely because of continuous changes that Samuli finds the work meaningful and interesting.

MARE SIIMAN, HEAD OF THE METSA FACILITY, LIKES CHALLENGES

Mare Siiman has lived in Põlva for almost 30 years and has headed the animal facilities throughout the entire period. As head of AS Ekseko Metsa's pig farm, Siiman has seen life both on collective farms and in private companies in an Estonia which had regained its independence. AS Ekseko purchased the Metsa facility in 2009. A couple of years later, the pig farm was thoroughly renovated and its equipment modernized. Thanks to this, there is more time to look after the animals and therefore productivity has improved substantially. Mare Siiman enjoys the continuous challenges in the work and finding ways to tackling them.

Mare Siiman, head of the Metsa facility.

Eve Samuli, head of Tallegg's broiler production department.

Growth evident in Poland

HKScan's business in the market area of Poland is carried out by Sokolów S.A. It is one of the leading companies in the meat sector in Poland and holds some of the nation's best-known brands. Sokolów is also the only Polish meat industry company with a nationwide distribution network. Sokolów differs from the other business segments in the HKScan Group in that it is a joint venture between HKScan and Danish Crown.

Poland	2011	%	2010	%
Net sales, EUR million	298.9	11.7	279.3	12.8
EBIT, EUR million	12.7	26.4	15.5	28.1
EBIT margin, %	4.2		5.6	
Employees at 31.12.	6 175	-	6 145	-

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.

Business continued to see strong development in Poland throughout 2011 and performed well despite a challenging market.

The net sales recorded to the HKScan Group in Poland increased by nearly EUR 20 million on the previous year. EBIT falling nearly EUR 3 million short of the figure a year ago indicates the challenging nature of the business environment.

Business in the market area of Poland developed as anticipated in 2011. Except for the somewhat lacklustre second quarter, Sokolów delivered consistently strong performance and by the final quarter of the year, the company was already close to achieving the Group's EBIT target of 5%.

Sales increased in both modern and traditional retail chains, with a higher rate of growth seen on the modern side. Sales were boosted by extensive marketing campaigns and, e.g. good barbecue product sales. The company posted its best monthly sales figures ever in December.

Sokolów's traditional sales channel consists of 42 proprietary distribution centres in major Polish cities, 49 proprietary stores and 670 Sokolów-branded sales outlets across the country. Alongside the traditional channel is the increasingly important modern sales channel: supermarkets and hypermarkets as well as budget outlets. Sokolów supplies all the major retail chains.

PRODUCTION VOLUME ON THE RISE

Growth was also evident in production. The production and sales of ready-sliced products in particular increased markedly. Considerable gains were also seen in the production of high-quality ham frankfurters with a high meat content. The skinless Sokolik frankfurters launched during the course of the year and aimed at children were well received. Another success story were the new, air-cured thin Kabanos dry sausages which are only 8 mm in diameter.

Growth helped Sokolów to partly compensate for the intense rise in raw material costs in Poland.

The year in general was demanding in the meat sector. The costs of pork production outstripped the rise in producer prices, causing many primary producers to discontinue production due to unprofitability. The high purchase prices were problematic for the industry. Passing higher costs onto sales prices proved to be a challenge and this weakened the profitability of pork also at Sokolów.

Small and medium-sized enterprises specialising in slaughtering and cutting suffered the most from the situation. As a large and diversified enterprise, Sokolów fared better and was able to boost its market shares despite a slight decline in pork consumption.

EVOLVING BUSINESS ENVIRONMENT

The Polish national economy continued to grow, albeit at a slightly slower rate than in the previous year. Largely driven by consumer demand, GDP growth in 2011 amounted to 4.3%, one of the highest figures in the European Union. The rate of inflation also climbed, on the other hand, resulting in raw materials and energy in particular becoming more expensive. From just over 2% in summer 2010, the rate of inflation in Poland climbed to 4.8% recorded at the end of 2011.

At the same time, the purchase decisions and food choices of consumers are influenced by rising unemployment and greater wage inequality as well as increasing disparity between urban and rural areas. These trends require vigilance in HKScan's Polish business as well as the ability to seize upon the opportunities presented by changing demand.

TECHNOLOGICAL ADVANCES

Sokolów has seven production facilities across Poland. The company is preparing for the future through regular investment in its facilities.

One such undertaking slated for the near future concerns modernization of the production facility located in Sokolów Podlask, where in the year under review construction was ongoing on a new processed meat factory for sliced products that will bring Sokolów's annual cold cuts production volume to 36 million kg.

At the Tarnów facility, work was underway on the installation of a new beef slaughtering line. This was an important investment, as it will allow Sokolów to ensure its position as the leading processor of beef in Poland.

POLAND SOKOLÓW CORPORATE RESPONSIBILITY 2011

In 2011, particular attention was paid at Sokolów to the healthiness and safety of products and to quality management. In addition to ISO 9001 and HACCP, product safety at all production facilities is certified to either IFS or BRC or both. The provision of training to employees in product safety and environmental matters was continued.

Measures to improve waste management and reduce energy consumption were taken in production. Animal welfare and its effect on meat quality are catered for in primary production. Production conditions at farms are always inspected before production contracts are approved.

Sokolów continues to sponsor both national and local cultural and sports events.

Report of the Board of Directors for the financial year ending 31 December 2011

• In 2011, HKScan Group's net sales rose to EUR 2 491.3 million (EUR 2 113.9 million): up by 17.9%.

• EBIT came in at EUR 39.6 million (EUR 48.0 m).

• The protracted challenges in the pork business began to ease towards the end of the year, and the situation is stabilizing, especially in the market area of Finland.

• There here have been no significant changes in market position in any of the Group's market areas during the year. The market position continued to strengthen in Finland, however.

• Net financial expenses were EUR -30.9 million (EUR -13.8 m); the rise compared with the previous year was considerable. Higher loan margins were the main reason for the rise.

• The Board proposes to the Annual General Meeting to be held on 25 April 2012 that a dividend of 0.17 euro (total approximately EUR 9.3 million) per share be paid for the financial year 2011.

• Guidance for 2012: EBIT is estimated to be better than in 2011.

Earnings development and financial standing

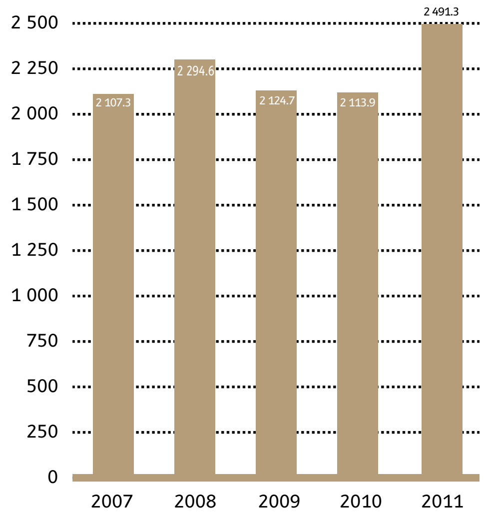
DEVELOPMENT OF NET SALES

The HKScan Group's net sales net sales amounted to EUR 2 491.3 million (EUR 2 113.9 million in 2010): up by 17.9%. Net sales grew in all the market areas of the Group.

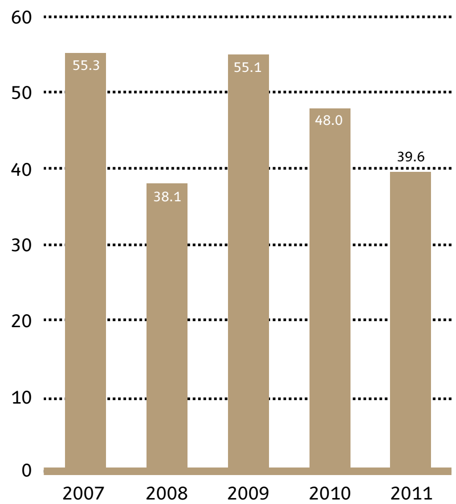
HKScan's market position is strong in all the company's market areas and there have not been any significant changes in it. Meat consumption has increased in all the Group's market areas. The problems in the global economy have only a minimal impact on consumer demand for HKScan's products, as the Group's comprehensive product portfolio offers options for the diverse needs of different consumers groups.

In Finland, the year 2011 was good commercially. The most significant launch was HK Rapeseed pork, which turned out to be a success. In Sweden, development in net sales was affected by the

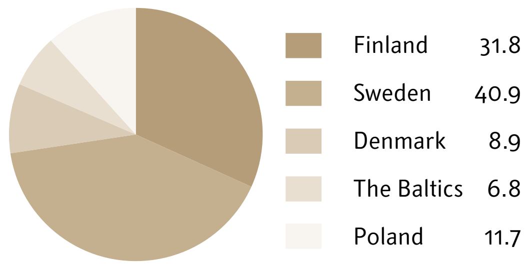
Net sales 2007–2011 (EUR million)



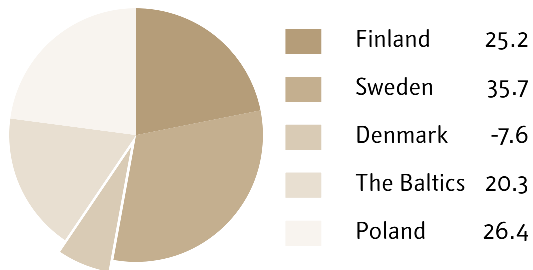
EBIT 2007–2011 (EUR million)



Breakdown of net sales by market area in 2011 (%) EUR 2 491.3 million



Breakdown of EBIT by market area in 2011 (%) EUR 39.6 million



Net sales and EBIT by segment
Q4 and the entire year (EUR million)

	Q4/2011	Q4/2010	2011	2010
NET SALES				
- Finland	217.6	198.2	812.4	718.5
- Sweden	275.6	275.0	1 045.7	997.1
- Denmark	54.3	21.8	228.1	21.8
- Baltics	44.9	42.0	173.3	160.4
- Poland	73.9	72.6	298.9	279.3
- Between segments	-16.4	-14.0	-67.1	-63.3
Group total	649.8	595.7	2 491.3	2 113.9
EBIT				
- Finland	7.2	4.7	12.1	10.7
- Sweden	7.4	8.0	17.2	20.4
- Denmark	-1.3	0.0	-3.7	0.0
- Baltics	2.8	1.8	9.8	8.7
- Poland	3.5	3.0	12.7	15.5
- Between segments	0.0	0.0	0.0	0.0
Segments total	19.6	17.5	48.0	55.3
Group administration costs	-2.0	-1.8	-8.4	*) -7.2
Group total	17.6	15.7	39.6	48.0

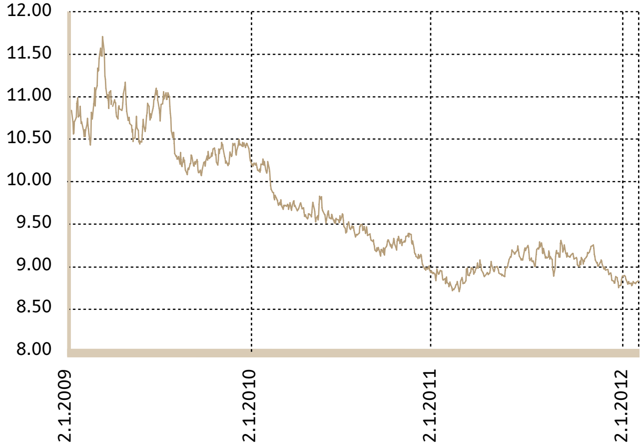
*) Includes EUR 0.9 million in soil decontamination expenses on sold land recognized in Q2.

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

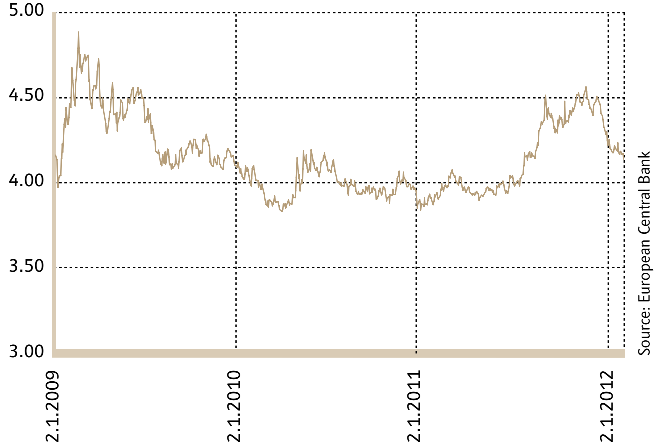
halt in the growth of consumer staples and the strong growth in the share of private label brands during the year. Imports of meat have increased significantly, partially due to currency rates favorable for importers. In addition there is a lack of Swedish raw material and its price is high. In Denmark, the operations mainly focused on business resctructuring in 2011. In the Baltics and Poland strong development of the business continued throughout the year.

Breakdown of Group net sales by market area in 2011: Finland 31.8% (33.0%), Sweden 40.9% (45.8%), Denmark 8.9% (1.0%), the Baltics 6.8% (7.4%) and Poland 11.7 % (12.8 %). The comparison figures include Rose Poultry A/S (Denmark) only as of 29 November 2011 when the company was consolidated into the Group.

Euro/Swedish krona (EUR/SEK)



Euro/Polish zloty (EUR/PLN)



FINANCIAL PERFORMANCE

Group EBIT in 2011 was EUR 39.6 million (EUR 48.0 m).

EBIT in the last quarter of 2011 recovered after the poor trend at the beginning of the year. The quarter went as expected, and in terms of performance, was the year's best.

In Finland, sales price increases implemented at the end of the year and cuts in costs, for their part, returned the profitability of the business to a better level. In Sweden, implementation of the efficiency programme gave rise to substantial exceptional costs. The weak development in the business during 2011 in Denmark was attributable to the low level of sales prices, especially for chicken leg quarters, in the EU markets and the Middle East. At the same time costs increased at the beginning of the year, mainly due to high raw material prices. In the Baltics, profitability developed according to targets. In Poland, transferring price increases to consumers has posed a challenge, which has weakened the profitability of pork.

With regards to the HKScan Group's long-term target of 5.0% EBIT, the business was most successful in the market areas of the Baltics (6.2%) and Poland (4.7 %).

Breakdown of Group EBIT by market area in 2011 was Finland 25.2% (19.4%), Sweden 35.7% (36.9%), Denmark -7.6% (-%), the Baltics 20.3% (15.6 %) and Poland 26.4% (28.1%).

EFFECT ON CURRENCY EXCHANGE RATES

With respect to the Group's main currencies, the Swedish krona fluctuated during the year, but finished at the level at the end of 2010. The Polish zloty weakened by over 10 percent. Changes in the rate of the Danish krone were minimal, as the krone is tied to the euro with a certain fluctuation margin.

Fluctuations in currency exchange rates become visible upon the consolidation of the figures of foreign business segments. At the closing date, half of the equities of foreign subsidiaries on average had been hedged. As Estonia adopted the euro in January 2011, EEK-denominated equity hedges ended.

Relevant events in the financial year

MARKET AREA FINLAND

In Finland, net sales rose to EUR 812.4 million (EUR 718.5 m). Järvi-Suomen Portti Oy's merger with the Group at the beginning of 2011 accounted for approximately half of this growth. EBIT came in at EUR 12.1 million, (EUR 10.7 m).

The profitability of the business in Finland improved in the last quarter. The protracted difficulties in the pork business stabilized towards the end of the year. Surplus pork stocks were offloaded onto the market profitably. The implemented price increases together with more efficient production management, rectified the situation towards the end of the year.

Rapeseed pork, launched in February, has proved to be a success in the market. Boosted by the strong demand in rapeseed pork products, the total consumption of pork in Finland grew by some 5 percent annually (Source: TNS Gallup, Meat Barometer). The market position strengthened in poultry, fresh meat and cold cuts.

The year 2011 was good commercially. The Group succeeded in the summer barbeque season. Performance at the end of the year was also successful, especially in Christmas sales, thanks to Rapeseed Christmas pork. The market position strengthened in Finland.

HKScan Finland Oy's subsidiary Järvi-Suomen Portti Oy began operations at the beginning of 2011. During the summer an efficiency programme was announced which would increase production efficiency and improve capacity utilization at the plant in Mikkeli between 2011 and 2012. To eliminate overlaps with HKScan Finland's other operations, the transfer of logistics operations in Mikkeli to Vantaa was started.

MARKET AREA SWEDEN

In Sweden, Scan AB's net sales in 2011 amounted to EUR 1 045.7 million (EUR 997.1 m). Net sales in krona remained on the same level as the previous year. EBIT in 2011 came in at EUR 17.2 million (EUR 20.4 m). When considering the comparison year, EUR 7.9 in million non-recurring gains realized in 2010 must be taken into account. Implementation of the efficiency programme in 2010 gave rise to substantial exceptional costs as well.

Development in net sales was affected by the halt in the growth of consumer staples in Sweden and the strong growth in the share of private label brands during the year. In addition, the Christmas season in 2011 was quieter than expected.

Production volumes of pork have decreased further in Sweden. Imports cover over 35 percent of consumption. Imports of beef already account for over 50 percent of consumption. Scarcity in the supply of Swedish beef and pork places pressure on local raw material purchase prices, which rose considerably at the end of the year.

In the autumn, it was announced that a new Hansa brand range of products would be launched on the market as an alternative to private brands. Meat primarily from other units of the HKScan Group outside Sweden are used in Hansa-products, taking into account the Group's balance meat sheet, price level and exchange rates.

At the end of the year, Scan AB's subsidiary Annerstedt Flodins AB launched the origin-labelled Chosen by Farmers concept for the consumer-packed meat category. High-quality beef and lamb comes from selected beef cattle breeders mainly from Uruguay, Australia and New Zealand. Chosen by Farmers has awakened trade and consumer interest in Sweden.

Early in 2012, Scan AB is bringing Swedish rapeseed pork (Svensk Rapsgris) to restaurant customers. The concept is expanding to include the retail trade during summer 2012. During the pilot phase, the concept evoked significant interest within primary production too. The aim is to achieve an upturn in the primary production of pork, which for many years has been declining.

MARKET AREA DENMARK

In Denmark, Rose Poultry's net sales in 2011 were EUR 228.1 million (EUR 21.8 m) and EBIT stood at EUR -3.7 million (EUR -0.0 m). When considering the figures, it should be taken into account that the company has been consolidated into the HKScan Group since 29 November 2010.

The weak development in the business during 2011 was attributable to the low level of sales prices, especially for chicken leg quarters, in the EU markets and the Middle East. At the same time costs increased at the beginning of the year, mainly due to high raw material prices.

The poor profitability during the last quarter was attributable, among other things, to the clearing of export stocks of chicken leg quarters. The Malaysian export market, which re-opened at the end of the year, will improve export volumes and profitability. The ongoing business development programme in the company is advancing according to plan, although it also resulted in additional expenditure in the second half of 2011.

Rose Poultry's development and centralization activities continued at the Vinderup and Skovsgaard production facilities. Discontinuation of slaughtering at the Padborg facility during the second quarter decreased the company's workforce by 50.

In line with its strategy, Rose Poultry will focus increasingly in the future on fresh poultry products, particularly in the Danish and Swedish markets. During 2012 it will launch a range of new products on these markets.

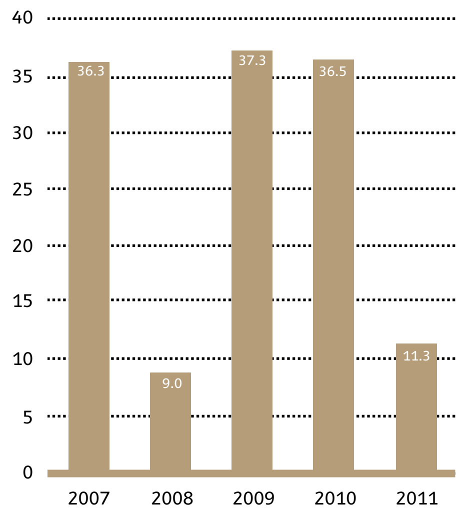
MARKET AREA THE BALTICS

In the market area of the Baltics, net sales in 2011 came to EUR 173.3 million (EUR 160.4 m) and EBIT to EUR 9.8 million (EUR 8.7 m).

High raw material prices and increased energy costs made the year challenging. Inflation throughout the Baltic countries increased food prices, which in turn affected consumption. During the second half of year, in particular, consumer behaviour became clearly more uncertain. HKScan's Baltic units have nevertheless adapted to the prevailing market situation well and maintained strong profitability in line with targets. Success has been achieved with the right product range and active cost discipline. Sales in the entire Baltic region grew. The highest growth in net sales was in Lithuania.

Sales of Rakvere Lihakombinaat's and especially of Tallegg's seasonal products succeeded well. Tallegg has developed its products and modernized its production processes and lines to meet growing demand. In Latvia, the reorganization of production was completed as planned in late May. In Lithuania, the new, successful

Profit before tax 2007–2011 (EUR million)



products and development of customer relationships contributed to growth.

MARKET AREA POLAND

In Poland, Sokolów's net sales were up on the previous year. The share recognized for the HKScan Group (50%) amounted to EUR 298.9 million (EUR 279.3 m). EBIT came in at EUR 12.7 million (EUR 15.5 m). December sales reached an all-time record.

Sokolów's sales improved as planned, both in modern and in traditional retail chains. Costs continued to rise in pork production in Poland. Transferring price increases to consumers has posed a challenge, which has weakened the profitability of pork.

The year 2011 was overall challenging in the Polish meat sector. The most seriously affected were small and medium-sized companies specializing in slaughtering and cutting. Large and diverse companies such as Sokolów have coped with the situation better. The most significant investment in Poland involved improvement of processed meat production.

INVESTMENTS

The Group's production-related gross investments in 2011 totalled EUR 61.0 million (EUR 70.7 m). Breakdown of investments by market areas was as follows:

(EUR million)	2011	2010
Finland	17.3	20.2
Sweden	8.9	27.5
Denmark	7.8	0.7 [2]
Baltics	12.4	14.5
Poland 1)	14.5	7.8

[1] HKScan's share (50%) of Sokolów investments.
[2] Rose Poultry 29 November–31 December 2010.

In Finland, the most important investments were the expansion of the beef slaughterhouse at Outokumpu. In addition, the cooling capacity of the carcass cold storage facility was increased in Forssa. In Sweden, the main investments were development of the processes at the Kristianstad and Linköping units. In Denmark, the investments involved development of Rose Poultry's production processes. In the Baltics, the main investments continued to involve the modernizations carried out on the production lines at Rakvere to secure manufacturing capacity and the programme for restructuring production at Tallegg. In Poland, the most important projects were improvement of the Sokolów Podlaski production facility and the beef slaughtering line at the Tarnów plant.

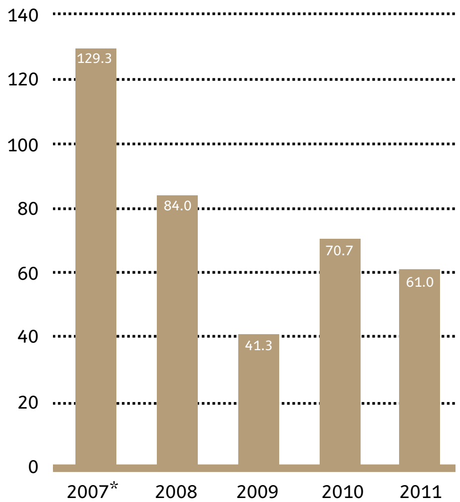
FINANCING

The Group's interest-bearing debt at year-end stood at EUR 504.2 million (EUR 514.2 m). Debt decreased only slightly compared with the previous year, although the amount was for most of the year clearly higher than in the comparison year due to the Rose Poultry acquisition executed in November 2010.

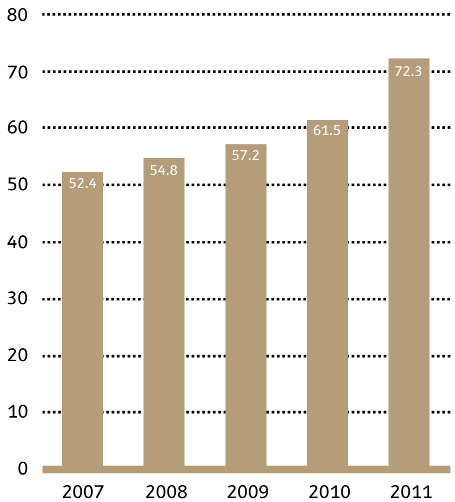
Net financial expenses rose considerably compared with the pre-

Gross investments 2007–2011
(EUR million)

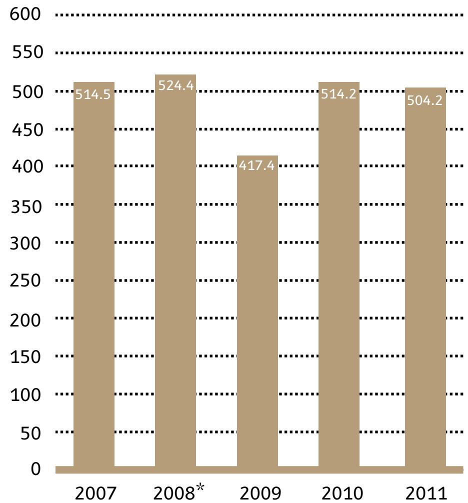
* Exclusive of enterprise value on Scan AB acquisition



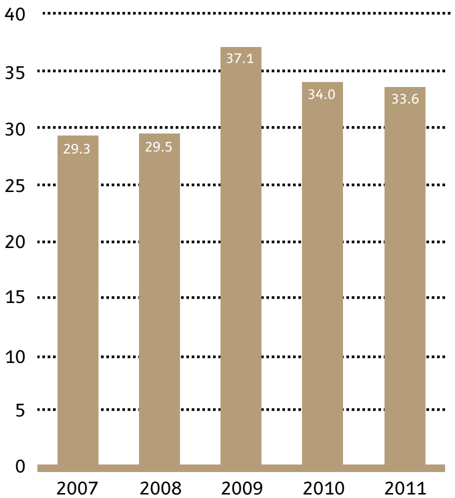
Depreciation 2007–2011
(EUR million)



Interest-bearing liabilities 2007–2011
(EUR million) * Exclusive of the capital loan



Equity ratio 2007–2011 (%)



vious year, and totalled EUR 30.9 million (EUR -13.8 m). The main reasons for the increase were higher margins on loans, growth in loans arising from the Rose Poultry acquisition, interest rate derivative costs and higher rates.

The Group's liquidity has been good throughout the financial year. Untapped committed credit facilities at 31 December 2011 stood at EUR 204 million (EUR 203 m). In addition, the Group had other untapped overdraft and other facilities of EUR 26 million (EUR 34 m). In November 2011, the company increased the size of its commercial paper programme from EUR 100 million to EUR 200 million. At the turn of the year, the commercial paper programme had been drawn in the amount of EUR 109.3 million (EUR 37 m).

A large proportion of the company's loans mature in 2013–2014. The company has started negotiations on refinancing. The debt crisis of euro zone countries, the euro crisis, and at the same time stricter capital requirements for banks increase the risk of a rise in financial costs. The company's current loan agreements are subject to ordinary terms relating to 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 33.6 percent (34.0%).

TAXES

The Group's taxes during 2011 were EUR 1 million (EUR -5.7 m). The effective tax rate was positive (-15.6 %). This was the result of a number of factors. Tax losses are recognized in deferred tax assets using local tax rates. In the Baltic operations, advantage was taken of Estonia's zero tax rate as, so far, the company has not planned on distributing profits from the Baltics.

CHANGES IN THE BOARD OF DIRECTORS

The composition of the company's Board of Directors changed on 4 February 2011 when the convened Extraordinary General Meeting of Shareholders elected as new members of the Board Juha Kylämäki, Niels Borup and Tero Hemmilä. The election of new members became necessary after Board members Markku Aalto, Tiina Varho-Lankinen and Matti Murto had announced their resignation on 4 January 2011. The matter has been reported in more detail in the stock exchange release published on 4 January 2011. In addition to the elected new members, the Board included Matti Karppinen, Pasi Laine and Otto Ramel from before.

HKScan's Annual General Meeting, held on 27 April 2011 re-elected Juha Kylämäki, Niels Borup, Matti Karppinen, Tero Hemmilä and Otto Ramel and elected as a new member Henrik Treschow.

CHANGES IN MANAGEMENT

On 17 November 2011, HKScan's Board of Directors appointed Hannu Kottonen as the company's next CEO. He will take up the post at the beginning of March 2012 when the current CEO Matti Perkonoja retires. Mr Kottonen is moving to HKScan from Metsä Tissue Corporation, whose CEO he has been since 2006. Prior to this, he has served as head of M-real Corporation's Consumer Packaging business area between 2004 and 2006. He has also been employed by the Huhtamaki Group in various positions, including CFO and president of the Fresh Food Packaging Division.

Sirpa Laakso, M.Sc. (Econ) assumed the post of executive vice president, HR at HKScan Corporation and membership on the Management Team on 13 January 2011. Ms Laakso is responsible for HKScan's HR functions and their development in all of the Group's market areas.

The Group's lawyer Markku Suvanto, LLM trained on the bench, assumed the post of administrative and legal director and membership on the Management Team on 10 May 2011. He is responsible for the HKScan Group's legal affairs and, in respect of external administration, for relations with the authorities. He is also in charge of organizing internal administration and ensuring its effectiveness.

The position of managing director of Rose Poultry A/S remained vacant, as Olli Antniemi, BSc (Econ) died of a sudden illness on 24 November 2011. Mr Antniemi participated in a key manner in the Group's strong process of internationalization. Prior to being Rose Poultry's managing director, he was senior vice president of strategy and development at HKScan, managing director of Scan AB, executive vice president of HKScan's Baltic Group as well as marketing and exports director at HK Ruokatalo. Thomas Olander, BSc (Econ & Bus Admin), was appointed as Rose Poultry's new managing director on 11 January 2012. The appointment is reported in more detail under "Relevant events taking place after 31 December 2011".

CHANGES IN GROUP STRUCUTRE

Järvi-Suomen Portti Oy established on a 90/10 basis by HKScan Finland Oy and Osuuskunta Karjaportti began operations at the beginning of 2011. The company produces processed meats in Mikkeli at Osuuskunta Portti's Tikkala plant. In May, HKScan Finland raised its holding in Järvi-Suomen Portti to 100 percent.

Meat procurement and primary production as well as feed trading in the Group's operations in Finland were merged 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 Oy.

Relevant events taking place after 31 December 2011

Thomas Olander, BSc (Econ & Bus Admin), was appointed as the new managing director of HKScan's Danish subsidiary, Rose Poultry A/S, on 11 January 2011. He transferred to the post from the position of managing director of Pärsons Sverige AB, which is part of the Group. Mr Olander has been employed at the HKScan Group since 2008 and before that was managing director of the Swedish company Ugglarps Slakteri AB. Mr Olander continues to act as managing director of Kreatina A/S and of Scan Foods UK Ltd. Mr Olander reports to Denis Mattsson, managing director of Scan AB, who is responsible for both the Swedish and Danish market areas on HKScan's Management Team.

HKScan is combining and rendering closer to each other the operative management of the market areas of Finland and the Baltics. Anne Mere, MBA, managing director of HKScan's Estonian subsidiary AS Rakvere Lihakombinaat, was appointed to the post as of 10 February 2012. She also became a member of HKScan's Management Team. Ms Mere will be responsible for HKScan's market area of Finland as HKScan Finland Oy's managing director, and for the market area of the Baltics.

Along with Ms Mere's appointment, Teet Soorm was appointed managing director of AS Rakvere Lihakombinaat. He is also continuing as managing director of AS Tallegg and AS Ekseko. Jari Leija is continuing as managing director of HK Ruokatalo Oy, the largest subsidiary in the market area of Finland.

Employees, research and corporate responsibility

EMPLOYEES

The HKScan Group had in 2011 on average 8 287 employees. (In 2010, excluding Denmark, the Group had on average 7 491 employees.). At the end of 2011, the Group had 7 882 (8 058) employees.

The increase in employees was due the restructuring arrangements in 2010. The Danish company, Rose Poultry A/S, and the Latvian company, AS Jelgavas Galas Kombinats, joined the Group in the latter part of 2010 and Järvi-Suomen Portti Oy early in 2011.

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

	2011	2010
Finland	2 750	2 464
Sweden	2 789	3 143
Denmark	867	-
Baltics	1 881	1 884
Total	8 287	7 491

The figures for the comparison year do not take into account Denmark, which was consolidated into the Group only on 29 November 2010. In addition, Sokolów had on average 6 191 (5 734) employees.

SHARE-BASED INCENTIVE SCHEMES

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

During the years 2006–2008, the company had in place a share-based incentive scheme for key employees. The three-year commitment period relating to it ended on 31 December 2010 and the shares were released for the unrestricted use of their recipients.

RESEARCH AND DEVELOPMENT

Research and development in the HKScan Group involves mainly standard 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 11.2 million (EUR 9.6 m) was spent on R&D in 2011, equal to 0.4 percent of net sales.

A project of more than usual significance is Rapeseed pork, the marketing of which was started in Finland in February 2011. In accordance with a feeding programme developed through extensive research, Rapeseed pigs are fed with Finnish grain and rapeseed oil, which improves the quality of the fat in their meat. Two-thirds of the fat in Rapeseed pork is soft, and it contains as much as four times more omega 3 fatty -acids than ordinary pork. During 2011, the Rapeseed pork range was expanded and innovative adaptation for the Swedish market under the name Svensk Rapsgris was started.

CORPORATE RESPONSIBILITY

As a major Northern European meat company that recognizes its responsibilities HKScan operates in accordance with legislation and the requirements of the authorities. As part of continuous improvement of its operations, HKScan's subsidiaries are actively involved in industry-wide research and development projects. HKScan endeavours to increase the transparency of its operating chain and thus strengthen stakeholders' confidence in the operations of the entire chain of operations.

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). HKScan's day-to-day operations are guided by responsibility principles drawn up for each aspect. In 2011, a corporate responsibility scheme was implemented in the subsidiaries in Finland, Sweden and the Baltics. In Denmark, Rose Poultry A/S joined the scheme during the year.

In product development HKScan invests in high-quality and nutritionally balanced products. An example of this is Rapeseed pork developed in Finland by HK Ruokatalo. Rapeseed oil added to the pigs' feed softens the quality of the fat in a natural way.

Most of the Group's production plants have an ISO 22000 certified product safety management system either from the British Retail Consortium (BRC) or a German IFS certification. The majority of the plants in Finland, Sweden and the Baltics have in place a quality management system compliant with the ISO 9001 standard and an environmental management compliant with the ISO 14001 standard.

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 local and Union-wide regulations and certification processes.

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 waste and improve sorting. Use of more environmentally-friendly and renewable packaging materials will be increased gradually.

The health and welfare of production animals are the prerequisite for the operation and profitability of the entire meat chain. Wellbeing reduces production animals' stress and morbidity, and thus the need for medication. Welfare is also taken into account in animal breeding, animal housing conditions and transportation. HKScan subsidiaries monitor the welfare of production animals and develop its measurement.

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS' EXISTING AUTHORIZATIONS

(1) The AGM of 27 April 2011 authorized the Board to decide on acquiring and/or accepting as pledge treasury A Shares in such a way that the shares acquired and/or accepted as pledge total a maximum of 2 500 000 shares, equal to roughly 4.5 % of total registered shares and 5.0 % of total A Shares.

Treasury shares may only be acquired using unrestricted equity, which means that acquisitions will reduce the company's funds available for distribution of profit. 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.

Shares can be acquired to strengthen the company's capital structure. In addition, shares can be acquired under the authorization to fund or implement corporate acquisitions or other arrangements or otherwise transferred or cancelled.

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). A directed acquisition of treasury shares 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. This authorization is valid until 30 June 2012 and cancels the authorization granted to the Board by the AGM of 23 April 2010 to decide on acquiring treasury A Shares.

(2) The AGM also authorized the Board of Directors to decide 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 decide on the issue of a maximum of 2 500 000 Series A Shares, corresponding to approximately 4.5% of all registered shares in the company and approximately 5.0% of all Series A Shares.

The Board may decide 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 2012 and cancels the authorization granted to the Board by the AGM of 23 April 2010 on deciding on an issue of shares, option rights as well as other special rights entitling to shares.

The authorization concerning the issue of shares and other special rights entitling to shares was 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 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.

The Board did not exercise the authorizations received from the AGM during 2011.

Future outlook

MAJOR RISKS AND UNCERTAINITY FACTORS

The most significant uncertainty factors in the HKScan Group's business involve price trends of raw materials and availability, especially with respect to Finnish and Swedish pork and to Danish poultry meat. Market area-specific uncertainty factors have to do with the success of the business development programmes in Finland and Sweden and the implementation of Rose Poultry's new business model in Denmark.

Challenges in the global economic situation will continue. Major fluctuations in the Group's central currencies and increases in the price of money may affect the Group's competitiveness, net sales, earnings and balance sheet. Changes in demand attributable to the financial situation 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.

ESTIMATE FOR 2012

Consumer demand for meat is expected to remain steady in the Group's domestic markets. Cost changes in production inputs can still be forecast only for the near future.

HKScan's different product groups and different geographical areas, and the ongoing efficiency and development programmes further strengthen the Group's competitiveness and profitability. Sales prices of the company's products this year will be increased selectively in different product groups and in different market areas.

The Group's EBIT for 2012 is estimated to be better than in 2011.

Board of Directors' proposal on distribution of profit

The parent company's distributable assets stand at EUR 166.2 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 0.17 per share for 2011, i.e. a total of approximately EUR 9.3 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

	2011	2010	2009	2008	2007
Net sales, EUR million	2 491.3	2 113.9	2 124.7	2 294.6	2 107.3
Operating profit/loss (EBIT), EUR million	39.6	48.0	55.1	38.1	55.3
- % of net sales	1.6	2.3	2.6	1.7	2.6
Profit/loss before taxes, EUR million	11.3	36.5	37.3	9.0	36.3
- % of net sales	0.5	1.7	1.8	0.4	1.7
Return on equity (ROE), %	2.9	7.4	9.0	2.3	9.2
Return on investment (ROI), %	4.8	6.3	7.4	5.2	7.2
Equity ratio, %	33.6	34.0	37.1	29.5	29.3
Net gearing ratio, %	107.2	101.7	84.9	132.0	137.0
Gross investments, EUR million	61.0	70.7	41.3	84.0	129.3
- % of net sales	2.4	3.3	1.9	3.7	6.1
R&D expenses, EUR million	11.2	9.6	8.9	13.1	15.6
- % of net sales	0.4	0.5	0.4	0.6	0.7
Employees, average	8 287	7 491	7 429	7 750	7 840

Per share data

	2011	2010	2009	2008	2007
Earnings per share (EPS), undiluted, EUR*)	0.18	0.52	0.64	0.10	0.63
Earnings per share (EPS), diluted, EUR*)	0.18	0.52	0.64	0.10	0.63
Equity per share, EUR*)	7.67	7.63	7.21	7.13	7.36
Dividend paid per share, EUR*)	0.17**)	0.22	0.22	0.21	0.24
Dividend payout ratio, undiluted, %	92.1**)	42.6	34.5	199.3	37.7
Dividend payout ratio, diluted, %	92.1**)	42.6	34.5	199.3	37.7
Effective dividend yield, %	3.0**)	3.1	2.8	5.4	1.9
Price/earnings ratio (P/E)					
- undiluted	30.6	13.9	12.3	36.7	19.6
- diluted	30.6	13.9	12.3	37.8	19.6
Lowest trading price, EUR*)	4.08	7.07	3.70	3.43	10.76
Highest trading price, EUR*)	7.98	10.20	10.38	12.75	18.51
Middle price during the period, EUR*)	6.05	8.18	7.18	6.94	14.57
Share price at the end of the year, EUR	5.64	7.15	7.85	4.42	14.04
Market capitalization, EUR million	310.3	393.1	423.7	173.7	551.9
Trading volume (1 000)	11 765	23 674	22 285	9 028	17 842
- % of the average volume	21.4	43.8	49.6	26.6	53.4
Number of shares during the financial period (1 000)					
- adjusted weighted average	54 973	54 015	44 937	44 606	44 036
- adjusted number of shares at 31.12.	54 973	54 973	53 975	44 624	44 629
- fully diluted	54 973	54 973	53 975	44 624	44 620

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

Formulae for financial indicators

Return on equity (%)

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

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 (%)

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

Net gearing ratio (%)

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

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 outstanding 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 for 1 January – 31 December (EUR million)

	Note	2011	2010
Net sales	1	**2 491.3**	**2 113.9**
Change in inventories of finished goods and work in progress		16.1	3.5
Work performed for own use and capitalized		1.3	1.3
Other operating income	3	9.2	13.6
Share of associates' results		1.1	1.8
Materials and services	4	-1 740.8	-1 445.9
Employee benefits expenses	5	-379.3	-316.6
Depreciation and amortization	6	-72.3	-61.5
Other operating expenses	7	-286.9	-262.0
EBIT		**39.6**	**48.0**
Financial income	8	7.4	8.1
Financial expenses	8	-38.3	-21.9
Share of associates' results		2.5	2.2
Profit/loss before taxes		**11.3**	**36.5**
Income taxes	9	1.0	-5.7
Profit/loss for the period		**12.2**	**30.8**
Profit/loss for the period attributable to:			
Equity holders of the parent		10.1	27.9
Non-controlling interests		2.1	2.9
Total		12.2	30.8
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	10	0.18	0.52
EPS, diluted, continuing operations, EUR/share	10	0.18	0.52

The Notes on pp. 53-85 form an integral part of the consolidated financial statements.

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

	2011	2010
Profit/loss for the period	12.2	30.8
Other comprehensive income (after taxes):		
Exchange differences on translating foreign operations	-2.5	13.5
Available-for-sale investments	0.0	0.0
Cash flow hedging	-7.4	1.8
Revaluation	0.0	0.0
Total other comprehensive income	**-9.8**	**15.4**
Total comprehensive income for the period	**2.4**	**46.1**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	0.3	42.6
Non-controlling interests	2.1	3.5
Total	**2.4**	**46.1**

IFRS Consolidated balance sheet at 31 December (EUR million)

	Note	2011	2010
Assets			
Non-current assets			
Intangible assets	11	76.6	77.1
Goodwill	12	101.0	100.4
Tangible assets	13	516.5	537.8
Shares in associates	14	29.9	27.0
Trade and other receivables	16	31.1	25.3
Available-for-sale investments	15,16	13.0	13.1
Deferred tax asset	17	21.1	14.4
Total non-current assets		**789.2**	**795.0**
Current assets			
Inventories	18	190.2	159.9
Trade and other receivables	19	223.8	240.6
Income tax receivable	19	1.5	0.3
Other financial assets	20	0.4	3.9
Cash and cash equivalents	20	48.0	69.5
Total current assets		**463.8**	**474.1**
Total assets		**1 253.0**	**1 269.2**
Equity and liabilities			
Share capital	21	66.8	66.8
Share premium reserve	21	73.4	73.4
Treasury shares	21	0.0	0.0
Fair value reserve and other reserves	21	153.2	154.4
Translation differences	21	-1.9	0.6
Retained earnings	21	117.9	124.4
Equity attributable to equity holders of the parent		409.3	419.6
Non-controlling interests		12.2	11.1
Total equity		**421.5**	**430.6**
Non-current liabilities			
Deferred tax liability	17	36.9	38.9
Non-current interest-bearing liabilities	24,25	333.5	361.2
Non-current non-interest bearing liabilities	24	3.0	12.4
Non-current provisions	23	0.6	2.4
Pension obligations	22	3.1	3.1
Total non-current liabilities		**377.1**	**418.0**
Current liabilities			
Interest-bearing liabilities	24,25	170.6	153.0
Trade and other payables	24	282.9	262.5
Income tax liability	24	0.1	2.7
Provisions	23	0.7	2.3
Total current liabilities		**454.4**	**420.6**
Total equity and liabilities		**1 253.0**	**1 269.2**

IFRS Consolidated cash flow statement (EUR million)

	2011	2010
Operating activities		
EBIT	39.6	48.0
Adjustments to EBIT	-0.7	-4.6
Depreciation and amortization	72.3	61.5
Change in provisions	-3.0	-7.9
Change in net working capital	-28.3	-3.7
Financial income	12.1	8.1
Financial expenses	-31.8	-21.9
Taxes	-6.4	-5.7
Net cash flow from operating activities	**53.9**	**73.8**
Investing activities		
Gross investments in property, plant and equipment	-60.4	-73.6
Disposals of property, plant and equipment	1.9	7.0
Investments in subsidiary		-25.2
Shares in associates purchased	-1.0	-1.6
Shares in associates sold	0.0	1.3
Loans granted	-1.8	-1.0
Repayments of loans receivable	2.1	1.2
Net cash flow from investing activities	**-59.2**	**-91.9**
Cash flow before financing activities	**-5.4**	**-18.1**
Financing activities		
Current borrowings raised	76.8	169.9
Current borrowings repaid	-98.3	-159.1
Non-current borrowings raised	159.4	45.2
Non-current borrowings repaid	-142.4	-33.0
Dividends paid	-12.7	-11.9
Net cash flow from financing activities	**-17.1**	**11.1**
Change in cash and cash equivalents	**-22.5**	**-7.0**
Cash and cash equivalents at 1.1.	73.4	75.9
Effect of changes in exchange rates on cash and cash equivalents	-2.5	4.5
Cash and cash equivalents at 31.12.	**48.4**	**73.4**

Statement of changes in consolidated equity (EUR million)

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Equity attributable to equity holders of the parent, tot.**	Non-controlling interests	**Total**
Equity at 1.1.2011	66.8	73.4	-6.5	143.5	17.4	0.6	0.0	124.5	**419.6**	11.1	**430.6**
Result for the period	-	-	-	-	-	-	-	10.1	**10.1**	2.1	**12.2**
Translation differences	-	-	-	-	-	-2.5	-	-	**-2.5**	0.0	**-2.5**
Available-for-sale investments	-	-	-	-	-	-	-	-	**-**	-	**-**
Cash flow hedging	-	-	-7.4	-	-	-	-	-	**-7.4**	-	**-7.4**
Revaluation	-	-	-	-	0.0	-	-	-	**0.0**	-	**0.0**
Total comprehensive income for the period	-	-	-7.4	-	0.0	-2.5	-	10.1	**0.3**	2.1	**2.4**
Share-based compensation expense	-	-	-	-	-	-	-	-	**-**	-	**-**
Other change	-	-	-	-	0.0	-	-	-	**0.0**	-0.1	**-0.1**
Direct recognition in retained earnings	-	-	-	-	-	-	-	1.5	**1.5**	-	**1.5**
Transfers between items	-	-	-	-	6.1	-	-	-6.1	**-**	-	**-**
Share issue	-	-	-	-	-	-	-	-	**-**	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	-	-	**-**	-	**-**
Increase in holdings in subsidiary	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividend distribution	-	-	-	-	-	-	-	-12.1	**-12.1**	-0.9	**-13.0**
Equity at 31.12.2011	66.8	73.4	-13.9	143.5	23.5	-1.9	0.0	117.9	**409.3**	12.2	**421.5**

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Equity attributable to equity holders of the parent, tot.**	Non-controlling interests	**Total**
Equity at 1.1.2010	66.8	74.2	-8.4	143.5	14.6	-13.1	0.0	111.6	**389.3**	9.4	**398.7**
Result for the period	-	-	-	-	-	-	-	27.9	**27.9**	2.9	**30.8**
Translation differences	-	-0.1	0.1	-	-0.6	13.7	-	-0.2	**12.9**	0.6	**13.5**
Available-for-sale investments	-	-	0.0	-	-	-	-	-	**0.0**	-	**0.0**
Cash flow hedging	-	-	1.8	-	-	-	-	-	**1.8**	-	**1.8**
Total comprehensive income for the period	-	-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	**-**	-	**-**
Share issue	-	-	-	-	-	-	-	-	**-**	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	-	-	**-**	-	**-**
Increase in holdings in subsidiary	-	-	-	-	-	-	-	0.0	**0.0**	-0.1	**0.0**
Dividend distribution	-	-	-	-	-	-	-	-11.9	**-11.9**	-1.6	**-13.5**
Equity at 31.12.2010	66.8	73.4	-6.5	143.5	17.4	0.6	0.0	124.5	**419.6**	11.1	**430.6**

IFRS Notes to the consolidated financial statements for 2011

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, Jelgava, Klaipedos Maistas, Sokolów and Rose.

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

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

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 16 February 2012. 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 is available on the company's website at www.hkscan.com under "Investor information/Annual and interim reports", or in the parent company's head office at Lemminkäisenkatu 48, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements are also available at the same address.

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS and IFRS standards and SIC and IFRIC interpretations effective at 31 December 2011. 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. Consequently, some totals may not agree with the sum of their constituent parts.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2010. There are no IFRS standards or IFRIC interpretations that have become effective in the financial period that would have a material impact on the Group.

Comparability with previous years

When assessing the comparability of the years 2011 and 2010, it should be noted that the figures for Rose Poultry A/S have been consolidated into the Group as of 29 November 2010. Moreover, 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, Kivikylän Kotipalvaamo Oy, Helanderin Teurastamo Oy and HK International Ab. The accounts of Järvi-Suomen Portti Oy have been included as of 1 January 2011. HKScan Corporation has a 49-percent stake in Lihatukku Harri Tamminen Oy and Kivikylän Kotipalvaamo Oy still 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 acquisition method. 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. The remaining item is goodwill. All intragroup transactions, receivables and liabilities are eliminated upon preparation of the consolidated financial statements. Intragroup distribution of profit has 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 non-controlling interests in the acquiree are measured either at the fair value or at an amount which corresponds to the share of the share held by the non-controlling interests relative to the identifiable net assets of the acquiree. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the share held by non–controlling interests becomes negative. The share of equity owing to non-controlling interests is presented as a separate item on the balance sheet under equity. Changes in the parent company's shareholding in a subsidiary, which do not lead to loss of control, are treated as equity related transactions.

A previous shareholding in a staggered acquisition is measured at the fair value and any profit or loss derived from this is recorded in the income statement as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair value on the date of the expiry of control and the difference derived from this is recorded in the income statement as either profit or loss. Acquisitions made prior to 1 January 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 a company's voting rights. Associates have been consolidated using the equity convention. If the Group's share of the losses of an associate exceeds the investment's carrying amount, the investment is 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's associates Siljans Chark AB, Höglandsprodukter AB, daka a.m.b.a. 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 2010-2011 financial periods.

JOINT VENTURES

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

More detailed information about holdings in Group companies and associates is presented in Note 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 consolidated financial statements are presented in euro, which is the parent company's functional and presentation currency.

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the closing exchange rates confirmed by the European Central Bank 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. The difference 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	
	2011	2010	2011	2010
EEK	-	15.6466	-	15.6466
SEK	9.0276	9.5469	8.912	8.9655
PLN	4.1187	3.995	4.458	3.975
DKK	7.4507	7.4472	7.4342	7.4535

*) calculatory value of monthly average rates

Group companies recognize transactions in foreign currencies at the rate on the day of the transaction. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the operational currency at the exchange rates quoted 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 1 January 2009 is recognized as the amount at which the compensation paid out, the share held by non-controlling interests in the acquiree and any previously owned holding combined exceed the Group's share of the fair value of acquired net assets. Acquisitions that took place in the period 1 January 2004 – 31 December 2008 are recognized according to previous IFRS regulation. Goodwill on business combinations prior to this equals the carrying amount recorded under the previous accounting norm which has been used as the deemed cost. The classification or accounting treatment of these acquisitions has not been adjusted when preparing the opening IFRS balance sheet of 1 January 2004. Goodwill increased in the financial period with the Järvi-Suomen Portti Oy transaction.

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 10 years. No depreciation is made on intangible assets with an unlimited useful life. These are, however, subject to annual cash flow-based impairment testing. Assets with an unlimited useful life are allocated to CGUs for impairment testing. See 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, direct labour, other direct costs, variable acquisition and production costs, fixed overheads and depreciation on acquisition and production. Overheads and depreciation are allocated to inventories in accordance with the normal used capacity. Net 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, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. Since animals producing slaughter animals are not traded in, they have no market price.

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 up front payments) are allocated in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

THE GROUP AS LESSOR

The Group's leased assets whose risks and rewards of ownership have essentially been transferred to the lessee are treated as finance leases and 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 2011 or 2010. 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 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 2011.

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.

SHARE-BASED PAYMENTS

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

During the years 2006–2008, the company had in place a share-based incentive scheme for key employees. The three-year commitment period relating to it ended on 1 January 2011 and the shares were released for the unrestricted use of their recipients.

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 period is calculated from taxable income on the basis of the tax law of the domicile of each company. Taxes are adjusted with any taxes relating to previous financial periods.

Deferred tax assets and liabilities are calculated on all temporary differences in bookkeeping and taxation using the tax rate valid at the balance sheet date or expected date the tax is paid. The most significant temporary differences arise from measurement to fair value of derivative instruments, defined benefit pension plans, unclaimed tax losses and measurements to fair value in connection with acquisitions. No deferred tax is 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 85.9 million.

Recognition policies

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

GOODS SOLD AND SERVICES PROVIDED

Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from service provision is recognized in the financial period 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 or fair value less costs to sell. Depreciation on these assets ceases at the moment of classification.

The company has not had any non-current assets held for sale during 2010–2011.

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

Investments held to maturity are non-derivative financial assets that have fixed or determinable payments, that mature on a given date and that the Group positively intends to and is able to hold until maturity. They are measured at 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 periods 2011 or 2010.

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 a prepaid expense in respect of the liquidity related services and is accrued for the period of the loan commitment.

The determination principles of the fair values of all financial assets and liabilities are presented in Note 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 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 other 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.

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. The most important of these estimates affect the possible impairment of goodwill and other assets as well as provisions. Actual results may differ from these estimates.

MANAGEMENT JUDGMENTS RELATING TO CHOICE AND APPLICATION OF ACCOUNTING POLICIES

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 period, as from the start of the financial period first beginning after the effective date.

- Amendment to IFRS 7, Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 July 2011) The amendment will increase transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment has not yet been endorsed for application in the EU. The Group has yet to assess the impacts of the amendment.
- Amendment to IAS 1 Presentation of Financial Statements (effective for financial periods beginning on or after 1 July 2012). The main change resulting is a requirement to group items presented in other comprehensive income on the basis of whether they are potentially subsequently reclassifiable to profit or loss. The amendment has not yet been endorsed for application in the EU. The Group has yet to assess the impacts of the amendment.
- Amendment to IAS 19 Employee Benefits (effective for financial periods beginning on or after 1 January 2013). In the future, all actuarial gains and losses shall be recognized immediately under other comprehensive income, i.e. the 'corridor method' will be eliminated and finance costs will be calculated on a net funding basis. The amendment has not yet been endorsed for application in the EU. The Group has yet to assess the impacts of the amend-

ment, but it will affect the Group's figures.

- IFRS 9, Financial Instruments (date of effectiveness yet to be confirmed). 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 company's business model and the contractual cash flow characteristics. The IAS 39 guidance on impairment and hedge accounting continues to apply. According to the new standard, recording and valuation of financial liabilities should remain unchanged, except in those financial liabilities to which a so-called 'fair value option' is applied. The standard has not yet been endorsed for application in the EU. The Group has yet to assess the impacts of IFRS 9.

- IFRS 10 Consolidated Financial Statements (effective for financial periods beginning on or after 1 January 2013). Based on existing principles, the standard defines control as a primary factor when determining whether an entity should be included within the consolidated financial statements. In addition, the standard provides further guidance on how to assess control in difficult cases. The standard has not yet been endorsed for application in the EU. The impacts of IFRS 10 are yet to be assessed, and the Group plans its adoption in 2013.

- IFRS 11 Joint Arrangements (effective for financial periods beginning on or after 1 January 2013). The standard focuses on the rights and obligations in the accounting of joint arrangements rather than on their legal form. There are two types of joint arrangement: joint operations and joint ventures. The standard also requires a single method, the equity method, in joint venture reporting and the previous option to apply proportionate consolidation is no longer allowed. The standard has not yet been endorsed for application in the EU. The new standard will significantly change reporting of the Group's figures and the segment of Poland.

- IFRS 12 Disclosures of Interests in Other Entities (effective for financial periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for various interests in other entities, including associates, joint arrangements, special purpose companies and other off-balance sheet companies. The standard has not yet been endorsed for application in the EU. The impacts of IFRS 12 are yet to be assessed, and the Group plans its adoption in 2013.

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

- IAS 28 (revised 2011) Associates and Joint Ventures (effective for financial periods beginning on or after 1 January 2013). The revised standard includes requirements for accounting of joint ventures as well as associates with the equity method following the issue of IFRS 11. The revised standard has not yet been endorsed for application in the EU.

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.
Group administration is shown in the Notes for the first time as a separate segment. With the restructuring implemented in Finland, the company has been able to differentiate Group administration items from reporting on the segment of Finland since the beginning of 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 non-interest bearing receivables. Segment liabilities include current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Year 2011 (EUR million)

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

Year 2010 (EUR million)

	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Group administration	Elimi- nations	Un- allocated	Group Total
Income statement information									
External sales	711.7	953.2	21.7	151.9	275.4	0.0	0.0	0.0	2 113.9
Internal sales	6.8	43.9	0.2	8.5	3.9	0.0	-63.3	0.0	0.0
Net sales	718.5	997.1	21.8	160.4	279.3	0.0	-63.3	0.0	2 113.9
Segment EBIT	10.7	20.4	0.0	8.7	15.5	-7.2	0.0	0.0	48.0
Unallocated items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	10.7	20.4	0.0	8.7	15.5	-7.2	0.0	0.0	48.0
Share of associates' results	2.1	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	2.2
Financial income and expenses	-	-	-	-	-	-	-	-13.8	-13.8
Income taxes	-	-	-	-	-	-	-	-5.7	-5.7
Result for the financial period	-	-	-	-	-	-	-	-	30.8
Balance sheet information									
Segment assets	359.4	392.0	90.1	116.9	111.9	63.4	-45.0	0.0	1 088.7
Shares in associates	10.2	14.3	2.5	0.0	0.0	0.0	0.0	0.0	27.0
Unallocated assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	153.5	153.5
Total assets	369.6	406.3	92.6	116.9	111.9	63.4	-45.0	153.5	1 269.2
Segment liabilities	80.3	122.4	23.4	19.3	22.1	14.3	-13.5	0.0	268.1
Unallocated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	570.4	570.4
Total liabilities	94.6	122.4	23.4	19.3	22.1	14.3	-13.5	570.4	838.5
Other information									
Sales, goods	708.8	953.2	21.7	151.8	258.9	0.0	0.0	0.0	2 094.4
Sales, services	2.9	0.0	0.0	0.1	16.5	0.0	0.0	0.0	19.6
Investments	19.3	27.5	0.7	14.5	7.8	0.9	0.0	0.0	70.7
Depreciation and amortization	-21.4	-22.7	-0.7	-8.2	-8.3	-0.3	0.0	0.0	-61.5
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	17.5	34.7	3.6	22.2	22.4	0.0	0.0	0.0	100.4

2. Businesses acquired

Järvi Suomen Portti Oy

HKScan Finland Oy and Järvi-Suomen Portti Osuuskunta announced on 24 June 2010 that they had concluded an agreement concerning a business arrangement and were establishing a new company to continue and develop processed meat production in Mikkeli. The competition authorities' approval was received in October 2010.

The new corporate entity, Järvi-Suomen Portti Oy, established by HKScan Finland Oy and Järvi-Suomen Portti Osuuskunta (currently Osuuskunta Karjaportti) began operations on 1 January 2011. The new company is continuing the production of processed meats at Osuuskunta Karjaportti's plant located in Tikkala in the town of Mikkeli.

The transaction includes the production machinery and business at the Tikkala plant as well as Järvi-Suomen Portti's brands. The plant in Mikkeli has been made available through a long-term lease. Personnel affected by the arrangement transferred to the new company as so-called 'old employees', i.e. with the terms of their employment unchanged.

The goodwill of EUR 0.4 million arising from the acquisition is based on the potential to achieve synergetic benefits in merging the business operations of Järvi-Suomen Portti with the Group.

The goodwill recognized is not tax-deductible. The following table summarizes the consideration paid on the deal and the recognized assets and liabilities assumed on the date of the acquisition.

Consideration at 1 January 2011 (EUR million)

	Note	
Total consideration		**1.3**
The assets and liabilities arising from the acquisitions are as follows		
Property, plant and equipment	4	0.5
Inventories	5	1.2
Other receivables		0.2
Other liabilities		-1
Total identifiable net assets		**0.9**
Goodwill		**0.4**

Other operating expenses do not include material costs relating to the acquisition in the 2011 consolidated income statement.

Järvi-Suomen Portti Oy's net sales, which were included in the consolidated income statement as of 1 January 2011, totalled EUR 47.6 million and EBIT was EUR -2.0 million.

3. Other operating income	**2011**	**2010**
Rental income	2.2	1.8
Gain on disposal of non-current assets	0.1	8.3
Other operating income	6.8	3.5
Other operating income	9.2	13.6
4. Materials and services		
Purchases during the financial period	-1 597.1	-1 323.3
Increase/decrease in inventories	46.0	33.3
Materials and supplies	-1 551.2	-1 290.0
External services	-189.7	-155.8
Materials and services	-1 740.8	-1 445.9
5. Employee benefits expenses		
Salaries and fees	-312.9	-255.4
Share incentive scheme expenses	0.0	-0.1
Pension expenses, defined contribution plans	-58.0	-53.0
Pension expenses, defined benefit plans	0.0	0.1
Total pension expenses	-58.0	-52.9
Other social expenses	-8.4	-8.2
Employee benefits expenses	-379.3	-316.6
Managing directors and vice presidents	5.6	4.5
Board members	0.3	0.3
Management salaries, fees and benefits	5.9	4.8
Average number of employees during the financial period		
White-collar staff	1 466	1 356
Blue-collar staff	6 821	6 135
Total	8 287	7 491

Additionally, the Sokolów Group in Poland employed an average of 6 191 persons in 2011.

6. Depreciation and impairment		
Depreciation according to plan	-72.3	-61.5
Depreciation and amortization	-72.3	-61.5
Impairment	0.0	0.0
Total	-72.3	-61.5

7. Other operating expenses	2011	2010
Rents/leases	-12.0	-9.8
Losses on disposal of non-current assets	0.0	-0.1
R&D costs	-11.2	-9.6
Non-statutory staff costs	-6.9	-7.5
Energy	-48.0	-41.2
Maintenance	-60.9	-62.4
Advertising, marketing and entertainment costs	-64.0	-53.1
Service, information management and office costs	-49.8	-47.4
Other costs	-34.0	-30.8
Total other operating expenses	-286.9	-262.0

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).

	2011	2010
Audit fees	-0.6	-0.6
Certificates and statements	0.0	0.0
Tax consultation	-0.1	-0.1
Other expert services	-0.1	-0.2
Audit fees, total	-0.8	-0.9

8. Financial income and expenses	**2011**	**2010**
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	0.0	0.3
- Commodity derivatives	0.0	0.0
- Financial assets held for trading	0.0	0.3
Loans and other receivables	3.2	2.9
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	0.0	2.5
Other financial income	4.1	2.1
Total		
	7.4	8.1

Financial expenses		
Items recognized through profit or loss		
Interest expenses on financial loans		
measured at amortized cost	-35.6	-21.9
Impairment charges on 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	-1.7	0.0
- Foreign exchange derivatives	-0.1	0.0
- Commodity derivatives	-0.3	0.0
Currency exchange losses on financial loans and		
receivables measured at amortized cost	-0.3	0.0
Other financial expenses	-0.4	0.0
Total	-38.3	-21.9

9. Income taxes		
Cumulative tax rate reconciliation	**2011**	**2010**
Income taxes		
Income taxes on ordinary operations	-2.1	-5.4
Tax for previous financial periods	-0.6	-0.1
Change in deferred tax liabilities and assets	3.6	-0.2
Income taxes on ordinary operations	1.0	-5.7
Accounting profit/loss before taxes	11.3	36.5
Deferred tax at parent company's tax rate	-2.9	-9.5
Effect of different tax rates applied to foreign subsidiaries	3.2	3.1
Share of associates' results	1.0	1.0
Tax-free income	0.9	0.2
Non-deductible expenses	-0.6	-0.4
Use of tax losses not recognized earlier	0.4	0.0
Tax for previous financial periods	-0.6	-0.1
Effect of change in tax rate	-0.4	0.0
Tax expense in the income statement	1.0	-5.7

10. Earnings per share

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

	2011	2010
Profit for the period attributable to equity holders of the parent	10.1	27.9
Total	10.1	27.9
Weighted average no. of shares in thousands	54 973	54 015
Weighted average no. of shares adjusted for dilution effect	54 973	54 015
Undiluted earnings per share (EUR)	0.18	0.52
Earnings per share adjusted for dilution effect (EUR)	0.18	0.52

Notes to the balance sheet

11. Intangible assets	2011	2010
Acquisition cost at 1.1.	91.5	79.2
Translation differences	0.3	8.5
Increase	2.3	1.2
Increase (acquisitions)	0.0	4.2
Decrease	-0.6	-3.1
Transfers between items	1.1	1.5
Acquisition cost at 31.12.	94.6	91.5
Accumulated depreciation at 1.1.	-14.4	-13.4
Translation differences	0.0	-0.4
Accumulated depreciation on disposals and reclassifications	0.4	2.9
Depreciation for the financial period	-4.0	-3.5
Accumulated depreciation at 31.12.	-18.0	-14.4
Carrying amount at 31.12.2011	76.6	77.1

Allocation of carrying amount of assets with unlimited useful life

	2011	2010
Finnish red meat	2.0	2.0
Business in Sweden	61.2	60.9
Total	63.2	62.9

12. Goodwill	2011	2010
Acquisition cost at 1.1.	100.4	88.2
Translation differences	0.2	4.2
Increase	0.4	0.5
Increase (acquisitions)	0.0	7.5
Decrease	0.0	0.0
Carrying amount at 31.12.2011	101.0	100.4

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 six distinct CGUs.

Specification of goodwill	2011	2010
Finnish red meat	17.9	17.5
Business in Sweden (Scan group)	34.9	34.7
Business in Denmark (Rose Poultry group)	3.6	3.6
Baltic white meat (AS Tallegg)	5.5	5.5
Baltic red meat (Rakvere group)	16.7	16.7
Business in Poland (Sokolów S.A.)	22.4	22.4
Total	101.0	100.4

Impairment testing

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

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

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used are 7.2% (6.5%) in Finland, 6.3% (6.8%) in Sweden, 6.4% (6.7%) in Denmark, 7.8% (7.6%) in the Baltics and 10.8% (9.7%) in Poland. The main reasons for the growth of WACC in Finland and Poland are the rise in margins on loans and in risk free interest rate.

The sensitivity of each CGU to impairment is tested by varying both the discount rate and the growth factor reflecting profitability development. Based on the sensitivity analyses conducted, a hypothetical increase of 20 percent in WACC with the cash flows from operating activities projected would result in impairment of approximately EUR 16.4 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 2.7 million. A 2 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 2011 or 2010.

13. Property, plant and equipment 2011

	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.	8.1	465.9	591.9	16.6	34.4	1 117.0
Translation differences	-0.2	-4.2	11.6	-0.3	-0.1	6.8
Increase	0.3	3.5	16.2	1.2	35.0	56.2
Increase (acquisitions)	0.0	0.0	0.5	0.0	0.0	0.5
Decrease	0.0	-0.5	-11.6	-0.5	0.0	-12.6
Transfers between items	-0.8	10.6	30.7	0.8	-43.0	-1.6
Acquisition cost at 31.12.	7.4	475.3	639.4	17.8	26.3	1 166.2
Accumulated depreciation at 1.1.	-0.2	-210.0	-355.8	-13.3	0.0	-579.2
Translation differences	0.1	-0.4	-14.4	0.2	0.0	-14.5
Accumulated depreciation on disposals and reclassifications	0.0	0.2	10.5	0.5	-	11.1
Accumulated depreciation on acquisitions	0.0	0.0	0.8	0.0	-	0.7
Depreciation for the financial period	0.0	-15.1	-51.3	-1.1	-	-67.5
Impairment charge reversals	0.0	0.0	-0.2	0.0	-	-0.2
Accumulated depreciation at 31.12.	-0.1	-225.4	-410.5	-13.7	0.0	-649.7
Carrying amount at 31.12.2011	7.3	249.9	228.8	4.1	26.3	516.5

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 period	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

14. Shares in associates

Shares in associates 2011	
Acquisition cost at 1.1.	27.0
Translation differences	0.4
Increase (acquisitions)	1.1
Decrease	-0.4
Acquisition cost at 31.12.	28.1
Share of associates' results	3.3
Dividends from associates	-1.6
Carrying amount at 31.12.	29.9

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

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

Associates 2011 (EUR million)

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

Associates 2010 (EUR million)

	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	25.00
Gotlands Slagteri AB	6.2	4.0	8.2	0.0	25.00
Owned by Pärsons Sverige AB					
Creta Farms Nordic AB	0.0	0.2	0.0	-0.2	50.00
Owned by Nyhlens & Hugosons Kött AB					
Norrlandsslakt AB	0.2	0.1	1.1	0.0	50.00
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

15. Other non-current investments

Other non-current investments include the following assets:

	31.12.2011	31.12.2010
Available-for-sale financial assets		
- Publicly quoted investments in shares	0.1	0.1
- Unlisted investments in shares	0.3	0.4
Total	0.4	0.6
Other shares and holdings	12.6	12.5
Held-to-maturity investments	-	-
Financial assets recognized at fair value through profit or loss	-	-
Total other financial assets	13.0	13.1

Available-for-sale non-current financial assets

	31.12.2011	31.12.2010
At start of financial period	0.6	0.1
Exchange rate differences	-0.2	0.0
Through acquisitions	0.0	0.5
Revaluation surplus	0.0	0.0
At end of financial period	0.4	0.6

16. Non-current receivables and investments

	31.12.2011	31.12.2010
Loan receivables from associates	0.5	0.5
Other receivables from associates	0.1	0.1
Non-current receivables from associates	0.6	0.7
Loan receivables	2.8	2.7
Other receivables	27.7	21.9
Non-current loan and other receivables	30.5	24.6
Trade and other receivables	31.1	25.3
Other non-current investments	13.0	13.1
Deferred tax asset	21.1	14.4
Total non-current receivables	65.2	52.8

17. Deferred tax assets and liabilities

Specification of deferred tax assets	1.1.2011	Translation difference	Recognized in income statement	Recognized in equity	Companies acquired/ sold	31.12.2011
Pension benefits	0.8	0.0	0.0	0.0	0.0	0.8
Impairment of PPE	0.0	0.0	0.0	0.0	0.0	0.0
Other matching differences	2.3	-0.1	0.6	0.6	0.0	3.5
Arising from consolidation	0.5	0.0	0.2	0.0	0.0	0.7
Adopted losses	6.8	0.0	2.7	0.0	0.0	9.5
Arising from hedge accounting	3.9	-0.7	0.1	3.2	0.0	6.6
Total	14.4	-0.7	3.6	3.8	0.0	21.1
Specification of deferred tax liabilities						
Depreciation difference and voluntary provisions	10.3	0.0	-0.8	0.0	-0.3	9.2
Other matching differences	5.2	0.0	-0.5	0.0	0.0	4.6
Arising from consolidation	16.6	-1.7	-0.2	0.0	0.0	14.8
Recognized directly in retained earnings	0.0	0.0	0.0	0.0	0.0	0.0
Pension benefits	5.3	0.0	1.6	0.0	0.0	6.9
Arising from hedge accounting	1.5	0.0	-0.1	0.0	0.0	1.4
Total	38.9	-1.6	-0.1	0.0	-0.3	36.9

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

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 21.0 million.

18. Inventories

	2011	2010
Materials and supplies	88.7	88.8
Unfinished products	9.1	8.8
Finished products	72.1	45.7
Goods	0.0	0.0
Other inventories	7.7	6.2
Prepayments for inventories	4.5	2.6
Live animals, IFRS 41	7.9	7.6
Total inventories	190.2	159.9

19. Trade and other current receivables

	2011	2010
Trade receivables from associates	0.9	0.6
Loan receivables from associates	0.3	0.3
Other receivables from associates	0.0	0.1
Current receivables from associates	1.2	1.0
Trade receivables	174.4	169.3
Loan receivables	0.3	0.3
Other receivables	30.3	55.4
Current receivables from others	204.9	224.9
Interest rate derivatives, hedge accounting	0.4	0.2
Foreign exchange derivatives, hedge accounting	0.9	0.9
Commodity derivatives, hedge accounting	0.0	2.2
Current derivative receivables	1.3	3.3
Interest receivables	0.5	1.4
Matched staff costs, current receivables	0.6	1.4
Other prepayments and accrued income	15.1	8.5
Current prepayments and accrued income	16.2	11.3
Trade and other receivables	223.8	240.6
Tax receivables (income taxes)	1.5	0.3
Income tax receivable	1.5	0.3
Total current receivables	225.3	240.9

Age breakdown of trade receivables and items recognized as impairment losses

	2011	Impairment losses	Net 2011	2010	Impairment losses	Net 2010
Unmatured	147.0	0.0	147.0	145.0	0.0	145.0
Matured						
Under 30 days	22.2	0.2	21.9	20.8	0.2	20.6
30-60 days	3.8	0.2	3.7	1.1	0.0	1.1
61-90 days	0.1	0.0	0.1	0.4	0.0	0.4
over 90 days [1]	2.1	0.4	1.7	3.3	0.8	2.5
Total	175.2	0.8	174.4	170.6	1.2	169.3

[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:

	2011	2010
Cash and bank	45.0	67.3
Short-term money market investments	3.0	2.2
Other financial instruments	0.4	3.9
Total cash and cash equivalents	48.4	73.4

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.
1.1.2010	53 975	66.8	72.9	143.5	0.0	283.2
Revert of treasury shares	-2					
Share issue	1 000					
31.12.2010	54 973	66.8	72.9	143.5	0.0	283.2
1.1.2011	54 973	66.8	72.9	143.5	0.0	283.2
31.12.2011	54 973	66.8	72.9	143.5	0.0	283.2

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

The equity reserves are described below.

Share premium reserve

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

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognized under 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 issue in 2009, which was recognized in full in the RIUE.

Treasury shares

At the beginning of the financial period 2011, HKScan held a total of 53 734 of its treasury A Shares. These had a market value at year-end of EUR 0.30 million and accounted for 0.10% of all shares and 0.03% of all votes. No dividend is paid on treasury shares. The acquisition cost is presented in the balance sheet as a deduction from equity.

Translation differences

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

Revaluation reserve and other reserves

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

Fair value reserve and hedging instruments reserve	2011	2010
Fair value reserve and hedging instruments reserve at 1.1.	-7.0	-8.8
Amount recognized in equity in the financial period (effective portion), foreign exchange derivatives	0.0	0.0
Amount recognized in equity in the financial period (effective portion), interest rate derivatives	-6.8	-0.4
Amount recognized in equity in the financial period (effective portion), commodity derivatives	-3.0	2.8
Share of deferred tax asset of changes in period	2.4	-0.6
Fair value reserve and hedging instruments reserve at 31.12.	-14.4	-7.0

Dividends

Dividend of EUR 0.22 per share, totalling EUR 12.1 million, was distributed in 2011 (EUR 0.22 per share totalling EUR 11.9 million in 2010). Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.17 per share, totalling EUR 9.3 million, be declared.

22. Pension obligations

	2011	2010
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	3.1	3.1
Pension liability (+)/ receivable (-) in balance sheet	3.1	3,1
Defined benefit pension expense in income statement		
Pension obligations	0.0	0.5
Defined benefit pension expense in income statement (IFRS)	0.0	0.5
Change in liabilities/receivables arising from benefits in the financial period		
Balance at 1.1.	3.1	3.6
Defined benefit pension expense in income statement (IFRS)	0.0	-0.5
Other change	0.0	0.0
Liabilities/receivables at end of financial period	3.1	3.1

23. Provisions

	1.1.2011	Increase in provisions	Exercised in financial period (-)	31.12.2011
Non-current provisions	2.4	0.4	-2.2	0.6
Current provisions	2.3	0	-1.6	0.7
Total	4.7	0.4	-3.8	1.3

	1.1.2010	Increase in provisions	Exercised in financial period (-)	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

24. Liabilities

	31.12.2011	31.12.2010
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	309.9	358.9
Pension loans	23.6	0.0
Other liabilities	0.1	2.3
Non-current interest-bearing liabilities	333.5	361.2
Non-interest bearing		
Other liabilities	3.0	12.4
Non-current non-interest bearing liabilities	3.0	12.4
Non-current provisions	0.6	2.4
Deferred tax liability	36.9	38.9
Pension obligations	3.1	3.1
Non-current liabilities	377.1	418.0
Current liabilities		
Interest-bearing		
Loans from financial institutions	158.7	113.0
Pension loans	4.3	0.0
Other liabilities	7.7	40.0
Current interest-bearing liabilities	170.6	153.0
Trade and other payables		
Advances received	0.1	4.3
Trade payables	137.2	140.6
Accruals and deferred income		
- Short-term interest payable	1.7	1.0
- Matched staff costs	57.0	56.1
- Other short-term accruals and deferred income	30.4	28.0
Derivatives	27.3	13.5
Other liabilities	29.2	19.0
Trade and other payables	282.9	262.5
Income tax liability	0.1	2.7
Current provisions	0.7	2.3
Current liabilities	454.4	420.6
Liabilities	831.5	838.5

25. Financial liabilities

	2011	2010
Non-current financial liabilities measured at amortized cost		
Debt securities	207.7	247.6
Credit facilities	125.8	111.4
Leasing and factoring	0.0	2.3
Other financial liabilities	0.1	0.0
Total	333.5	361.2
Current financial liabilities measured at amortized cost		
Debt securities	40.3	43.7
Credit facilities	12.4	35.6
Leasing and factoring	1.7	3.0
Commercial paper	108.7	37.0
Other financial liabilities	7.5	33.7
Total	170.6	153.0

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 51% (41% in 2010). The average rate of interest paid by the Group, taking into account derivatives and margins on loans, was 4.8% at the balance sheet date (4.1% in 2010).

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

	2011	2010
Under 6 months	205.2	364.5
6-12 months	32.9	49.7
1-5 years	154.4	69.6
Over 5 years	111.6	30.4
Total	504.2	514.2

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

Maturity of finance lease liabilities

Finance lease liabilities	2011	2010
Long-term interest-bearing finance lease liabilities	0.1	2.3
Short-term interest-bearing finance lease liabilities	0.1	0.8
Total finance lease liabilities	0.2	3.1
Broken down by property, plant and equipment		
Buildings and structures	0.0	0.0
Machinery and equipment	0.1	2.9
Vehicles	0.2	0.1
Total finance lease liabilities	0.2	3.1
Maturity of finance lease liabilities		
Finance lease liabilities – total minimum lease payments		
Within one year	0.1	0.8
After one year and within five years	0.1	2.3
After more than five years	0.0	0.0
Total	0.2	3.1
Finance leasing liabilities – present value of minimum lease payments		
Within one year	0.1	0.8
After one year and within five years	0.1	2.2
After more than five years	0.0	0.0
Total	0.2	3.0
Finance expenses accruing in future	0.0	0.1
Total finance lease liabilities	0.2	3.1

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. External funding of the Group's operations and financial risk management is centralized to a finance unit operating (Group Treasury) under the Chief Financial Officer. Funding of the Group's subsidiaries is managed mainly through the parent company. The subsidiaries may not accept new external funding, nor may they give guarantees or pledges without the permission of the parent company's finance unit. Owing to indirect administration, the segment of Poland's financial risk management is the segment's responsibility and is monitored through Board work.

Foreign exchange risk

The company's domestic market consists of Finland, Sweden, Denmark, the Baltics and Poland. HKScan is active in 10 countries 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.

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

Items based on all significant currencies in the balance sheet shall be hedged 90-110% by the subsidiaries. Forecast, highly probable cash flows are hedged 0-50% for up to 12 months into the future. Intra-Group transactions strive to use the domestic currency of one or other of the parties. The Group Treasury can use currency forwards, options and swaps as hedging instruments. The Treasury hedges at least of 50% of its foreign exchange risk exposure.

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

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

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	122.9	83.2	Foreign-currency loan	83.2	68%
PLN	88.4	27.4	Currency future	27.4	31%
DKK	23.4	12.0	Foreign-currency loan	12.0	51%

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%

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 the most significant foreign currencies translated into euro at the exchange rates of the reporting date:

	2011			2010		
	USD	JPY	SEK	USD	JPY	SEK
Trade and other receivables	4.9	1.3	3.8	6.6	0.5	5.2
Trade and other payables	0.0	0.0	-2.1	0.0	0.0	-3.2
Loan receivables	0.0	0.0	112.8	0.0	0.0	107.1
Loans	0.0	0.0	-77.7	0.0	0.0	-98.0
Cash	0.4	0.0	-4.1	1.2	0.0	4.7
Position before hedging	5.3	1.3	32.7	7.8	0.5	15.9
Hedging	-10.0	-1.6	-9.5	-6.3	-1.7	6.1
Open position	-4.7	-0.3	23.2	1.5	-1.1	22.1

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.

	2011			2010		
	USD	JPY	SEK	USD	JPY	SEK
Movement (+/-), %	10.0	10.0	10.0	10.0	10.0	10.0
Effect on profit before taxes	0.5	0.0	2.3	0.2	0.1	2.2

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 rate derivatives to achieve a result in keeping with the treasury policy. The goal of the policy is to have some 30-60% of the Group's borrowings tied to a fixed interest rate and the interest rate maturity of the loans can vary from six to 36 months. At the balance sheet date and taking into account interest rate derivatives and trade receivable financing, fixed-rate loans accounted for roughly 51% (41%) 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 25 months (8 months).

At the balance sheet date, the nominal amount of the Group's outstanding interest rate derivatives was EUR 283.8 million (EUR 247.0 m). Cash flow hedging is applied to EUR 234.8 million of variable-rate loans. The average interest rate on the Group's interest-bearing liabilities, taking into account derivatives and margins on loans, stood at 4.8% at the balance sheet date (4.1%).

The Group monitors and analyzes its interest position regularly. 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 approximately EUR 3.5 million (EUR 3.7 m) 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.

Counterparty risk

A counterparty risk is defined as the risk that a counterparty will be unable to fulfil its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Only financial institutions and other actors with sound creditability are used as counterparties. Cash may be invested in bank deposits, certificates of deposit, local authority papers and the commercial paper programmes of certain specified companies listed on the main list of the Stock Exchange.

Commodity risk

The Group is exposed to commodity risk having to do with the availability of commodities and fluctuation in their prices. Physical electricity consumption is one of the most significant commodity risks in the Group companies. The subsidiaries can hedge against fluctuation in market prices for electricity and other commodities by procuring fixed-price products or through derivative contracts with known counterparts. The subsidiaries can hedge against significant commodity risks through derivative contracts with the permission of the Group Treasury. The companies can utilize external actors to assist them in commodity risk management.

The Group uses electricity derivatives to level out energy costs. The electricity price risk is evaluated for five-year periods. The value changes of derivatives hedging the price of electricity supplied during the period are recognized within the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that meet hedge accounting criteria are recognized in the revaluation reserve for equity and the ineffective portion in the income statement under other operating income or expenses. The change in the revaluation reserve recognized in equity is presented in the statement of comprehensive income under Revaluation of cash flow hedge.

A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. The sensitivity analysis does not include the figures for the segment of Poland. If the market price of electricity derivatives changed by +/-10 percentage points from the balance sheet date 31 December 2011, it would contribute EUR +/-1.2 million (EUR +/-1.2 million) to the 2011 profit and EUR +/-0.6 million (EUR +/-0.7 million) to equity. The impact has been calculated before tax.

Credit risk

A credit risk is defined as a risk that a customer may not be able to fulfil their payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organizations in the various market areas. The credit quality of customers is subject to ongoing monitoring and evaluation. As a starting point all customers have credit limits that are systematically monitored. In addition, some customers are insured through credit insurance. Credit is only extended to customers with an impeccable credit rating. The Group is exposed to credit risk also in financing investments of primary production contract producers. Funding is granted within the limits allowed by HKScan Corporation's Board of Directors. Methods used to secure credit extended include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges.

The amount of impairment losses recognized as profit or loss in the year under review has been EUR 0.8 million (EUR 1.2 m in 2010).

The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 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 2011. 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 200 million Finnish commercial paper programme.

Liquidity risk is managed by retaining long-term liquidity reserves and by exceeding short-term liquidity requirements. The Group's liquidity reserve includes cash and cash equivalents, money market investments and long-term unused credit facilities. Short term liquidity requirements include the repayments of short and long term debt within the next 12 months as well as a separately defined strategic liquidity requirement, which covers the operative funding needs.

Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, 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 31 December 2011 stood at EUR 204 million (EUR 203 m). In addition, the Group had other untapped overdraft and other facilities of EUR 26 million (EUR 34 m). During the calendar year, the company increased the commercial paper programme to EUR 200 million. At year-end it had been drawn in the amount of EUR 109 million (EUR 37 m).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 29.0 million matures in 2012, EUR 250.0 million in 2013 and EUR 20.0 million in 2014. The overdraft facility agreement is in force until further notice.

The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are 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 numbers of the Group's commitments at the balance sheet date by type of credit

31.12.2011

Credit type	Scope	Exercised	Available
Overdraft facility	38.4	12.0	26.4
Credit limit	309.6	105.7	204.0
Commercial paper programme	200.0	109.3	90.7
Total	548.1	226.9	321.1

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

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

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

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

		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

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.

31.12.2011, Maturity of financial liabilities						
Credit type	2012	2013	2014	2015	2016	>2016
Debt securities	51.5	15.1	176.3	22.9	5.7	9.3
Credit facilities	18.6	108.4	11.5	0.8	14.3	0.0
Leasing and factoring	1.7	0.0	0.0	0.0	0.0	0.0
Commercial paper programme	109.3	0.0	0.0	0.0	0.0	0.0
Other borrowings	7.7	0.1	0.0	0.0	0.0	0.0
Trade and other payables	282.9	0.0	0.0	0.0	0.0	0.0
Total	471.7	123.5	187.9	23.7	20.0	9.3
Maturity of derivative liabilities						
Interest rate derivatives	-0.5	-1.6	-3.1	0.0	-1.8	-16.0
Commodity derivatives, hedge accounting	-0.6	-0.2	-0.1	-0.1	0.0	0.0
Foreign exchange derivatives	0.2	0.0	0.0	0.0	0.0	0.0
Foreign exchange derivatives, hedge accounting	-0.7	0.0	0.0	0.0	0.0	0.0

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

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

	2011 Positive fair value	2011 Negative fair value	2011 Fair value net	2010 Fair value net	2011 Nominal value	2010 Nominal value
Interest rate derivatives	0.0	-23.0	-23.0	-16.8	283.8	247.0
matured in 2011	-	-	-	-0.2	-	10.0
matures in 2012	0.0	-0.5	-0.5	-1.4	32.8	31.2
matures in 2013	0.0	-1.6	-1.6	-2.3	44.2	42.5
matures in 2014	0.0	-3.1	-3.1	-1.9	65.4	45.7
matures in 2015	0.0	0.0	0.0	0.0	1.7	0.0
matures in >2015	0.0	-17.8	-17.8	-11.0	139.7	117.7
of which defined as cash flow hedging instruments	0.0	-17.5	-17.5	-12.5	234.8	211.9
Foreign exchange derivatives	0.8	-1.3	-0.5	-0.3	63.2	149.9
of which defined as net investment hedging instruments	0.0	-0.7	-0.7	-0.6	27.4	44.3
Commodity derivatives	0.0	-1.1	-1.1	2.2	11.1	10.2
matured in 2011	-	-	-	1.5	-	3.3
matures in 2012	0.0	-0.6	-0.6	0.5	4.0	3.1
matures in 2013	0.0	-0.2	-0.2	0.2	3.1	2.3
matures in 2014	0.0	-0.1	-0.1	0.1	2.4	1.6
matures in 2015	0.0	-0.1	-0.1	0.0	1.2	0.0
matures in 2016	0.0	0.0	0.0	0.0	0.4	0.0

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 2.3 million (EUR -0.8 m in 2010) 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 12.0 million of DKK-denominated loans and EUR 83.2 million of SEK-denominated loans are designated as hedges of net investments (EUR 12.0 m of DKK-denominated and EUR 82.7 m of SEK-denominated loans in 2010). The changes in value of these are recognized under other comprehensive income at EUR -0.4 million (EUR -7.7 m in 2010).

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR -5.2 million (EUR -0.3 m in 2010) are recognized under other comprehensive income. A portion of the parent company's interest rate derivatives are designated as hedging instruments of cash flow to which hedging accounting is applied.

Changes in the fair values of the effective portions after taxes of commodity derivatives designated as hedges of cash flow amounting to EUR -2.3 million (EUR 2.1 m in 2010) 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 33.6% at the balance sheet date was affected by the share issue 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 100%. At the balance sheet date, the net gearing ratio was 107.2%.

Net gearing ratio (EUR million)

	2011	2010
Interest-bearing liabilities	504.2	514.2
Interest-bearing loan receivables	3.9	2.7
Cash and bank	48.4	73.4
Interest-bearing net liabilities	451.9	438.2
Equity	421.5	430.6
Net gearing ratio	107.2%	101.7%

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	
	2011	2010	2011	2010
Financial assets				
Other financial assets	0.4	3.9	0.4	3.9
Financial assets recognized at fair value through profit or loss	-	-	-	-
- assets held for trading	-	-	-	-
Trade and other receivables	223.8	240.6	223.8	240.6
Cash and cash equivalents	48.0	69.5	48.0	69.5

	Fair value		Carrying amount	
Non-current liabilities	2011	2010	2011	2010
Debt securities	229.3	259.4	207.7	247.6
Credit facilities	136.5	115.6	125.8	111.4
Leasing and factoring	0.1	2.4	0.0	2.3
Other long-term liabilities	0.2	0.0	0.1	0.0
Accruals and deferred income	43.6	56.8	43.6	56.8
Total non-current liabilities	409.6	434.2	377.1	418.0
- of which interest-bearing	366.0	377.4	333.5	361.2

Current liabilities	Fair value 2011	Fair value 2010	Carrying amount 2011	Carrying amount 2010
Debt securities	40.3	43.7	40.3	43.7
Credit facilities	12.4	35.6	12.4	35.6
Leasing and factoring	1.7	3.0	1.7	3.0
Commercial paper	108.7	37.0	108.7	37.0
Other current liabilities	7.5	33.8	7.5	33.8
Advances received	0.1	4.3	0.1	4.3
Trade payables	137.2	140.6	137.2	140.6
Accruals and deferred income	89.2	85.1	89.2	85.1
Other liabilities	57.3	37.5	57.3	37.5
Total current liabilities	454.4	420.6	454.4	420.6
- of which interest-bearing	170.6	153.1	170.6	153.1

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 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 a risk free rate and a risk premium (margin on loan) for the company.

Finance lease liabilities

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

Trade and other receivables

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

Trade and other payables

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

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

	31.12.2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.8	0.0	0.8	0.0
- Commodity derivatives	0.0	0.0	0.0	0.0
Available-for-sale financial assets				
- Investments in shares	-	-	-	-
Total	0.8	0.0	0.8	0.0
Liabilities measured at fair value				
Financial liabilities recognized at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-23.0	0.0	-23.0	0.0
of which subject to cash flow hedging	-17.5	0.0	-17.5	0.0
- Foreign exchange derivatives	-1.3	0.0	-1.3	0.0
of which subject to net investment hedging	-0.7	0.0	-0.7	0.0
- Commodity derivatives	-1.1	0.0	-1.1	0.0
of which subject to cash flow hedging	-1.1	0.0	-1.1	0.0
Total	-25.4	0.0	-25.4	0.0

	31.12.2010	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognized at fair value				
through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- 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	-	-	-	-
Total	3.2	0.0	3.2	0.0
Liabilities measured at fair value				
Financial liabilities 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

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:

	2011	2010
Other rent commitments		
Maturing in less than a year	7.3	6.7
Maturing in 1-5 years	29.5	20.9
Maturing in over 5 years	24.1	18.0
Other rent commitments, total	61.0	45.6

The Group as lessor

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

	2011	2010
Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.2	0.2
Maturing in 1-5 years	0.1	0.1
Maturing in over 5 years	0	0
Rent receivables, total	0.3	0.3

29. Conditional liabilities and assets and purchase commitments

Commitments and contingent liabilities

	2011	2010
Debts secured by mortgages and shares		
Loans from financial institutions	34.1	56.1
Total	34.1	56.1
Real estate mortgages	63.0	48.9
Pledged securities	5.1	20.8
Floating charges	22.8	47.3
Total	90.9	117.0
Security for debts of participating interests		
Guarantees	5.2	5.3
Total	5.2	5.3
Security for debts of others		
Guarantees and pledges	14.0	13.8
Total	14.0	13.8

Other contingencies		
Leasing commitments		
Leasing commitments maturing in less than a year	6.5	6.6
Leasing commitments maturing in 1-5 years	17.9	16.7
Leasing commitments maturing in over 5 years	1.8	2.2
Other commitments	7.8	6.5
Total other contingencies	34.0	32.0

Maturity breakdown of security given for associates and others

2012	0.3
2013	0.7
2014	0.0
2015	3.9
2016	0.0
>2017	14.4
Total	19.3

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 president 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 1 600 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 10.4 million in 2011 (EUR 6.7 m in 2010). The said persons' animal purchases from the Group came to EUR 3.7 million in 2011 (EUR 2.3 m in 2010).

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, Finland	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, Denmark	102 002	37 507	100.00
Total		309 041	
Owned by HKScan Finland Oy			
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	24	100.00
Total		27 404	
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 book values are based on the carrying values 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 using the equity convention.

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by Rigas Miesnieks			
Jelgavas Galas Kombinats, Jelgava	31 015	1 871	98.84

	Number of shares	Carrying amount (EUR 1 000)	Ownership %
Owned by Scan AB			
Bertil Eriksson Slakteri AB, Bäsinge	3 000	2 833	100.00
Köttproduktion i Malmö AB, Malmö	5 000	868	100.00
Quality Genetics HB, Eskilstuna	926	416	92.60
Scan Produktion AB, Stockholm	1 000	0	100.00
SM Support Stenstorp AB, Stockholm	10 200	1 282	100.00
Kreatina A/S, Denmark	30 000	0	100.00
Kreatina Sp, Poland	5 000	0	100.00
Swedish Meats Support AB, Stockholm	80 000	5 049	100.00
Samfod SA., Belgium	24 999	0	100.00
Scan Foods UK Ltd., England	999	108	100.00
Svenska Livdjur & Service AB, Stockholm	200	112	100.00
AB Annerstedt Holding, Stockholm	50 000	2 595	100.00
SLP Pärsons AB, Helsingborg	45 000	45 067	100.00
Nyhléns & Hugosons Chark AB, Luleå	9 800	1 762	49.00
Flodins Kött AB, Stockholm	1 000	11	100.00
Annerstedt Flodin AB, Stockholm	50 000	1 479	100.00
AB O. Annerstedt, Stockholm	30 000	5 627	100.00
Total		67 209	
Owned by Quality Genetics HB			
Nordic Genetics AB, Hörby	1 000	7	50.00
Owned by SLP Pärsons AB			
Pärsons Sverige AB, Halmstad	3 900	1 032	100.00
B.E. Chark AB, Halmstad	1 000	11	100.00
Owned by Nyhléns & Hugosons Chark AB			
Nyhlens & Hugosons Kött AB, Luleå	1 000	11	100.00
Owned by Rose Poultry A/S			
Rose Poultry AB, Göteborg, Sweden	10 000	144	100.00
Rose Poultry GmbH, Ellerau, Germany	1	24	100.00
Total		168	

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 the Saturn Nordic Holding AB Group included in the consolidated balance sheet and income statement (EUR million):

	2011	2010
Non-current assets	81.5	82,6
Current assets	54.2	53
Non-current liabilities	-24.7	-6.4
Current liabilities	-26.3	-40.2
Net sales and other operating income	300.9	280.8
Operating expenses	288.2	-265.3

Shares and holdings in associated undertakings

	Number of shares	Carrying amount (EUR 1 000)	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
Lihateoll. 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
Owned by Scan AB			
AB Tillväxt för svensk animalieproduktion, Stockholm	135 500	3 220	50.00
daka a.m.b.a, Danmark		5 642	33.24
Höglandsprodukter AB, Halmstad	1 500	844	30.00
Siljans Chark AB, Mora	3 680	461	39.30
Svensk Köttrasprövning AB, Skara	1 750	20	35.00
Svensk Lantbrukstjänst AB, Lidköping	650	0	26.00
Svenska Djurhälsövården AB, Stockholm	4 400	704	50.00
Taurus Köttrådgivning AB, Stockholm	118	13	39.33
M R L Transport AB, Simrishamn	300	0	30.00
Industrislakt Syd AB, Hörby	50 000	6	50.00
Svenska Pig AB, Stockholm	220	2	22.00
Svenskt Butikskött AB, Johanneshov	333	1 683	25.00
Gotlands Slakteri AB, Visby	250	561	25.00
Total		13 156	

Owned by Pärsons Sverige AB			
Creta Farms Nordic AB, Halmstad	500	449	50.00
Owned by Nyhlens & Hugosons Kött AB			
Norrlandsslakt AB, Luleå	100 000	6	50.00
Owned by Rose Poultry A/S			
Tican – Rose GmbH, Eckernförde, Germany	1	368	50.00
HRP Kyllingefarme A/S, Sonderborg	752	146	50.00
Farmfood, Logstor	10 000	2 261	33.33
Total		2 775	

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

The following transactions were carried out with related parties

	2011	2010
Product sales		
- Associates	73.0	40.4
Sales of animals to related parties	3.7	2.3
Product purchases		
- Associates	47.3	35.1
Purchases of animals from related parties	10.4	6.7

Open balances at 31 December

Trade receivables		
- Associates	2.8	1.8
Trade payables		
- Associates	9.1	8.8

Employee benefits of management

Salaries and fees		
CEO and deputy CEO	0.9	1.2
Board members and deputy Board members	0.2	0.2

31. Events after the reporting date

(1) Thomas Olander, BSc (Econ & Bus Admin), was appointed as the new managing director of HKScan's Danish subsidiary, Rose Poultry A/S on 11 January 2011. He transferred to the post from the position of managing director of Pärsons Sverige AB, which is part of the Group. Mr Olander has been employed at HKScan Group since 2008 and before that was managing director of the Swedish company Ugglarps Slakteri AB. Mr Olander continues to act as managing director of Kreatina A/S and of Scan Foods UK Ltd. Mr Olander reports to Denis Mattsson, managing director of Scan AB, who is responsible for both the Swedish and Danish market areas on HKScan's Management Team.

(2) HKScan is combining and rendering closer to each other the operative management of the market areas of Finland and the Baltics. Anne Mere, MBA, managing director of HKScan's Estonian subsidiary AS Rakvere Lihakombinaat, was appointed to the post as of 10 February 2012. She also became a member of HKScan's Management Team. Ms Mere will be responsible for HKScan's market area of Finland as HKScan Finland Oy's managing director, and for the market area of the Baltics.

Along with Ms Mere's appointment, Teet Soorm was appointed managing director of AS Rakvere Lihakombinaat. He will also continue as managing director of AS Tallegg and AS Ekseko. Jari Leija will continue as managing director of HK Ruokatalo Oy, the largest subsidiary in the market area of Finland.

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

	Note	2011	2010
Net sales	1	**0.00**	**0.00**
Other operating income	2	1 076 955.65	1 052 691.17
Materials and services		0.00	0.00
Staff costs	3	-3 396 472.99	-2 623 579.59
Depreciation and impairment	4	-312 168.09	-235 625.63
Other operating expenses	5	-5 213 324.71	-4 815 172.74
EBIT		**-7 845 010.14**	**-6 621 686.79**
Financial income and expenses	6	8 697 791.80	13 093 788.89
Profit/loss before extraordinary items		**852 781.66**	**6 472 102.10**
Extraordinary items	7	9 700 000.00	10 100 000.00
Profit/loss after extraordinary items		**10 552 781.66**	**16 572 102.10**
Appropriations	8	17 717.00	-33 865.00
Income taxes	9	-350 613.81	-1 344 267.22
Profit/loss for the period		**10 219 884.85**	**15 193 969.88**

FAS Parent company balance sheet (EUR)

	Note	2011	2010
ASSETS			
Fixed assets	10		
Intangible assets		425 056.00	451 577.00
Tangible assets		1 275 973.30	590 590.27
Financial assets		373 539 249.92	359 928 776.99
Non-current assets		**375 240 279.22**	**360 970 944.26**
Current assets			
Non-current receivables	11	357 511 910.75	310 384 616.20
Deferred tax asset	11	1 935 113.78	1 910 043.16
Current receivables	12	31 115 083.60	34 608 323.65
Cash and cash equivalents		23 607 958.03	23 763 600.90
Current assets		**414 170 066.16**	**370 666 583.91**
ASSETS		**789 410 345.38**	**731 637 528.17**
EQUITY AND LIABILITIES			
Equity	13		
Share capital		66 820 528.10	66 820 528.10
Share premium reserve		73 420 363.20	73 420 363.20
Revaluation reserve		0.00	0.00
Treasury shares		-38 612.12	-38 612.12
Fair value reserve		-2 483 202.37	-2 035 697.02
RIUE		151 075 845.19	151 075 845.19
Other reserves		4 601 340.50	4 564 132.07
Retained earnings		4 617 839.69	1 517 883.17
Profit/loss for the period		10 219 884.85	15 193 969.88
Equity		**308 233 987.04**	**310 518 412.47**
Accumulated appropriations	14	**43 671.00**	**61 388.00**
Provisions	15	**3 126 413.00**	**3 112 377.00**
Liabilities			
Deferred tax liability	16	363 335.23	385 580.24
Non-current interest-bearing liabilities	16	303 305 262.24	319 911 815.27
Non-current non-interest bearing liabilities	16	1 007 369.94	1 695 448.79
Current interest-bearing liabilities	17	162 988 248.87	92 497 629.89
Current non-interest bearing liabilities	17	10 342 058.06	3 454 876.51
Liabilities		**478 006 274.34**	**417 945 350.70**
TOTAL EQUITY AND LIABILITIES		**789 410 345.38**	**731 637 528.17**

FAS Parent company cash flow statement (EUR 1 000)

	2011	2010
Cash flow from operating activities		
EBIT	-7 845	-6 622
Adjustments to EBIT	923	2 467
Depreciation and impairment	312	236
Change in provisions	14	-52
Change in net working capital	2 131	-12 120
Interest income and expenses	3 688	1 631
Dividends received	9 839	11 463
Taxes	-351	-1 344
Cash flow from operating activities	**8 711**	**-4 341**
Cash flow from investing activities		
Purchases of shares in subsidiary	-13 610	-23 896
Purchase of other fixed assets	-1 050	-604
Disposals of other fixed assets	95	27
Loans granted	-106 891	-152 092
Repayments of loans receivable	71 347	164 303
Cash flow from investing activities	**-50 109**	**-12 262**
Cash flow before financing activities	**-41 398**	**-16 603**
Cash flow from financing activities		
Proceeds from share issue		8 000
Repayment of hybrid bond		0
Non-current borrowings raised	137 365	43 927
Non-current borrowings repaid	-116 194	-20 654
Current borrowings raised	13 438	177 597
Current borrowings repaid	-58 097	-181 560
Interest on hybrid bond	0	0
Increase/decrease in current borrowings	66 724	0
Dividends paid	-12 094	-11 874
Purchase of treasury shares	0	0
Group contributions received	10 100	12 445
Cash flow from financing activities	**41 242**	**27 881**
Change in cash and cash equivalents	**-156**	**11 278**
Cash and cash equivalents at 1.1.	23 764	12 486
Cash and cash equivalents at 31.12.	**23 608**	**23 764**
Change in working capital:		
Increase (-)/decrease (+) in current operating receivables	2 035	-3 756
Increase (+)/decrease (-) in current non-interest bearing liabilities	96	-8 364
Total	2 131	-12 120

FAS 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.

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 streamlines 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 Lemminkäisenkatu 48, 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 2011.

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

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

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 closing 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. Realized 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 has been three months from the date of termination. In the event that the company had terminated the employment before 28 February 2012, the CEO would nonetheless have been 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 bonus based on the variable portion will not be realized for payment. The CEO does not have a separate supplementary pension from the company.

In 2011, CEO Matti Perkonoja was paid a total salary of EUR 0.6 million.

INCOME TAXES

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

LEASES

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

EXTRAORDINARY INCOME AND EXPENSES

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

ACCUMULATED APPROPRIATIONS

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

FAS Notes to the income statement (EUR 1 000)

	2011	2010
1. Breakdown of net sales		
Sales in Finland	0	0
2. Other operating income, total		
Rental income	7	5
Other operating income	1 049	1 045
Gain on disposal of non-current assets	21	3
Other operating income, total	1 077	1 053
Employees, average	18	14
3. Staff costs		
Salaries and fees	-2 693	-2 027
Pension expenses	-494	-429
Other social expenses	-209	-168
Staff costs	-3 396	-2 624
Management salaries, fees and benefits		
Managing directors and vice presidents	944	1 187
Board members	207	190
Total	1 151	1 377
4. Depreciation and impairment		
Depreciation according to plan on non-current assets and goodwill	-312	-236
Total depreciation and impairment	-312	-236
5. Other operating expenses		
Rents/leases	-589	-515
Losses on disposal of fixed assets, tangible assets total	-5	0
Losses on disposal of non-current assets	-5	0
Audit fees, ordinary audit	-122	-95
Audit fees, other expert services	-98	-100
Audit fees	-220	-195
Non-statutory staff costs	-286	-221
Energy	-79	-79
Maintenance	-77	-93
Advertising, marketing and entertainment costs	-265	-244
Service, information management and office costs	-3 275	-2 430
Other costs	-417	-1 038
Total other operating expenses	-5 213	-4 815
6. Financial income and expenses		
Financial income		
Dividends from Group companies	6 370	8 418
Dividends from participating interests	3 469	3 045
Dividends from others	0	0
Income from units	9 839	11 463
Interest income on non-current financial assets from participating interests	24	22
Interest income from other non-current financial assets	24	22
Other interest and financial income from Group companies	19 472	15 392
Other interest and financial income from others	8 192	1 291
Other financial income	27 664	16 683
Foreign exchange gains	9 879	17 457
Total financial income	47 406	45 625
Financial expenses		
Other interest and financial expenses payable to Group companies	-1 369	-1 366
Other interest and financial expenses payable to participating interests	-5	-5
Other interest payable and financial expenses to others	-31 035	-15 763
Total other interest and financial expenses	-32 409	-17 134
Foreign exchange losses	-6 299	-15 397
Total financial expenses	-38 708	-32 531
Financial income and expenses, total	8 698	13 094

7. Extraordinary items		
Extraordinary income, Group contributions	9 700	10 100
Total extraordinary items	9 700	10 100
8. Appropriations		
Increase (-) or decrease (+) in depreciation difference	18	-34
Total appropriations	18	-34
9. Direct taxes		
Income tax on ordinary operations	2 355	1 295
Income tax on extraordinary items	-2 522	-2 626
Tax for previous financial years	-95	0
Change in deferred tax liabilities and assets	-43	-13
Other direct taxes	-46	0
Income tax on ordinary operations	-351	-1 344

FAS Notes to the balance sheet (EUR 1 000)

10. Non-current assets

Intangible assets 2011

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost at 1.1.	1 349	0	136	1 485
Decrease intra-Group corporate arrangements	0	0		0
Increase	86	0	0	86
Decrease	0	0	0	0
Transfers between items	67	0	0	67
Acquisition cost at 31.12.	1 502	0	136	1 638
Accumulated depreciation at 1.1.	-950	0	-84	-1 034
Accumulated depreciation on disposals Intra-Group corporate arrangements	0	0	0	0
Accumulated depreciation on disposals and reclassifications	0	0	0	0
Depreciation for the financial year	-152	0	-27	-179
Impairment	0	0	0	0
Accumulated depreciation at 31.12.	**-1 102**	**0**	**-111**	**-1 213**
Carrying amount at 31.12.	**400**	**0**	**25**	**425**

Intangible assets 2010

	Intangible rights	Goodwill	Other long-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	0	0	115
Decrease	0	0	0	0
Transfers between items	214	0	0	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	0	1 844
Accumulated depreciation on disposals and reclassifications	0	0	0	0
Depreciation for the financial year	-124	0	-27	-151
Impairment	0	0	0	0
Accumulated depreciation at 31.12.	**-950**	**0**	**-84**	**-1 034**
Carrying amount at 31.12.	**399**	**0**	**52**	**452**

Tangible assets 2011

	Land and water areas	Buildings	Machinery and equipment	Other tangible	Pre-payments	Total
Acquisition cost at 1.1.	0	0	501	379	137	1 018
Decrease intra-Group corporate arrangements	0	0	0	0	0	0
Increase	0	0	170	1	793	964
Decrease	0	0	-168	0	0	-168
Transfers between items	0	0	0	0	-67	-67
Acquisition cost at 31.12.	0	0	504	380	863	1 747
Accumulated depreciation at 1.1.	-	0	-157	-269	-	-428
Accumulated depreciation on disposals						
Intra-Group corporate arrangements		0	0	0		0
Accumulated depreciation on disposals and reclassifications	-	0	89	0	-	89
Depreciation for the financial year	-	0	-113	-20	-	-133
Impairment	-	0	0	0	-	0
Accumulated depreciation at 31.12.	**0**	**0**	**-182**	**-289**	**0**	**-471**
Carrying amount at 31.12.	**0**	**0**	**322**	**90**	**863**	**1 276**

Financial assets 2011

	Holdings in Group associates	Holdings in associates	Amounts owed by associates	Other shares and holdings	Total
Acquisition cost at 1.1.	359 866	0	47	16	359 929
Increase	13 610	0	-	-	14 299
Decrease intra-Group corporate arrangements	0	0	-	0	0
Transfers between items	-	-	-	-	0
Acquisition cost at 31.12.	**373 476**	**0**	**47**	**16**	**373 539**
Carrying amount at 31.12.	**373 476**	**0**	**47**	**16**	**373 539**

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	-2 157	-412 277
Increase	0	0	308	100	81	489
Decrease	0	0	-65	0	0	-65
Transfers between items	0	0	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	-	0	41	0	-	41
Depreciation for the financial year	-	0	-83	-2	-	-85
Impairment	-	0	0	0	-	0
Accumulated depreciation at 31.12.	**0**	**0**	**-157**	**-269**	**0**	**-428**
Carrying amount at 31.12.	**0**	**0**	**344**	**110**	**137**	**591**

Financial assets 2010

	Holdings in Group associates	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	0	-	-	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**

	2011	2010
Intangible assets		
Intangible rights	400	399
Goodwill	0	0
Other long-term expenditure	25	52
Intangible assets	425	452
Tangible assets		
Land and water areas	0	0
Buildings and structures	0	0
Machinery and equipment	322	344
Other tangible assets	90	110
Payments on account and tangible assets in the course of construction	863	137
Tangible assets	1 276	591
Financial assets		
Holdings in Group companies	373 476	359 866
Holdings in associates	0	0
Amounts owed by participating interests	47	47
Other shares and holdings	16	16
Financial assets	373 539	359 929
Non-current assets, total	375 240	360 971

11. Non-current receivables		
Non-current loan receivables	2 736	2 683
Deferred tax assets	1 935	1 910
Other receivables	456	774
Total	5 127	5 367
Amounts owed by Group companies		
Non-current Group loan receivables	354 122	306 730
Non-current receivables from Group companies	354 122	306 730
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	**359 447**	**312 295**

	31.12.2011	31.12.2010
12. Current receivables		
Trade receivables	0	0
Short-term prepayments and accrued income (from others)	3 734	2 197
Total	3 734	2 197
Amounts owed by Group companies		
Trade receivables	144	71
Loan receivables	10 466	13 056
Prepayments and accrued income (within Group)	6 267	8 407
Other receivables	10 213	10 529
Total	27 090	32 063
Amounts owed by participating interests		
Trade receivables	1	6
Loan receivables	280	280
Other receivables	10	64
Short-term receivables from participating interests	291	349
Total current receivables	**31 115**	**34 608**
Main items included in prepayments and accrued income		
Accrued financial items	1 436	1 378
Accrued staff costs	2	60
VAT receivable	234	109
Other tax receivables	1 143	0
Other prepayments and accrued income	919	650
Total	**3 734**	**2 197**

13. Equity

Equity in 2011

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity at 1.1.	66 820	73 420	0	-38	151 076	2 527	16 712	310 517
Increase	-	-	-	-	-	37	-	37
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	0
Decrease	-	-	-	-	-	-447	-	-447
Dividend distribution	-	-	-	-	-	-	-12 094	-12 094
Share issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**
Direct recognition in retained earnings	-	-	-	-	-	-	-	0
Purchase of own shares	-	-	-	-	-	-	-	0
Payments made in treasury shares	-	-	-	-	-	-	-	0
Profit for the period	-	-	-	-	-	-	10 220	10 220
Equity at 31.12.2011	**66 820**	**73 420**	**0**	**-38**	**151 076**	**2 118**	**14 838**	**308 234**

Equity in 2010

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity at 1.1.	66 820	73 420	3 364	-38	143 076	10 030	13 392	310 064
Increase	-	-	-	-	-	40	-	40
Decrease	-	-	-3 364	-	-	-	-	-3 364
Dividend distribution	-	-	-	-	-	-7 543	-	-7 543
Share issue	-	-	-	-	-	-	-11 874	-11 874
Direct recognition in retained earnings	-	-	-	-	8 000	-	-	8 000
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**

Distributable assets	31.12.2011	31.12.2010
Contingency fund	323	285
Treasury shares	-38	-38
Reserve for invested unrestricted equity	151 076	151 076
Retained earnings	4 618	1 518
Profit/loss for the period	10 220	15 194
Distributable assets	166 199	168 035

	31.12.2011	31.12.2010
14. Accumulated appropriations		
Depreciation difference	44	61
Total appropriations	44	61

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

15. Statutory provisions		
Provisions for pensions	3 126	3 112
Statutory provisions, total	3 126	3 112
16. Non-current liabilities		
Deferred tax liability	363	386
Loans from financial institutions	303 305	319 912
Other liabilities	1 008	1 695
Total	304 676	321 993
Total non-current liabilities	304 676	321 993
Non-current liabilities		
Interest-bearing		
Amounts owed to others	303 305	319 912
Non-current interest-bearing liabilities	303 305	319 912
Non-interest bearing		
Amounts owed to others	1 371	2 081
Non-current non-interest bearing liabilities	1 371	2 081
Total non-current liabilities	304 676	321 993
17. Current liabilities		
Loans from financial institutions	145 501	71 023
Trade payables	718	173
Accrued liabilities and deferred income	9 221	2 825
Other liabilities	307	288
Total	155 747	74 309

Amounts owed to Group companies		
Trade payables	44	76
Accruals and deferred income	52	91
Other liabilities	17 487	20 475
Total	17 583	20 642
Amounts owed to participating interests		
Accruals and deferred income	0	1
Other liabilities	0	1 000
Total	0	1 001
Total current liabilities	173 330	95 952
Current liabilities		
Interest-bearing		
Current amounts owed to Group companies	17 487	20 475
Current amounts owed to participating interests	0	1 000
Amounts owed to others	145 501	71 023
Current interest-bearing liabilities	162 988	92 498
Non-interest bearing		
Current amounts owed to Group companies	97	167
Current amounts owed to participating interests	0	1
Amounts owed to others	10 245	3 287
Current non-interest bearing liabilities	10 342	3 455
Total current liabilities	173 330	95 952
Main items (non-current and current) included in accruals and deferred income		
Accrued staff costs	927	638
Accrued interest expenses	1 122	375
Accrued income taxes	0	20
Accrued changes in value of derivatives	6 840	1 554
Other accruals and deferred income	332	238
Total	9 221	2 825
Liabilities due in five years or more		
Loans from financial institutions	6 429	0
Other long-term liabilities	0	0
Liabilities due in five years or more	6 429	0

18. Commitments and contingent liabilities

Commitments and contingent liabilities

	2011	2010
Debts secured by mortgages and shares		
Loans from financial institutions	0	0
Total	0	0
Real estate mortgages	0	0
Floating charges	5 046	5 046
Securities pledged	0	0
Total	5 046	5 046
Security for debts of subsidiaries and other Group companies		
Guarantees	51 259	42 873
Total	51 259	42 873
Security for debts of participating interests		
Guarantees	5 190	5 260
Total	5 190	5 260
Security for debts of others		
Guarantees	4 945	4 765
Total	4 945	4 765
Other contingencies		
Leasing commitments		
Maturing in less than a year	3	0
Maturing in 1-5 years	7	1
Maturing in over 5 years	0	0
Total	10	1
Other rent commitments		
Maturing in less than a year	730	519
Maturing in 1-5 years	2 918	0
Maturing in over 5 years	7 296	0
Total	10 944	519
Other commitments	8	8
Total other contingencies	10 962	528

19. Derivative instruments

Nominal values of derivative instruments

	2011	2010
Foreign exchange derivatives		
- Currency futures	49 163	123 391
- Currency options	0	0
Interest rate derivatives		
- Interest rate swaps	268 344	211 923
Commodity derivatives		
- Electricity forwards	11 149	10 235
Total	328 656	345 549

Fair values of derivative instruments

	2011 Fair value positive	2011 Fair value negative	2011 Fair value net	2010 Fair value net
Foreign exchange derivatives				
- Currency futures	848	-835	13	23
- Currency options	0	0	0	0
Interest rate derivatives				
- Interest rate swaps	0	-22 581	-22 581	-12 481
Commodity derivatives				
- Electricity futures	3	-1 085	-1 081	2 242
Total	851	-24 501	-23 649	-10 216

Derivative instruments to which hedge accounting applies

	2011 Nominal value	2011 Fair value effective portion	2010 Nominal value	2010 Fair value effective portion
Foreign exchange derivatives				
- Currency futures	27 426	-662	44 343	-584
Commodity derivatives				
- Electricity futures	11 149	-774	10 235	2 242
Interest rate derivatives				
- Interest rate swaps	234 766	-17 513	211 923	-12 481
Total	273 341	-18 949	266 501	-10 823

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

Vantaa, 16 February 2012

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

Auditor's 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 2011. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in 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, 20 March 2012

PricewaterhouseCoopers Oy
Authorized Public Accountants

Johan Kronberg APA	Petri Palmroth APA

Share 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 dividend of EUR 0.17 per share for 2011 proposed by the Board is equivalent to 92.1 percent of the undiluted and diluted result. The corresponding figure in the previous year was 42.6 percent.

RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING

(1) The composition of the company's Board of Directors changed on 4 February 2011 when the convened Extraordinary General Meeting of Shareholders elected as new members of the Board Juha Kylämäki, Niels Borup and Tero Hemmilä. The election of new members became necessary after Board members Markku Aalto, Tiina Varho-Lankinen and Matti Murto had announced their resignation on 4 January 2011. The matter has been reported in more detail in the stock exchange release published on 4 January 2011. In addition to the elected new members, the Board included Matti Karppinen, Pasi Laine and Otto Ramel from before.

At the organization meeting held immediately following the AGM, the Board elected Juha Kylämäki as chairman and Niels Borup as deputy chairman.

(2) HKScan Corporation's AGM adopted on 27 April 2011 the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2010. It was decided to distribute a dividend of EUR 0.22 per share (in total EUR 12.1.million): The dividend payment date was 10 May 2011.

On the proposal of HKScan's largest shareholder, LSO Osuuskunta, the AGM resolved that the number of members of the company's Board of Directors be six. Juha Kylämäki, Niels Borup, Matti Karppinen, Tero Hemmilä and Otto Ramel were, in accordance with the proposal of the Board, re-elected to a new term. In accordance with the proposal of LSO Osuuskunta, Henrik Treschow was elected as a new member. At the organization meeting held immediately following the AGM, the Board re-elected Juha Kylämäki as chairman and Niels Borup as deputy chairman.

In accordance with the recommendation of the Board of Directors' Nomination Committee, the AGM resolved that remuneration for members of the Board remain unchanged; that as annual remuneration 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.

Authorised 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 AGM. The deputy auditors are APA Mika Kaarisalo and APA Jari Viljanen.

Additionally the AGM authorised the Board to decide on acquiring and/or accepting as pledge treasury A shares, and to decide on an issue of shares. These are discussed in more detail in the Board's review under "Board of Directors' existing authorizations".

SHAREHOLDERS

At the end of the financial year in the company's shareholder register, held by Euroclear Finland Oy, a total of 11 802 shareholders were entered, compared to 12 524 the year before. At the end of 2011, 20.1 percent (23.3%) of the company's shares were owned by nominee registered or foreign shareholders.

FLAGGING NOTIFICATIONS

HKScan did not receive any flagging notifications during 2011.

TREASURY SHARES

At the beginning and at the end of the financial year 2011, HKScan held a total of 53 734 of its treasury A Shares. These had a market value at year-end of EUR 0.30 million and accounted for 0.10% of all shares and 0.03% of all votes. No dividend is paid on treasury shares.

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	90.19%
Series K-shares	5 400 000	9.81%
Total	55 026 522	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.

CHANGES IN SHARE CAPITAL FROM 2010 TO 2011

The company did not increase share capital during the financial year 2011. The proceeds of EUR 8.0 million from the share issue 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), and for this reason the share capital was not increased.

STOCK EXCHANGE LISTINGS

HKScan's A Share has been quoted on NASDAQ OMX since 6 February 1997. The sector according to ICB is Consumer Goods (as of 1 February 2012). During the year 11 765 471 of the company's shares with a value of EUR 71 137 019 were traded.

The highest price quoted was EUR 7.98 and the lowest EUR 4.08. The middle price was EUR 6.05 and the year-end closing price was EUR 5.64. The share price fell by 21.1% on the year while the index for the Food Products sector (HX302020GI) fell by 17.5 percent or 36.0 points on the year.

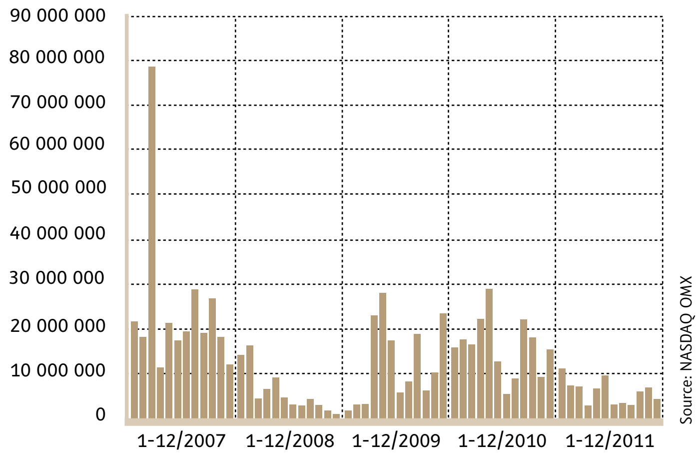
The company's market capitalization at the end of the financial year was EUR 310.0 million, having stood at EUR 393.1 million a year earlier. It breaks down as follows: Series A shares had a market value of EUR 279.5 million and the unlisted Series K shares a calculational market value of EUR 30.5 million.

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

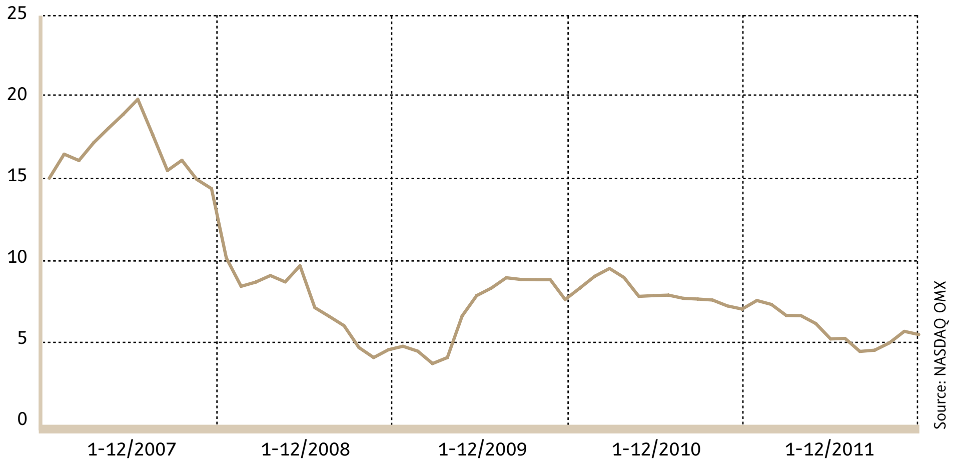
SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT

At year-end 2011, members of the Board of Directors and the company's CEO and his deputies as well as their related parties owned a total of 76 122 A Shares, corresponding to 0.14 percent of the total number of shares and 0.05 percent of the votes.

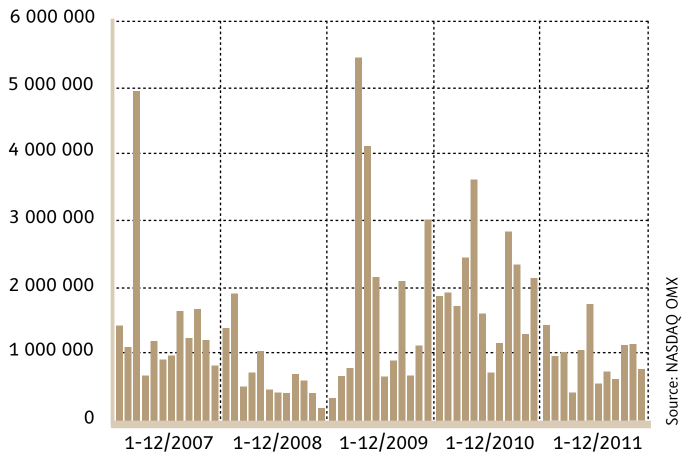
Shares traded 2007–2011
(value in euros of shares traded per month)



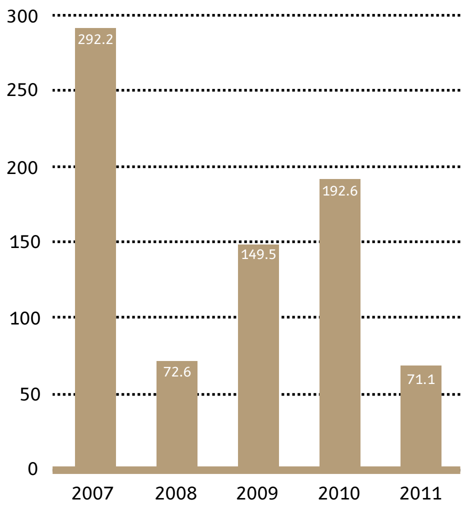
Share price development 2007–2011
(middle price in euros each month)



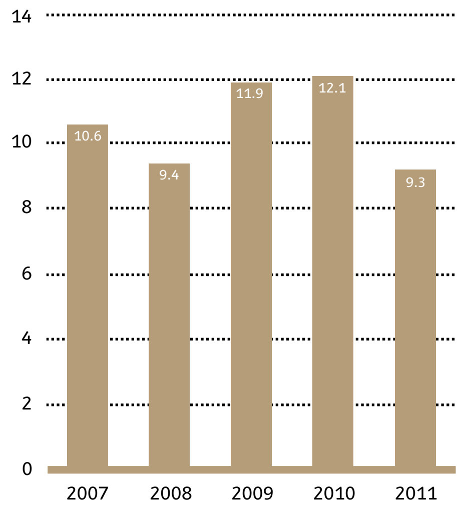
Shares traded 2007–2011
(number of shares traded per month)



Share trades, total 2007–2011 on NASDAQ OMX (EUR million)



Dividends paid, total 2007–2011
(EUR million)



Ownership breakdown on 31 December 2011

Number of shares held minimum	Maximum	Share-holders	%	Amount of shares	%	Amount of votes	%
1	100	2 984	25.28	156 920	0.29	156 920	0.10
101	500	4 754	40.28	1 333 050	2.42	1 333 050	0.85
501	1 000	1 926	16.32	1 450 045	2.64	1 450 045	0.92
1 001	5 000	1 799	15.24	3 768 728	6.85	3 768 728	2.39
5 001	10 000	171	1.45	1 177 328	2.14	1 177 328	0.75
10 001	50 000	110	0.93	2 211 704	4.02	2 211 704	1.40
50 001	100 000	25	0.21	1 623 873	2.95	1 623 873	1.03
100 001	500 000	20	0.17	4 293 192	7.80	4 293 192	2.72
500 001	-	13	0.11	38 874 577	70.65	141 474 577	89.75
Total		11 802	100.00	54 889 417	99.75	157 489 417	99.91
of which nominee-registered		9		3 802 518	6.91	3 802 518	2.41
on the waiting list		0		0	0.00	0	0.00
General account				137 105	0.25	137 105	0.09
Special accounts				0	0.00	0	0.00
Number of shares issued				55 026 522	100.00	157 626 522	100.00

Largest shareholders at 31 December 2011

		A Shares	K shares	Of total shares, %	Of total 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	3 752 806	0	6.82	2.38
4	Tapiola Mutual Pension Insurance Company	1 029 640	0	1.87	0.65
5	Mutual Fund FIM Fenno	869 537	0	1.58	0.55
6	The Central Union of Agricultural Producers and Forest Owners (MTK)	836 414	0	1.52	0.53
7	Investment Fund Alfred Berg Finland	671 741	0	1.22	0.43
8	Investment Fund Taaleritehdas Arvo Markka Osake	550 000	0	1.00	0.35
9	Danish Crown A/S	540 458	0	0.98	0.34
10	Mutual Fund FIM Forte	525 000	0	0.95	0.33
11	Investment Fund OP-Suomi Arvo	520 877	0	0.95	0.33
12	The State Pension Fund	500 000	0	0.91	0.32
13	Ilmarinen Mutual Pension Insurance Company	400 798	0	0.73	0.25
14	Kuntien Eläkevakuutus	388 153	0	0.71	0.25
15	Mandatum Life Insurance Company	357 800	0	0.65	0.23
16	Vinderup Poultry A/S	322 643	0	0.59	0.20
17	Investment Fund Evli Suomi Osake	225 636	0	0.41	0.14
18	Skovsgaard Fjerkraeslagteri A/S	215 096	0	0.39	0.14
19	Investment Fund Alfred Berg Small Cap Finland	215 000	0	0.39	0.14
	Nominee-registered, total	3 802 518	0	6.91	2.41
	Other shareholders, total	9 508 484	0	24.00	8.38
	All shares, total	49 626 522	5 400 000	100.00	100.00

Owner breakdown by sector at 31 December 2011

	Share of owners, %	Share of shares, %	Share of votes, %
Corporates	4.25	40.54	71.23
Finance and insurance companies	0.23	5.96	4.48
Public entities	0.13	11.92	4.16
Households	94.41	16.45	5.74
Non-profit organizations	0.76	4.18	1.46
Domestic sectors, total	99.78	79.05	87.07
Abroad	0.22	13.79	12.84
All sectors, total	100.00	92.84	99.91
Waiting list		0.00	0.00
General account		0.25	0.09

Foreign and nominee registered shareholders held 20.7% of shares (23.3% in 2010).

Share capital by share series at 31 December 2011

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

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

Information for the shareholders

ANNUAL GENERAL MEETING

HKScan Corporation's Annual General Meeting will be held starting at 11 am on Wednesday, 25 April 2012 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 2012 either through HKScan Corporation's website www.hkscan.com or by phone +358 (0)10 50 6218 (weekdays 9 am-4 pm) or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 13 April 2012 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd.

DIVIDEND

The Board of Directors is to recommend to the Annual General Meeting that a dividend of EUR 0.17 per share be distributed for 2011. 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 30 April 2012. The proposed payment date for the dividend is 8 May 2012. Shareholders whose shares are not registered in the book-entry securities system at the record date, 30 April 2012, 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 Euroclear Finland Ltd, PO Box 1110, FI-00101 Helsinki, Finland (visiting address Urho Kekkosen katu 5 C, 00100 Helsinki), telephone +358 (0)20 770 6000 and email info.finland@euroclear.eu. Shareholders should notify any changes of name and address in the book-entry securities register where their book-entry account is registered.

FINANCIAL INFORMATION AND DISTRIBUTION OF THE ANNUAL REPORT

HKScan publishes an English translation of the original Finnish annual report in April each year, and three interim reports as follows:

• for January-March	on Tuesday, 8 May 2012
• for January-June	on Friday, 10 August 2012
• for January-September	on Tuesday, 6 November 2012.

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

The Annual Report 2011 is published in Finnish and English. Printed versions of the annual report will be posted automatically to shareholders with at least 750 shares and who are registered in the company's share register kept by Euroclear Finland Ltd.

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

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

SILENT PERIOD

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

Annual summary 2011

HKScan's stock exchange releases are available for review in full on
www.hkscan.com (in English) > Stock Exhange Releases > Year 2011

4 Jan 2011	Changes in HKScan's Board of Directors, HKScan's Board of Directors convenes extraordinary general meeting of shareholders
20 Jan 2011	HKScan Group's productivity programme at HK Ruokatalo ready
4 Feb 2011	Resolutions passed by HKScan Corporation's Extraordinary General Meeting of Shareholders
18 Feb 2011	HKScan Group's financial statement release for the financial year of 1 January – 31 December 2010
22 Feb 2011	HKScan's annual summary 2010
22 Mar 2011	Announcement on the holding of the Annual General Meeting of shareholders of HKScan Corporation
30 Mar 2011	Amendment to the invitation to HKScan's Annual General Meeting published on 22 March 2011
5 Apr 2011	Annual report and corporate governance statement 2010 of HKScan Corporation have been published
27 Apr 2011	Resolutions passed by the Annual General Meeting of HKScan Corporation
6 May 2011	HKScan Group interim report 1 January - 31 March 2011: Strong growth in HKScan's net sales, poor pork profitabilty erodes performance in Q1
10 May 011	Appointment to HKScan's Management Team
26 Jul 2011	HKScan adjusts EBIT guidance for 2011
10 Aug 2011	HKScan Group's interim report 1 January – 30 June 2011: Strong growth in HKScan Group's net sales
4 Nov 2011	HKScan interim report Q3/2011: Upturn in HKScan's profitabilty compared with early part of the year
17 Nov 2011	Hannu Kottonen to be HKScan's next CEO
25 Nov 2011	Olli Antniemi, managing director of Rose Poultry, has died
7 Dec 2011	HKScan's financial calendar year 2012

HKScan Corporation's corporate governance statement 2011

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, HKScan's Articles of Association and the Finnish Corporate Governance Code 2010 (the "Code"), as well as the charter and rules of procedure adopted by the Company's Board of Directors. HKScan furthermore complies with the rules and regulations of the Stock Exchange and the Finnish Financial Supervisory Authority.

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

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 9: No female members were elected to the Company's Board of Directors at the General Meeting of Shareholders because no suitable female candidates with good knowledge of the Company's industry were found – in order to meet the recommendation of the Code regarding the gender distribution of Board members. However, the Company aims to meet the recommendation of the Code in this respect, too.
- Recommendation 26: Tero Hemmilä, member of the Audit Committee, is not independent of the Company because his employment relationship with the Company has ended less than three years ago.
- Recommendation 28: Members to the Nomination Committee may be appointed also from outside the Board of Directors in order to bring additional knowledge and expertise to bear on key appointments within the Company.

AVAILABILITY OF CORPORATE GOVERNANCE CODE

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

The Code is available for review on the Securities Market Association website at www.cgfinland.fi.

Group organization

The management and operations of the HKScan Group ("HKScan Group" or the "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
- auditor's 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 members of the Board of Directors, except Tero Hemmilä, are independent of the Company. All members of the Board of Directors, except Otto Ramel, are independent of the Company's major shareholders.

The following were elected to the Board by the AGM held in 2011:

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

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

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

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

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

Otto Ramel, b. 1950
An Agricultural Technologist degree from the Swedish Agricultural University and a BA in business from Lund University
Farm entrepreneur and beef producer, Sjöbo, Sweden

Until the Extraordinary General Meeting (held on 4 February 2011), members of the Board were:

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

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

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

Until the Annual General Meeting of 2011 (held on 27 April 2011), member of the Board was:

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

During 2011, the Board held 16 meetings. The average attendance rate of Board members was 91 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 Administrative and Legal Director 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 on 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 remuneration and 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 proposal

The Board of Directors holds monthly meetings, except in the summer holiday season. Additional 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 evaluation has 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 to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairs of the committees from among its members, except for the Nomination Committee, to which members may be selected from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company.

Audit committee

The Board elects the three members of the Audit Committee from among its members. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. The Audit Committee assists the Board by preparing matters within its remit for the consideration of the Board and by submitting proposals or recommendations for Board resolution.

The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with recommendation 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan's Board of Directors include, 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 the risk management system; to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement; to monitor the statutory audit; to evaluate the independence of auditors and the provision of related services to the Company in particular; and to prepare the proposal for resolution on the election of the auditors. The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee and submits for the information of the Board the minutes of the Committee's meeting. The CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee is chaired by Matti Karppinen and its members are Juha Kylämäki and Tero Hemmilä. All the members are independent of significant shareholders and Matti Karppinen and Juha Kylämäki are independent of the Company.

The Audit Committee held five meetings during 2011. The average attendance rate of Committee members was 100 percent. Committee meetings are also regularly attended by the Company'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 Tiina Teperi-Saari (chair), Lars Gustafsson and Juha Kylämäki. The Nomination Committee held two meetings during 2011. The average attendance rate of Committee members was 100 percent.

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

Compensation committee

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

The duties of the Compensation Committee are defined in its charter adopted by the Board of Directors. The Compensation Committee is tasked with preparing matters pertaining to the Company's remuneration schemes. The Compensation 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 Niels Borup and its members are Juha Kylämäki and Henrik Treschow. All members of the Compensation Committee are independent of the Company. The Compensation Committee held two meetings during 2011. The average attendance rate of Committee members was 100 percent. The Compensation 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. With respect to the Working Committee members' independence of the Company and its significant shareholders, see the introductions of the members of the Board of Directors.

The Working Committee held no meetings during 2011.

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 furthermore reports to the Board on the implementation of the Board's resolutions and on the measures and outcomes to which these have given rise.

The CEO of the Company is Matti Perkonoja (b. 1949, commercial college graduate). The CFO Irma Kiilunen serves as deputy to the CEO. In managing the Group, the CEO is supported by the Group Management Team.

HKSCAN MANAGEMENT TEAM

HKScan's CEO is assisted by the Group Management Team consisting of CEO Matti Perkonoja as chairman along with CFO Irma Kiilunen; Markku Suvanto, administrative and legal director; Sirpa Laakso, HR director; Olli Antniemi (until 24 November 2011), managing director of Rose Poultry A/S;); Jari Leija, managing director of HKScan Finland Oy and HK Ruokatalo Oy; and Denis Mattsson, managing director of Scan AB. The Management Team meetings are also attended by Harri Saukkomaa, HKScan's communications director; Anne Mere, managing director of AS Rakvere Lihakombinaat; and Teet Soorm, managing director of AS Tallegg. 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	Compensation committee	Working committee
Markku Aalto *	2/2			1/1	
Matti Murto *	2/2				
Tiina Varho-Lankinen *	2/2			1/1	
Pasi Laine **	4/7				
Juha Kylämäki ***	14/14	5/5	2/2	1/1	
Niels Borup ***	14/14	1/1		1/1	
Tero Hemmilä ***	12/14	4/4			
Matti Karppinen	16/16	5/5		1/1	
Henrik Treschow ****	7/9			1/1	
Otto Ramel	14/16				
Tiina Teperi-Saari			2/2		
Lars Gustafsson			2/2		

* Member of the Board of Directors until 4 February 2011. The Board held 2 meetings between 1 January and 4 February 2011.
** Member of the Board of Directors until 27 February 2011. The Board held 7 meetings between 1 January and 27 April 2011.
*** Member of the Board of Directors as of 4 February. The Board held 14 meetings between 4 February and 31 December 2011.
**** Member of the Board of Directors as of 27 April 2011. The Board held 9 meetings between 27 April and 31 December 2011.

Main features of the internal control and risk management systems pertaining to the financial reporting process

INTERNAL CONTROL FRAMEWORK

The Company's internal control framework is within the remit of HKScan Corporation's Board of Directors. Group management is responsible for maintaining and further developing effective internal control. Internal control aims to ensure compliance with laws and regulations as well as the Group's values and internal policies and guidelines. The internal control system has the further objective of supporting activities in line with the Group's strategy. The reliability of financial reporting and measures in the service of this goal is an integral component in the Company's internal control framework.

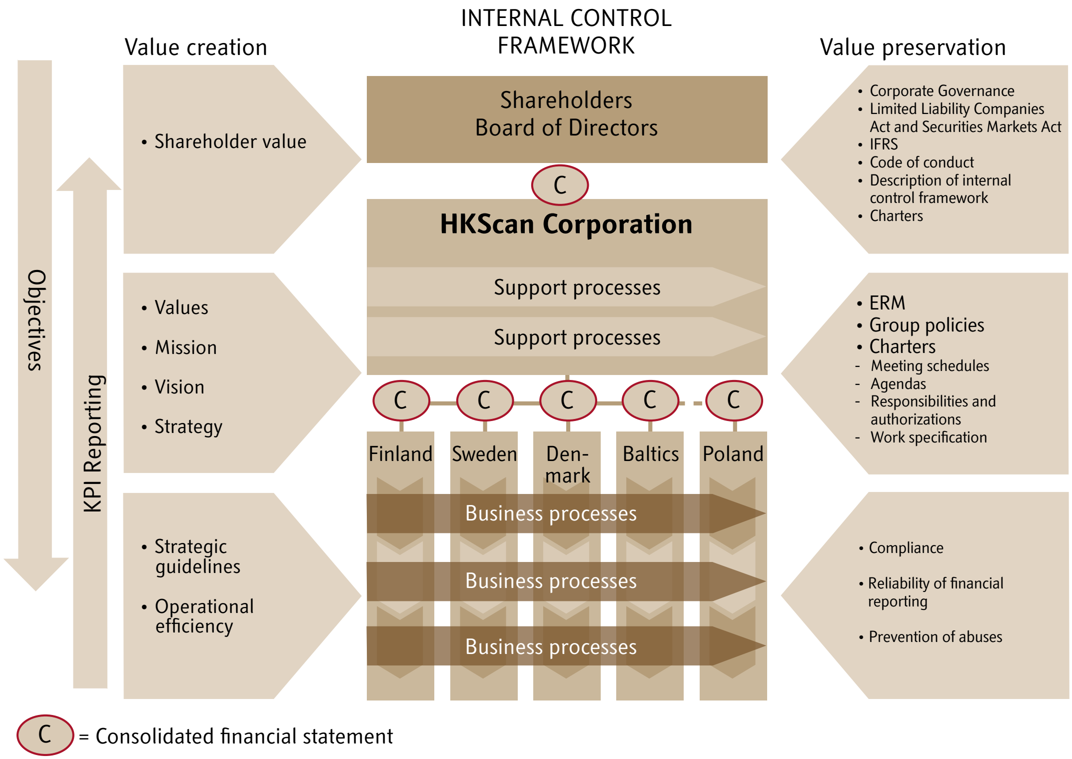
CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2011 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. In addition to this, the Company's lawyer especially ensures that the operations are lawful. He reports directly to the CEO of the Company. At the end of 2010, an internal audit development project was started. In accordance with the decision of the Board of Directors, internal auditing was carried out in 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.



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

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 respective 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 risk management policy is applied in all of the companies in the HKScan Group which carry out business operations.

Risk management is a key element in the Group's financial reporting process. At the Group level, the Company strives to identify and assess, at least once a year, all significant risks inherent in material balance sheet and income statement items and to determine the key controls for risk prevention.

CONTROL MEASURES

Control measures are designed to ensure that

- the Company's business is managed efficiently and profitably;
- the Company's financial reporting is accurate, transparent and reliable; and
- the Company complies with laws and regulations and all internal principles.

Control measures can take the form of manual or automated system controls. Examples of controls to ensure the reliability of financial reporting include reconciliations, approvals, reviews, analyses and the elimination of high-risk combinations of duties.

The Group's financial administration has determined, via risk assessment, the controls central to financial reporting. These cover the financial reporting process. The implementation and effectiveness of the controls is the responsibility of financial administration in the segments. The Group has in place a self-evaluation process which seeks to ensure the function and effectiveness of controls relating to financial reporting. The Group's major subsidiaries provide the Group's financial administration with an annual report on the effectiveness of key controls. In addition to ensuring control effectiveness, self-evaluation also seeks to locate possible gaps and areas for further development in the controls.

COMMUNICATION AND DISTRIBUTION OF INFORMATION

The guidelines and principles relating to financial reporting are handled by the Group's financial administration in internal meetings, video conferences, discussions and by email. Issues relating to result and financial situation, new accounting procedures, changes in internal guidelines and processes, and other topical issues in financial administration are discussed.

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 market. In addition, the statutory auditors provide the Audit Committee with an annual report on their audit plans and a quarterly report on their audit observations and the functioning of internal control. The Audit Committee in turn conducts an annual evaluation of the performance and independence of the auditors.

In 2011, the internal control framework development work continued. It includes updating of internal guidelines, specification of the Group processes and preparation of charters for the various bodies. The outcomes of the work will be reported to the Audit Committee and the Management Team.

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 Annual General Meeting. 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 or her observations.

Authorized public accountants PricewaterhouseCoopers Oy, with Johan Kronberg, APA, as principal auditor, and Petri Palmroth, APA, have served as the Company's independent statutory auditors. Mika Kaarisalo, APA, and Jari Viljanen, APA, have served as deputy auditors.

INSIDER ADMINISTRATION

The Company complies with the Insider Guidelines of NASDAQ OMX Helsinki. The revised version of the Guidelines was adopted effective 9 October 2009 and it is available for review on www. nasdaqomx.com.

HKScan's insiders are split into a public register and a company specific (non-public) register. By law, the public insiders are members of the Board of Directors, the Company's auditors and the CEO. By corporate decision, the HKScan Management Team and designated representatives of the principal owners' administrative bodies are public insiders too. These number 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 40 persons – are 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 guidelines by regularly reminding insiders of permitted trading windows and by checking the register maintained by Euroclear Finland once a year to see the transactions carried out by insiders. In the same context, the Company sends an extract from the register to each insider to allow checking and completing 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 it lapses.

HKScan's Group administration maintains and manages the insider register. The public register resides in the SIRE system of Euroclear Finland Oy. Public access to the registers has been provided since 17 October 2005 on the Company's website www.hkscan.com 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 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 respective 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 economic cycle 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 market areas has grown tougher recently with retail chains to an increasing degree entering the food market to compete with their own products and brands. Besides local competitors, competition is also made fiercer by international companies and companies operating in lower-cost countries. The company is responding to increased competition through, for example, 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 market areas. 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 market areas or in other geographical areas companies which enhance its competitive position. Risks relating to acquisitions include unknown liabilities of companies possibly acquired by the company, possible inability to integrate and manage 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 local legislation and regulations, as well as 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 its 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 after the respective animal disease discovery. Animal disease risk is evened out 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 imports 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, if its equipment is damaged in a significant manner or other disruptions occur in production, this is likely to cause delays in HKScan's ability to produce and distribute its products as scheduled. Depending on the product, it may be possible for HKScan to transfer production to other locations, thus avoiding any significant interruptions to its operations. Changes in production of this kind may, however, be more difficult to implement in respect of some product groups and may lead to significant delays in the deliveries of products and to lost sales, and give rise to additional expenditure.

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 taken out of commission for whatever reason, or if the products held in the distribution centres suffer significant damage, HKScan will have to come up with an alternative method of delivering products to customers until such time 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 healthiness of products, packaging materials intended to come into contact with food, and microbiological purity. Particular attention is paid to the prevention and control of bacteria which cause food poisoning. In addition to rigorous in-house controls, the facilities of all industry operators are subject to strict scrutiny by the authorities. HKScan's high standard of requirements and rigorous internal control notwithstanding, the company cannot have absolute assurance of the risk-free management of the entire 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, sabotage, pandemics, exceptional weather conditions or other factors beyond the company's control may have an adverse effect on the health and growth of production animals or hamper the company's operations due to power outages, damage to production and property, disruptions in 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 flows. The company's financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances.

As a rule, HKScan's funding is obtained through the parent company, while funding to subsidiaries is arranged by the 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 CFO. 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 Danish krone. The Group's financial risks are presented in more detail in Note 26 of the financial statements.

Board of Directors as of 27 April 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, M.Sc. (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 Scan AB 2011-
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, M.Sc. (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 and Communications director, 1991-1994
Marketing manager, Unilever Finland Oy, 1985-1989
Office manager, Turun Seudun Osuuspankki, 1984-1985

Main Board memberships and public duties currently undertaken:
Member of the Board of the Finnish Food and Drink Industries' Federation ETL
Member of the Board of Sucros Oy

Public duties previously undertaken:
Member of the Supervisory Board of Tapiola Mutual Insurance Company until 15 April 2011
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

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 the 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:
Sveriges Djurbönder ek. för. (former Swedish Meats), Chairman of the Board
Länsförsäkringar Skåne insurance company, Chairman of the Board

Public duties previously undertaken:
Alpcot Agro AB, member of the Board
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

HENRIK TRESCHOW (B. 1946)
Member of the Board, MBA

Swedish national
Member of HKScan's Board since 2011

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

Independent of the Company and major shareholders

No shareholding in HKScan

PASI LAINE (B. 1963)
Member of the Board until 27 April 2011,
M.Sc. (El Eng)

Finnish national
President, Paper and Fiber Technology,
Metso Group
Metso's EVP and Deputy to the CEO

Auditors for the 2011 financial year

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

DEPUTY AUDITORS
Mika Kaarisalo, M.Sc. (Econ. & Bus. Admin.), APA, Turku
Jari Viljanen, M.Sc. (Econ. & Bus. Admin.), APA, Turku

Administrative and Legal Director of HKScan Corporation 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 31 January 2012.

Management Team as of 1 March 2012

HANNU KOTTONEN (B. 1957)
CEO of HKScan Corporation, M.Sc. (Econ.)

Finnish national

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

Earlier:
Metsä Tissue Corporation, CEO, October 2006-January 2012.
Metsäliitto Group, member of the Executive Management Team 2009 - January 2012.
M-real Corporation, head of the Consumer Packaging business area January 2004-October 2006
Huhtamäki Group, various positions (incl. CFO and president of the Fresh Food Packaging Division) 1983-2003
TSP-Suunnittelu Oy 1980-1983

Main Board memberships and public duties currently undertaken:
HKScan Finland Oy, chairman of the Board (2012-)
HK Ruokatalo Oy, chairman of the Board (2012-)
Lihatukku Harri Tamminen Oy, member of the Board (2012-)
Finnish Orienteering Federation, member of the Executive Board (2006), vice chairman (2008-)

Public duties previously undertaken:
European Tissue Symposium (ETS), member of the Board (2007-2011)
Finnish Forest Industries Federation, chairman of the committee on paper, board and converted products (2007-2011)
District Board of Espoo within the Helsinki Region Chamber of Commerce, member (2009-2011).

No shareholding in HKScan

IRMA KIILUNEN (B. 1953)
CFO, deputy to the CEO, B.Sc. (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, Järvi-Suomen Portti 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

Holds 6 642 shares in HKScan Corporation

ANNE MERE (B. 1971)
Executive vice president of Finland and the Baltics, managing director of HKScan Finland Oy, MBA

Estonian national

Key employment history:
Director of HKScan's Business Segments of Finland and the Baltics as of February 2012.

Earlier:
AS Rakvere Lihakombinaat, managing director 2008-February 2012
AS Rakvere Lihakombinaat, marketing director 2003-2008
Austria Tabak Eesti OÜ, marketing manager 2000-2003
Unilever Eesti OÜ, key account manager 1997-2000
Suomen Unilever Oy, Van den Bergh Foods, representative for Estonia 1994-1997

Main Board memberships and public duties currently undertaken:
Lihatukku Harri Tamminen Oy, member of the Board
Estonian Food Producers Association, member of the Board

No shareholding in HKScan.

DENIS MATTSSON (S. 1953)
Managing Director of Scan AB and executive vice president, Sweden and Denmark, 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 Nyhléns & Hugosons AB
Chairman of the Board of Kreatina A/S
Chairman of the Board of Scan Foods UK Ltd.
Chairman of the Board of Best-In Oy
Member of the Board of HKScan Finland Oy
Member of the Board of HK Ruokatalo Oy
Member of the Board of Sokolów S.A.
Chairman of the Board of Pärsons Sverige AB
Member of the Board of Livsmedelsföretagen (Li) Sverige
Member of the Board of Dagligvaruhandlarnas Förbund (DLF), Sverige

Public duties previously undertaken:
Member of the Board of Kött och Chark företagen (KCF) Sverige

Holds 8 000 shares in HKScan Corporation

SIRPA LAAKSO (B. 1965)
Executive Vice President, HR , M.Sc. (Econ.)

Finnish national

Key employment history:
HR Director 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

No shareholding in HKScan

MARKKU SUVANTO (B. 1966)
Administrative and Legal Director, LL.M. trained on the bench

Finnish national

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

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

Main Board memberships and public duties currently undertaken:
Chairman of the Board of HK Agri Oy
Member of the Board of Scan AB
Member of the Board of Järvi-Suomen Portti Oy
Member of the Board of HC TPS Turku Oy

No shareholding in HKScan

The shareholdings of Management Team members are reported as at 1 March 2012.

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

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