HKScan

ANNUAL REPORT 2009

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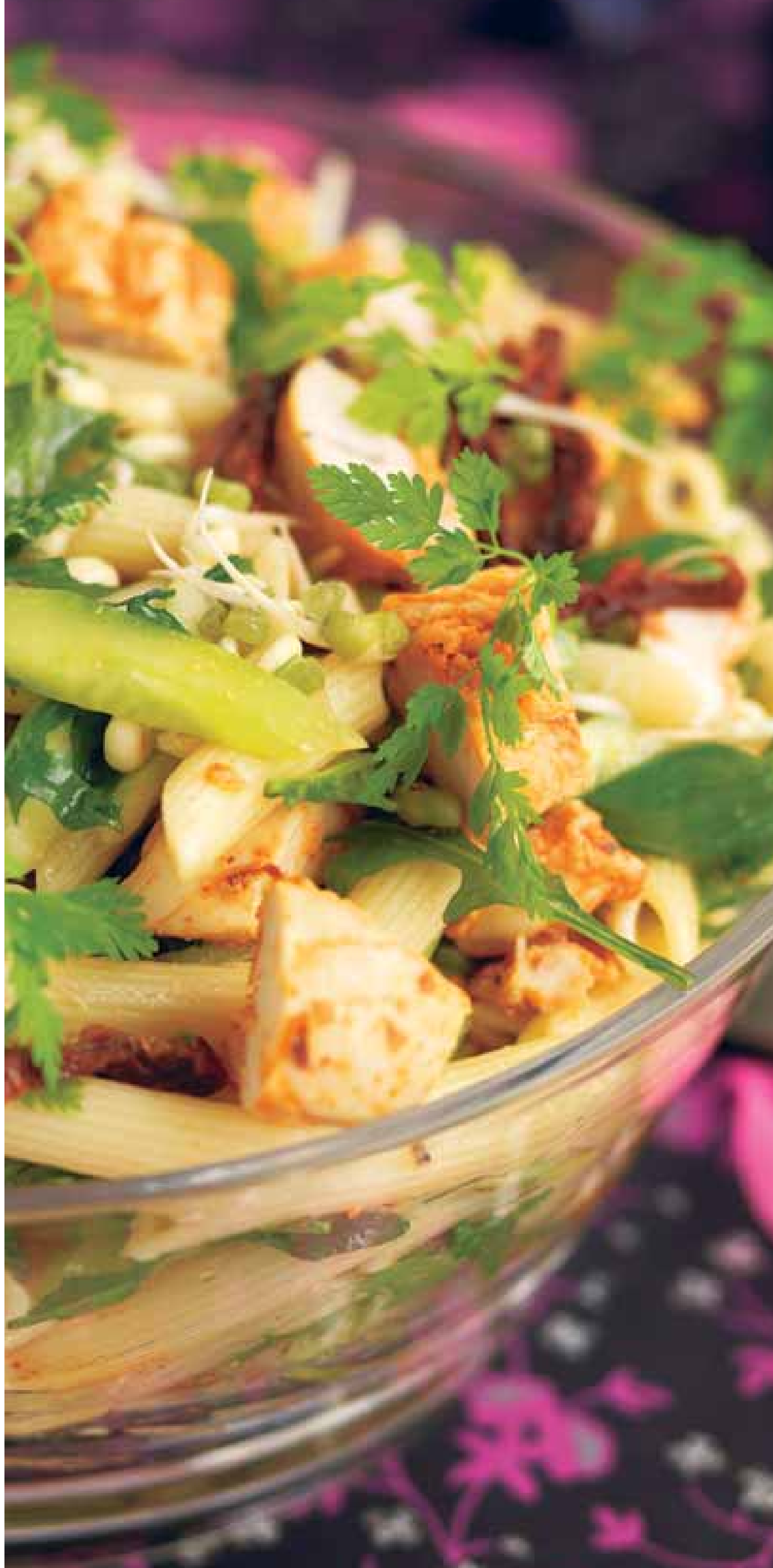
Meat – for the makings of a good life.



CEO's review

Successful year 2009

The favourable development of the HKScan Group starting in late 2008 continued throughout the year 2009. The Group's competitiveness grew stronger and supplier shares increased in all market areas. Reported EBIT increased by 45 percent and stood at EUR 55.1 million while EBIT exclusive of non-recurring items climbed to EUR 67.8 million. Higher profitability and lower financing costs quadrupled pre-tax earnings to EUR 37.3 million.

In consequence of the international financial crisis in autumn 2008, the Group's central currencies – the Swedish crown and the Polish zloty – continued to experience sharp movements. These resulted in a decline of 7.4 percent in net sales when measured in euro, yet at fixed exchange rates net sales held steady at the previous year's level.

The share offering executed in December 2009 strengthened the Group's balance sheet structure while also increasing operational and strategic flexibility. The financing situation remained stable throughout the year.

Supplier shares on the rise in the economic downturn

Markets continued to fluctuate in the wake of the international economic crisis. Negative economic growth as forecasted was recorded in Sweden, the Baltics and Finland. The buying decisions of consumers were also affected by the economic downturn. HKScan's extensive product portfolio nonetheless features foods and food ingredients to satisfy the wide range of needs faced by a diverse consumer base, whatever the economic climate. Rising interest in basic products such as sausages and ground meat products suits HKScan well and has helped us move past the recession.

Market leadership and dominant brands

During its internationalization process, HKScan has acquired stakes in companies that are market leaders and have the premier brands in their country. HK and Kariniemen in Finland as well as Scan and Pärsons in Sweden are highly respected brand names. Rakvere and Tallegg in the Baltics and Sokołów in Poland are also recognized widely and well by consumers. These strategic choices have proved correct in the current economic climate as well.

The structures of retail are in flux and the prolonged recession is affecting the division of the food market. The increasing number of private label food products and brands introduced by retail chains has resulted in fiercer competition. Competition has also been intensified by companies based in countries with lower production costs, and global retail chains moreover remain on the lookout for new markets.

HKScan enjoys a strong market position in Northern Europe. It is the market leader in the Swedish and Baltic markets, the second-largest in Finland and Poland, and the market leader in several important product segments.

"During its internationalization process, HKScan has acquired stakes in companies that are market leaders and have the premier brands in their country. These strategic choices have proved correct in the current economic climate as well."

Performance improved in Finland as anticipated

With the industrial restructuring of 2006–2008 now complete, HKScan sees no significant investment needs in Finland. Now is the time to capitalize on the restructuring, which translates into efficiency and agility in day-to-operations as well as the ongoing development of operations for the benefit of our customers.

HK Ruokatalo's standing as a supplier grew stronger and its higher sales of basic products boosted EBIT. Excellent delivery reliability was maintained all year. Sales over Christmas and New Year's were successful, and HK Ruokatalo was the nation's largest supplier of Christmas hams.

Development to focus on Sweden

HKScan's priority in development in the coming years is Sweden, where a three-year programme is designed to deliver a marked improvement in Scan AB's profitability and build the company into an innovative and desirable business partner. The measures are envisioned to deliver annual streamlining benefits of EUR 30 million in Sweden by the end of 2012. Scan contributes significantly to the success of the entire Group owing to its size and the scope of its business.

In addition to the industrial restructuring announced in September, the year under review saw a new management system put into place and operational and administrative Group processes defined and developed in Sweden. To allow a sustained approach to developing the procurement of meat raw material, Scan established a separate procurement company Svenska Livdjur och Service AB (SLS) to attend to Scan's producer contracts, meat purchases and production counselling.

Scan's standing in the Swedish market grew stronger in 2009 and consumer confidence in the Scan brand and Scan's product portfolio remained solid also through the economic downturn. Performance was good in the fourth quarter of the year in particular, moreover delivered amidst the restructuring and reorganization ongoing in the Scan group.

Success in the Baltics in highly demanding business environment

Deep economic recession and declining consumer purchasing power are clearly evident in all Baltic states. The national economies remained unclear to a certain extent and the challenges in Latvia in particular were formidable. A profound restructuring is underway in the Baltic meat industry.

Vigorous adjustment measures and operational cost controls as well as product launches reflecting the spirit of the times enabled Rakvere Lihakombinaat and Tallegg to improve and boost their competitiveness in a highly demanding business environment. HKScan's Baltic Group counted among the industry's winners in its respective market areas, successfully solidifying its standing also through the recession.

Significant growth in Poland

In Poland, Sokołów performed well and its profitability improved. This was partly due to Sokołów's products gaining even wider access into the selections of modern retail chains where most of the market growth will be seen.

A restructuring where strong players are best equipped to succeed during the economic recession is underway in Poland as well as in the Baltics. Considerable increase in volume and improved earnings were reported in Poland.

Group processes deliver benefits

HKScan has considerably enhanced its operational efficiency in recent years. In connection with the industrial restructuring in Finland in 2006–2008, production from the plants in Turku and Tampere was centralized to Vantaa and Forssa and logistics operations from Tampere to the new logistics centre built in Vantaa. Streamlining the operations of Scan AB is the Group's overriding consideration at present. Greater efficiency in production has also been achieved in the Baltics through centralization.

HKScan is seeking direction for this development through heightened sensitivity to the changing needs of customers and consumers, and the company strives to streamline and hone its operations in all market areas.

Various processes relating to the harmonization of operational models in the different business segments are underway at HKScan, the aim being to achieve consolidation benefits with certain functions centralized at the level of the entire Group. These processes

also involve reorganization of management systems as well as streamlining of financial reporting and internal supervision. The arrangement put into place at the beginning of January 2010, whereby HKScan Corporation transitioned to a holding company structure in its Finnish business, is yet another means employed towards this end.

Corporate responsibility scheme in the works

Management of the entire meat value chain, from animal rearing to the customer, is central to HKScan's business model. HKScan seeks to ensure compliance with all legal and ethical requirements in the treatment of production animals. Total value chain management enables e.g. meat raw material to be traced from farm to store, which in turn allows the company to responsibly report the origin of the main raw material of the meat products which it sells.

The wellbeing of production animals became a topic of public debate in Sweden and Finland in the year under review. The safety of food production was also discussed in Finland when a finding of salmonella in the production animal feed chain called for additional action on the part of the entire chain. Consumer confidence in HKScan Group companies was retained but, to further boost confidence, Group companies reviewed their guidelines and stepped up control in the various stages of production.

The year 2010 will see the completion of HKScan's corporate responsibility scheme extending throughout the chain, from primary production and animal wellbeing through to product safety and nutritional considerations.

In 2009, HKScan also further developed its consolidated risk management policies and devised the requisite tools and indicators.

Solid foundation for business development

HKScan's business and profitability developed in the right direction over the course of 2009. In the current year, consumer demand for food is expected to remain steady in the company's domestic markets while export markets are expected to pick up somewhat towards the end of the year. In addition, the ongoing streamlining programmes and the restructuring programme in Sweden in particular provide the foundation for solid business development.

Acknowledgements

I would like to thank HKScan's employees, shareholders, customers, producers and other stakeholders for their contributions and support in the past year.

A special 'thank you' and appreciation goes to consumers whose purchases are a signal of their trust in the quality, delicious taste and enjoyability of HKScan products.

Turku, March 2010

Matti Perkonoja

HKScan in brief

HKScan is one of the leading meat and food companies in Northern Europe with a domestic market consisting of Finland, Sweden, the Baltics and Poland. HKScan as a whole is active in nine countries and it has roughly 10 000 employees.

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

Since the beginning of 2007, the Company's business has been divided into four business segments: Finland, Sweden, the Baltics and Poland. HKScan's business in Finland, Sweden and the Baltics is carried out mainly through wholly owned subsidiaries while the business segment of Poland consists of the company's 50 percent indirect holding in Sokolów S.A.

Mission statement

MEAT AND MORE

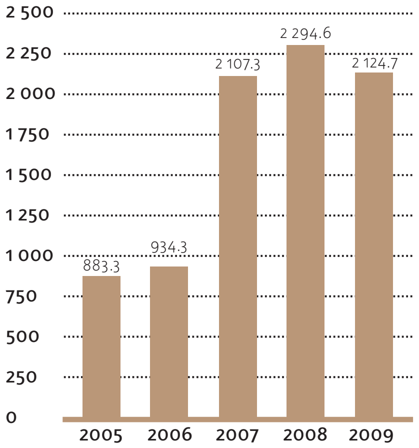
HKScan is a responsible food company which creates economic value added for its stakeholders through its meat-based product portfolio, food concepts and tasty products that are designed to contribute to the lives of consumers by making cooking easy and enjoyable.

Vision

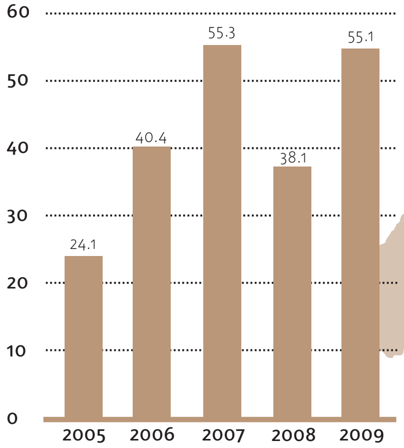
MEAT INDUSTRY SHAPER

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

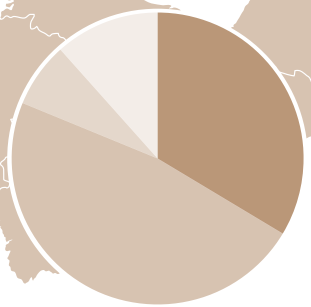
Net sales 2005–2009
(EUR million)



EBIT 2005–2009
(EUR million)

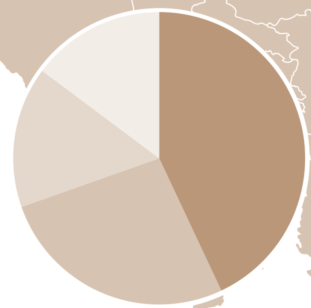


Breakdown of net sales (%) 2009
EUR 2 124.7 million



Finland	33.6
Sweden	47.6
The Baltics	7.2
Poland	11.6

Breakdown of EBIT (%) 2009
EUR 55.1 million



Finland	43.0
Sweden	26.6
The Baltics	15.6
Poland	14.8

HKScan Corporation
Net sales in 2009: EUR 2 124.7 million*, CEO Matti Perkonoja

Finland	Sweden	The Baltics	Poland
Net sales in 2009: EUR 732.5m	Net sales in 2009: EUR 1 037.4m	Net sales in 2009: EUR 156.9m	Net sales in 2009: EUR 251.7m**
• **HKScan Finland Oy** Managing director Jari Leija	• **Scan AB** Managing director Denis Mattsson	• **AS Rakvere Lihakombinaat** Managing director Anne Mere • **AS Tallegg** Managing director Teet Soorm	• **Saturn Nordic Holding AB -> Sokolów S.A.** Managing director Boguslaw Miszczuk

* Between segments EUR -53.9 million
** Joint venture Saturn Nordic Holding owned 50/50 by HKScan and Danish Crown holds 100% of shares in Sokolów. In 2009, half of Sokolów's net sales i.e. EUR 251.7 million were accounted for in HKScan Group figures.

Key Financial Targets

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

Business strategy and financial targets

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

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

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

ENHANCING THE PROFITABILITY AND EFFICIENCY OF BUSINESS

HKScan aims to be among the most profitable companies in its sector. The company seeks to enhance its profitability and operational efficiency in all of its markets. The company has accomplished an important industrial restructuring in Finland in recent years, and the focus in enhancing the efficiency of operations is presently on Sweden in particular. According to the plan announced in September 2009, this will be achieved in Sweden through an extensive reorganization of operations. Besides delivering a more methodical business approach, the company believes the development measures currently underway will also allow it to improve its profitability through the cost savings arising from the development measures as well as the more effective control of business operations and allocation of funds.

BOOSTING CUSTOMER SATISFACTION

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

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

MEETING CONSUMER NEEDS WITH INNOVATIVE PRODUCTS OF HIGH QUALITY

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

HKScan's key strengths

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

STRONG MARKET POSITION

HKScan enjoys a strong market position in Northern Europe. It is the market leader in the Swedish and Baltic markets, while in Finland and Poland, the company is the second-largest operator in the meat industry and the market leader in several important market segments.

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

LEADING LOCAL BRANDS

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

DIVERSIFIED GEOGRAPHICAL STRUCTURE AND MULTIPLE PRODUCT SEGMENTS

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

TOTAL SUPPLY CHAIN MANAGEMENT

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

OPERATIONAL EFFICIENCY

HKScan has enhanced its operational efficiency in recent years. One of the most important undertakings was the major industrial restructuring implemented in Finland between 2006 and 2008, which involved the company centralizing production from the plants in Turku and Tampere to Vantaa and Forssa and logistics operations from Tampere to a new logistics centre built in Vantaa. The aim of the major restructuring programme launched in Sweden in March 2009 is likewise to streamline operations. Greater efficiency in production has also been achieved in the Baltics through centralization.

STRONG CUSTOMER RELATIONSHIPS

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

SKILLED PRODUCT DEVELOPMENT AND ATTRACTIVE PRODUCT PORTFOLIO

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

SKILLED EMPLOYEES

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

Headlines in 2009

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

HKScan Corporation

- The Group's competitiveness grew stronger and supplier shares increased in all market areas.
- Reported EBIT increased by 45% and came to EUR 55.1 million.
- EBIT exclusive of non-recurring items, which totalled EUR 12.7 million, was EUR 67.8 million.
- Owing to improved profitability and reduced financing costs, pre-tax profit quadrupled to EUR 37.3 million.
- Owing to movements in exchange rates, full-year net sales in euro declined by 7.4 percent but remained at the previous year's level when calculated at fixed rates.
- The share offering executed in December strengthened the Group's balance sheet structure.

Key indicators (EUR million)	2009	2008
Net sales	2 124.7	2 294.6
EBIT	55.1	38.1
EBIT margin, %	2.6	1.7
Profit before taxes	37.3	9.0
Earnings per share, EUR	0.64	0.10

Finland

- Profitability continued to rise in line with plans and improved considerably from 2008.
- The fall of 1.1% in net sales came from a planned cutback in export sales.
- In 2009 HK Ruokatalo
    - grew domestic market sales by 10% and gained higher supplier shares
    - maintained excellent delivery reliability, thus enhancing customer satisfaction
    - enjoyed rising sales of processed meats throughout the year
    - delivered good holiday season sales
    - paid particular attention to responsibility in business.

Key indicators (EUR million)	2009	2008
Net sales	732.5	740.4
EBIT	27.0	14.4
EBIT margin, %	3.7	1.9

Sweden

- Scan AB's performance improved throughout the year. In terms of profitability of operations, the year 2009 was the best in the company's history.
- Non-recurring charges of EUR 10.3 million were recognized in 2009.
- The weakening of the Swedish crown against the euro resulted in lower euro-denominated net sales and EBIT.
- The year 2009 at Scan:
    - Launch of 3-year streamlining programme
    - Establishment of procurement company SLS
    - Introduction of new organization and management model
    - Introduction of higher value added products
    - Streamlining of commercial operations

Key indicators (EUR million)	2009	2008
Net sales	1 037.4	1 179.3
EBIT	16.7	18.0
EBIT margin, %	1.6	1.5

The Baltics

- HKScan's Baltic Group posted an excellent financial result.
- Net sales fell by 6.7% on the year.
- The deep economic recession and decline in consumer purchasing power were clearly reflected in demand in all Baltic states.
- The year 2009 at Rakvere Lihakombinaat and Tallegg:
    - Highly demanding business environment
    - EBIT increased and market standings grew stronger
    - Successful cost control
    - Operational flexibility
    - Product launches in line with the spirit of the times

Key indicators (EUR million)	2009	2008
Net sales	156.9	168.2
EBIT	9.8	6.4
EBIT margin, %	6.3	3.8

Poland

- In Poland, Sokolów grew its net sales and improved its profitability.
- Measured in zloty, Sokolów's net sales grew by 14% on the year but in euro fell short of the year 2008 due to movements in exchange rates.
- The year 2009 at Sokolów:
    - Sales grew by volume and value, domestic market sales successful.
    - Exports increased.
    - Costs under control
    - The economic recession had no significant impact on the food-buying decisions of Polish consumers.

Key indicators (EUR million)	2009	2008
Net sales *)	251.7	270.9
EBIT *)	9.3	4.2
EBIT margin, % *)	3.7	1.6

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

Performance in Finland improved throughout the year

HKScan's operations in Finland are carried out by HK Ruokatalo Oy and LSO Foods Oy. HK Ruokatalo Oy is in charge of industrial operations, sales, marketing, logistics and transportation while LSO Foods procures pork and beef for HK Ruokatalo. The product brands in Finland are HK and Kariniemen.

Finland	2009	%	2008	%
Net sales, EUR million	732.5	33.6	740.4	31.4
EBIT, EUR million	27.0	43.0	14.4	33.5
EBIT margin, %	3.7		1.9	
Employees, average	2 361	31.8	2 377	30,7

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

HK Ruokatalo's performance improved throughout 2009 as anticipated despite the decline in the economy.

For HK Ruokatalo, the year 2009 marked the first year of operations uninterrupted by changes relating to the restructuring effort. Stronger market standing wrought by higher supplier shares, increased sales of basic products, excellent delivery reliability and more cost-effective operations were pivotal contributors to the marked improvement in performance compared to a year earlier. HK Ruokatalo's domestic market sales by both volume and value increased by roughly 10 percent.

The decline in the Finnish economy was manifested as increased consumer interest in tried and tested basic products such as processed meats and ground meat.

Matters pertaining to responsibility and the environment were underscored in the operations of HK Ruokatalo and procurement company LSO Foods in the year under review.

MEAT MARKET FINDS MORE EVEN KEEL IN 2009

Pork production in the EU declined in all major producing countries except for Denmark and the Netherlands. The average reduction was 2.5 percent from 2008. In Finland, 205.6 million kg of pork was produced (-5.2%). Besides farm closures, other factors contributing to the decline in Finland were the purity issues involving factory-produced feeds experienced in the early part of the year, which forced the removal of piglets from the production chain. The decline in production was also reflected in export volume.

Beef production in the year under review declined in all major producing countries in the EU except for Poland and the Netherlands. In Finland, production increased to 81.0 million kg (+1.0%) mainly as a result of higher average weights. The economic recession fuelled a temporary decline in the demand for beef and prime beef cuts in particular towards the end of the year.

Poultry production in the EU Member States held more or less steady in 2009. Prices in the United States and Brazil clearly undercut EU prices, giving rise to import pressures in the EU and hampering exports. In Finland, poultry meat production totalled 94.8 million kg (-6.0%).

Meat consumption in Finland fell by 1.8 percent on the year. The decline was distributed among all kinds of meat, with chicken affected the least.

SOURCING OF RAW MEAT MATERIAL

Procurement company LSO Foods Oy is in charge of procuring the live pork and beef raw materials required by HK Ruokatalo for its industry. It also attends to animal logistics and advisory services relating to farm development. Järvi-Suomen Portti Osuuskunta has moreover outsourced its pork and beef procurement to the company. LSO Foods' operations are based on production contracts with producers, who at year-end numbered 5 450.

During the year under review, LSO supplied 100.7 million kg of pork and beef (108.2 million kg). At year-end, its market share was 39 percent in pork procurement and 26 percent in beef procurement. Over the course of the year, the company supplied farms with 646 000 piglets and 36 000 calves for rearing.

Poultry meat is supplied to HK Ruokatalo by some 140 contract suppliers, which met the company's full chicken demand of 47.1 million kg (47.6 million kg), equal to a share of 56 percent of all poultry procurement. Associated company Länsi-Kalkkuna Oy responsible for turkey procurement supplied HK Ruokatalo with 4.8 million kg (5.5 million kg) of turkey meat sourced from its own contract producers, equal to nearly 56 percent of all turkey meat produced in Finland.

LSO FOODS AND LIHATUKKU HARRI TAMMINEN OY AGREE ON BEEF BREED MEAT SUPPLY

At the beginning of 2009, LSO Foods concluded an agreement with wholesalers Lihatukku Harri Tamminen Oy on supplying the latter with beef breed meat. The agreement opened up a steady and constant marketing channel for this choice beef while also enabling the transparency and traceability of the meat chain required by consumers.

OPERATING MODEL STREAMLINED IN INDUSTRIAL PROCESSES

Industrial processes at HK Ruokatalo are responsible for slaughtering, cutting and production at the company's six production plants. In the year under review, the company focused on the development of internal process-like operations and better management of the various interfaces as well as raising the share of own production and degree of value-added. The more effective management of the volume and quality of purchased services as well as increasing process yields and operational reliability also came under the umbrella of this priority.

The measures implemented manifested as improvements in industrial processes enterprise resource planning and customer satisfaction, which in turn contributed to the favourable earnings development of the Finnish business. HK Ruokatalo will continue to develop operations in Finland to achieve its long-term financial objectives.

COMPETITIVENESS AND DELIVERY RELIABILITY IN LOGISTICS IMPROVE

HK Ruokatalo has responded to fiercer competition and rapid changes in the entire business environment through substantial investments allowing operational structure and cost-efficiency in production and logistics to further improve in the year under review.

The logistics centre in Vantaa achieved its functional objectives during 2009. Delivery reliability remained excellent throughout the year and matched customer expectations. Growing confidence in the company's ability to deliver showed in the rise of supplier shares.

BASIC PRODUCTS GROW IN POPULARITY

The downturn in the economy was reflected in consumer choices. The sales of basic products such as ground meat first started to rise in late 2008 and the trend continued throughout 2009, a development highly suited to a high-volume producer like HK Ruokatalo. In the summer season, demand was successfully steered towards the strong HK brand products, and the sales of grilling sausages, for example, increased on the year in terms of both volume and value. The holiday season, vital to the company's earnings performance, was likewise a great success, and HK Ruokatalo was the nation's largest supplier of Christmas hams.

NETWORKING AT HK PRO

Sales to customers in the HoReCa sector declined somewhat owing to the overall economic situation in Finland and the ensuing changes in consumption. HK Ruokatalo's HoReCa sector HK Pro nonetheless fared well in this difficult market.

As the name implies, HK Pro provides raw materials and services from professionals to professionals. The year under review was one of networking for HK Pro, marked by collaboration with the Finnish Heart Association and the Finnish Chefs Association, among others.

The HoReCa sector is poised for growth in the future and HK Pro is seeking to forge even closer ties with professionals in the field by fostering and intensifying partnerships. During the course of the year, HK Pro launched the new HK Makkarabaari concept to great success.

STANDINGS GROW STRONGER, NEW PRODUCTS FLOURISH

HK Ruokatalo solidified its standing in the meat and processed meats markets in particular in the year under review. For the poultry business as well, earnings in the year were among the best ever despite a slight decline in consumption.

One of the success stories of 2009 was HK Kabanossi Savupekoni, a premium grilling sausage seasoned with generously sized bacon bits. Another winner, HK Sininen Lenkkiviipale, was launched in response to consumer preferences, as surveys showed that nearly half of those eating the traditional HK Sininen Lenkki sliced the ring sausage cold and used it as a sandwich topping.

EXPORTS

Exports in the HKScan Group were centralized to a single umbrella organization. The arrangement allowed enhanced risk management and provided the conditions for seeking better profitability across the entire Group. The international economic situation was manifested as a decline in the export demand for pork as well as prices below those seen a year earlier. Movements in the exchange rates of currencies important to exports, especially the US dollar and the Russian rouble, also eroded export prices.

SPOTLIGHT ON RESPONSIBILITY

As an element in the ongoing development of its operations, HK Ruokatalo set up in 2009 a responsibility scheme extending throughout the supply chain. It comprises e.g. product safety, nutrition and environmental matters as well as the wellbeing of employees and the wellbeing of animals in primary production. As a major food industry operator, the company is actively involved in industry-wide research and development projects.

An extensive four-part responsibility programme was launched in the marketing communications of HK Ruokatalo's poultry brand Kariniemen in the autumn. Its four themes were the importance of farm, environment, taste and nutrition throughout the chain, from farm to fork. The Kariniemen website was also re-designed as a part of this programme.

The year 2009 saw civic debate in Finland as well on the topics of food safety and ethically sustainable production. HK Ruokatalo has built its operations on the principles of highly controlled and verified production processes as well as ongoing improvement. More detailed instructions were issued and controls boosted at various points of the process during the year under review. HK Ruokatalo and LSO Foods also require all farms supplying meat raw material to comply with all local, national and EU regulations in effect as well as with good production practice. These procedures allow consumer confidence in the meat industry and industry operators to be maintained and strengthened.

FOCUS ON NUTRITION SUSTAINED

The Group maintained its sustained focus to promote the good taste of its products and healthy eating in general in 2009. HK Ruokatalo further expanded the range of its heart-healthy Sydänmerkkituote products, which now number 87.

HK Ruokatalo's Kariniemen poultry brand is the most popular in Finland. During autumn 2009, the sodium chloride content of Kariniemen products was reduced by 20 percent, leaving most Kariniemen products with a salt content of only 0.8 percent. The aim is to reduce the salt content of the entire product range by 25 percent during 2010. The use of monosodium glutamate (E621) will also be discontinued in respect of those Kariniemen products where it is still used, which even now account for only about ten percent of the entire Kariniemen range.

HK RUOKATALO SPONSORS FINNISH OLYMPIC TEAM

HK Ruokatalo became a sponsor and nutrition partner of the Finnish Olympic team in autumn 2008 with an eye to increasing the visibility of the HK brand and strengthening its reputation as a nutrition expert and a maker of tasty and healthy food. HK Ruokatalo also wishes to use the sponsorship as a means to encourage Finns to eat right and exercise more.

Measures within the sponsorship in 2009 included exercise campaigns directed at consumers and people exercising for fitness as well as nutrition-related communications. The measures culminated in the Olympic Winter Games taking place in Vancouver in February 2010.

CATERING FOR ENVIRONMENTAL CONCERNS IN OPERATIONS

HK Ruokatalo has in place at all of its production plants an environmental management system certified to ISO 14001:2004. In the interests of reducing carbon dioxide emissions, HK Ruokatalo has e.g. switched over to Carbon Free electricity, the generation of which gives rise to no CO_2 emissions.

Renewable energy sources are used at Kariniemen farms. Finnish bioenergy currently accounts for two thirds of the heating requirements of the poultry farms, and the aim is to further increase its share. Environmental efficiency at the farms is first-rate and recycling widely implemented; for example the peat litter used on the floors of the chicken pens is recycled as a soil-improving agent for farmland. Short distances between farm and production plant also contribute to a lower environmental load.

In autumn 2009, HK Ruokatalo re-designed its sandwich meat packages to consume less plastic. The change cuts the use of package plastic by as much as half while also streamlining deliveries. HK Ruokatalo has taken part in projects having to do with the development of renewable materials for use as food packaging.

CERTIFIED PRODUCT SAFETY

HK Ruokatalo is invested in the ongoing improvement of the standard of operations and product safety. A set of mutually agreed policies and principles is observed throughout the company's chain of operations. All production plants as well as procurement company LSO Foods have in place quality management systems extending throughout the production chain and certified to ISO 9001.

Each production facility also features an in-house control system approved by the authorities. The plants in Vantaa, Forssa, Mellilä and Säkylä moreover hold food safety management certification to ISO 22000.

The fulfilment of quality criteria for raw materials, processes and products is monitored on a daily basis by the FINAS-accredited testing laboratories located in conjunction with the plants in Vantaa, Forssa, Eura and Outokumpu.

Development now focuses on 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 industrial base is in Sweden, and some industrial activities are also carried out in Poland and Denmark. A part of the HKScan Group since 2007, Scan's most important and best-known brands are Scan and Pärsons. Scan is the largest meat industry business in Sweden and its brands make up a part of the culinary identity of Sweden.

Sweden	2009	%	2008	%
Net sales, EUR million	1 037.4	47.6	1 179.3	50.0
EBIT, EUR million	16.7	26.6	18.0	41.8
EBIT margin, %	1.6		1.5	
Employees, average	3 270	44.0	3 529	45.5

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

The successful completion of the streamlining programme at Scan AB is the project of highest priority for HKScan in the near future.

The year 2009 was the best to date for Scan AB in terms of profitability. The company's performance improved throughout the year and the final quarter in particular was in line with long-term orientations. When non-recurring charges are excluded, Scan already then delivered EBIT surpassing the 5-percent target level set by the Group.

THREE-YEAR PROGRAMME TO ENHANCE COMPETITIVENESS

A new three-year streamlining programme designed to enhance and improve Scan AB's profitability and competitiveness was launched in March 2009. The new programme was deemed warranted because programmes implemented earlier had not been sufficient to bring the company's profitability up to the desired level.

Scan AB' size, firm market leadership and leading brands provide a solid foundation for the measures. The key tools for improving Scan's competiveness will be a considerably leaner cost structure, the introduction of higher value-added products and more efficient commercial operations.

OPERATING MODEL REVAMPED

The streamlining programme kicked off with an organizational restructuring to make Scan's operating model more process-like, thus even better meeting customer and consumer needs in Sweden. The management organization was also restructured accordingly. Mr Olli Antniemi, BSc (Econ), VP in charge of HKScan's Baltic Group, was appointed new managing director of Scan in early March 2009. He was replaced in June 2009 by his deputy, Mr Denis Mattsson, eMba, MSch.

CENTRALIZATION AND STREAMLINING OF PRODUCTION

Tangible measures within the streamlining programme were taken starting in September. The programme comprises both structural and operational measures that are envisioned to deliver annual streamlining benefits of EUR 30 million by the end of 2012.

In September, Scan resolved to discontinue all production in Uppsala. In keeping with the streamlining programme, production will be optimized at the Bjaeverskov, Denmark-based Kreatina A/S and scaled down considerably in Skara. These measures aim to enhance efficiency by centralizing production to the company's other plants and cultivating specialization. In December, Scan signed a letter of intent with an external partner concerning the continuation of operations in Visby.

Construction of the new distribution centre (Nationella distributionscenter, NDC) in Linköping proceeded on schedule and the centre will come online in 2010.

The streamlining programme will also affect jobs. When implemented to its full extent, it will result in Scan's workforce being reduced by approximately 500, from roughly 3 000 employees to 2 500 by the end of 2012.

With an eye to the sustained development of meat raw material procurement and producer relations, Scan established in spring 2009 a separate procurement company Svenska Livdjur och Service (SLS). The establishment of this new company was also a part of the wider restructuring underway at Scan.

SCAN SOLIDIFIES MARKET STANDING

The economic recession of 2009 did not punish the food industry with quite the same brutality as many other industries. Consumers maintained their confidence in the Scan brand and product range also in the recession. During the year under review, sales increased in the retail sector but fell in the HoReCa sector. The strengthening of the company's position in the processed meats

market, evidenced by the clear rise in sales volume and sales value from a year earlier, was a pleasing development in the review year.

Scan is the Swedish market leader in meats and sandwich meats, and its supplier shares increased above all in sausages and other processed meats. The ranges of pork and beef for grilling were well received in summer 2009, and the vital Christmas season was also a success: Scan was the largest supplier of Christmas hams in Sweden.

The consumption of sandwich meats and basic products such as bacon, sausages and meatballs rose in Sweden, while some decline in consumption was seen in respect of beef and certain prime cuts in particular. At the same time, the movements in the value of the Swedish crown had a positive effect on the company's exports.

PÄRSONS ENJOYS GOOD YEAR

Pärsons Sverige AB saw positive development in its sales volume in 2009 and it gained higher market share in Sweden in the product group of sandwich meats in particular. Unlike parent company Scan, Pärsons was adversely affected by movements in foreign exchange rates. The favourable development of Pärsons' business in the Danish market continued with higher numbers of customers and products.

The streamlining of operations was fostered by the transfer of second Scan subsidiary Skånekött AB's operations to Pärsons.

For Annerstedt Flodin AB, the year 2009 was a difficult one, as the prices of frozen inventory had to be adjusted to reflect lower market prices. Annerstedt was also adversely affected by foreign exchange movements.

The sales organization of subsidiary Scan Foods AB, Scan's UK arm, was restructured in the early part of the year. The Scan brand was re-positioned for the UK market and all products for sale there were given a facelift.

Associate Nyhléns & Hugosons Chark AB based in northern Sweden fared well in 2009, its Christmas sales for instance increasing by roughly 10 percent on the year.

INVESTMENT IN NEW PRODUCTS AND PRODUCT GROUPS

Scan was considerably invested in 2009 in the development of its sandwich meats concept. The company launched to great success the Scan Variation range, part of the Smörgåsmat & Deli category and comprising 12 varieties of sandwich meat in small packages averaging only 50 grams each. The consumer can buy three Variation packages for the price of one large product package and thus enjoy more choice and variety in sandwich toppings.

Barbecuing is extremely popular in Sweden in the summer months. Accordingly, Scan focused on the grilling season with the market launch of several new products in pork, beef and lamb. The launches paid off and the grilling season proved profitable for Scan.

RESPONSIBILITY IS TOPICAL THEME

Issues relating to corporate social responsibility were given widespread public consideration in Sweden in the review year. Public debate focused above all on climate issues, food additives and the wellbeing of production animals. Scan was an active participant in the debate on pork production in particular, a concern shared by the entire industry. One outcome of this debate was the proposed introduction in Sweden of a dedicated certification system maintained by an independent party and extending to all meat producers.

In November, Scan set up a blog on its website to discuss topics such as food, meat and processed meats, the environmental impacts of food production, and animal wellbeing. The blog also provides an avenue for contributing to topical debates in the media.

Scan continued to work together with the Foundation for the Astrid Lindgren Children's Hospital for the third year running. The Christmas drive, during which a portion of the sales price of every Scan product package was donated to the Foundation, raised 756 000 crowns in all.

CERTIFIED OPERATIONS

All Scan production plants have in place a quality management system certified to ISO 9001 and an environmental management system certified to ISO 14001. In keeping with consumer wishes, all of the company's production plants in Sweden are also certified to British Retail Consortium (BRC) standards. All slaughterhouses furthermore meet the Swedish national organic production KRAV standards as well as EU standards for organic production.

CONSIDERABLE REDUCTION IN ABSENTEEISM DUE TO ILLNESS

Sustained efforts to improve the work environment and maintain employee health and ability to work have borne fruit. Scan's investments in a higher degree of automation as well as faster and more effective rehabilitation, among others, are reaping results in the form of fewer extended medical leaves. All in all, absenteeism due to illness has been halved over the past five years.

Baltic Group performs well in difficult business environment

HKScan's Baltic Group is active in Estonia, Latvia and Lithuania. Group company Rakvere Lihakombinaat along with its subsidiaries is the largest meat industry company in the Baltics while AS Tallegg is the largest producer of eggs and poultry in Estonia. The Rakvere group comprises the Estonian AS Ekseko, the Latvian Rigas Miesnieks and the Lithuanian Klaipedos Maisto Mesos Produktai, each of which maintains its own brands. The best known brand in Estonia is Rakvere, in Latvia Rigas Miesnieks and in Lithuania Klaipedos Maistas. Tallegg products are sold in Latvia under the Rigas Miesnieks brand and in Lithuania under the Klaipedos Maistas brand.

Estonia: Latvia: Lithuania:

The Baltics	2009	%	2008	%
Net sales, EUR million	156.9	7.2	168.2	7.1
EBIT, EUR million	9.8	15.6	6.4	14.9
EBIT margin, %	6.3	-	3.8	-
Employees, average	1 798	24.2	1 844	23.8

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

HKScan Group enjoys strong performance in the Baltics despite an exceptionally demanding business environment.

HKScan's Baltic Group continued to gain stronger market standing in Estonia, Latvia and Lithuania in 2009. Rakvere and its subsidiaries as well as Tallegg delivered the best result in the Group in an exceptionally demanding business environment, posting EBIT of 6.3 percent of net sales when the Group target is set at five percent. Determined cost control was the crucial factor in strengthening competitiveness.

The accomplishment is made only more remarkable by the fact that the Baltic Group's net sales fell by an average of 6.7 percent on the year in real terms. The decline was caused above all by the deep recession and rising unemployment in the Baltic states and the ensuing decline in consumer purchasing power. Disposable incomes in the Baltics declined by an estimated one-quarter from the previous year.

FACTORS UNDERLYING SUCCESS

Rakvere and Tallegg were able to capitalize on the fall in costs caused by the recession, which was significant in respect of feed, energy and labour costs in particular compared to the economic boom of the preceding years. Decreases in pivotal cost items combined with the functional flexibility of employees and the market launch of products in keeping with the spirit of times and reflective of demand translated into solid earnings, even despite sales prices to retail chains declining due to competitive pressures.

Retail chain expansion slowed down in the year under review owing to the recession. Competition nonetheless continued to grow fiercer and the largest retail chains expanded operations throughout the Baltic states. This also occasioned a better bargaining position for retail in price talks with industry.

In the judgment of the HKScan Group, the meat industry in the Baltics is undergoing restructuring fuelled by the recession. Under these circumstances, market leaders such as Rakvere Lihakombinaat, Tallegg and Rigas Miesnieks have the advantage.

CONSUMERS DEVELOP INTEREST IN BASIC PRODUCTS

Clear-cut changes were seen in buying habits as consumers sought out the alternatives most advantageous to them. Demand thus turned to familiar basic products.

The home cooking trend gained momentum throughout the year in Estonia, with decreases in both purchases of convenience foods and eating out. Convenience food sales in large supermarkets were almost halved. Cooking at home resulted in an increase in Rakvere's sales of fresh meat and ground meat, yet the same trend also made the Baltics an attractive market for low-priced imported meat.

Consumers favoured retail meat cuts as well as tried and tested processed meats such as frankfurters and hams of various kinds. A distinct bump was also seen in the demand for chicken, which is perceived as affordable and healthy.

NEW PRODUCTS

Rakvere's most important product launches in the year under review were meatballs filled with flavoured cream cheeses. The new ground meat packing line enabled an expansion of the product range as well as higher delivery reliability. As usual, seasonal new items were introduced in the product range for the summer and winter.

Rakvere opened 20 new shops-in-shop, thus providing the company with another sales channel for the sale of fresh and marinated meat. In Latvia, the retail chain which houses Rakvere's meat counters had to close down five outlets due to financial difficulties.

MODERATE INVESTMENT

Changes in structure and personnel were made in the sales organization of Rakvere Lihakombinaat, its Latvian subsidiary Rigas Miesnieks and Lithuanian subsidiary Klaipedos Maisto Mesos Produktai in autumn 2009. In Latvia, the company also came under new management. The measures were designed to inject greater efficiency into sales and marketing.

Fixed costs were cut by centralizing Rigas Miesnieks' frankfurter production from Latvia to the new and efficient production line deployed in Rakvere, Estonia in September 2008.

In 2009, Estonia's leading poultry company Tallegg invested in chicken breeder hen production. The new facility houses over 20 000 breeder hens which produce roughly 3.8 million eggs per year. Tallegg now satisfies approximately 85 percent of its chicken demand with its own production. The company also invested in poultry feed production in the year under review. Ekseko in turn opened in 2009 a new 2000-hog facility to produce pork for Rakvere's needs.

QUALITY, PRODUCT SAFETY AND THE ENVIRONMENT

In HKScan's Baltic Group, Rakvere, Ekseko and Rigas Miesnieks have in place a quality management system certified to ISO 9001. Rakvere and Ekseko also have an environmental management system certified to ISO 14001 while Tallegg has in place a product safety management system certified to ISO 22000.

During 2009, successful internal measures to increase efficiency and trim costs were implemented at Rakvere. Rakvere also commenced renovation of a by-product processing plant. The renovation, which is slated for completion in 2010, will reduce the plant's air emissions and wastewaters.

Sokolów wins stronger market standing

HKScan acquired a minority holding in meat company Sokolów in 2002. It was the Polish market leader, had good growth potential and held some of the nation's best known brands.

Owing to the size of the Polish market and to balance the risks involved, in summer 2004 HKScan entered into partnership with Danish Crown. The joint venture Saturn Nordic Holding established to this end started to systematically increase its holding, and since summer 2006 Sokolów has been completely in Finnish-Danish hands.

Poland	2009	%	2008	%
Net sales, EUR million	251.7	11.6	270.9	11.5
EBIT, EUR million	9.3	14.8	4.2	9.8
EBIT margin, %	3.7	-	1.6	-
Employees, average	5 569	-	5 515	-

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

The rise in Sokolów's profitability first seen in autumn 2008 carried on throughout 2009. The final three months of the year in particular were successful and Sokolów posted the best quarterly results in its history.

Sokolów solidified its market standing while delivering improved performance both in its home market of Poland and in the export market. Thanks to good sales in the domestic market, a rise in exports, and stringent cost control, Sokolów's net sales in zloty increased by 14 percent on the year, yet declined in euro owing to foreign exchange movements.

The economic recession had no material effect on the food-buying decisions of Polish consumers in 2009. Exports gained momentum from the decline of the Polish zloty against the euro.

Subsidiary Pozmeat and primary production company Agro-Sokolów also made headway in 2009 towards achieving the planned level of business activities.

As the Baltics, the Polish market area is also undergoing a restructuring where strong players such as Sokolów are best equipped to succeed in an economic recession.

ECONOMIC RECESSION HAD ONLY MINOR IMPACT ON SOKOLÓW

The year 2009 was not a carbon copy of the preceding year but still a difficult one for the meat industry. Many small and medium-sized businesses fell on hard times or exited the industry altogether. The effects of the recession in Poland, though visible there as well, were lesser than in other European countries on the whole. A slight bump was even recorded in the retail sales of food. Industrial production fell and the unemployment rate rose to 11.1 percent. Inflation accelerated to 4.0 percent in April but had slowed down to 3.3 percent in November. Poland was the only EU Member State to record rising GDP. The gradual improvement in the economies of the EU Member States along with the weak Polish zloty had a positive effect also on the growth of the company's exports.

The meat industry in Poland remains in flux. The largest operators weathered the recession fairly well while small and medium-sized businesses were less fortunate. Sokolów grew its sales in the year under review. Wider inclusion in the selections of modern retail chain supermarkets and hypermarkets, where most of the future market growth is expected to be seen, contributed to this development. Private label brands are expected to account for an increasing portion of retail sales in Poland as well. Sokolów's major product launches in the year under review were pork and beef skewers in the sector of meat along with beef carpaccio, steak tartar and soups in the sector of convenience foods.

SLIGHT DECLINE IN MEAT CONSUMPTION

The supply of pork in Poland remained low in the year under review and the mean price of meat rose on the year, which is why the per-capita consumption of pork is estimated to have declined by approximately 2 kg in the review year. This decline was partially offset by rising poultry meat consumption as well as the slight increase in beef consumption. The demand for sliced products held steady while a slow rise was seen in the demand for convenience foods.

Meat imports into Poland in 2009 were high owing to underproduction and higher meat prices. Despite imports, Sokolów successfully grew its sales in both the domestic and export market. Exports benefitted from the weak Polish zloty.

CENTRALIZATION OF OPERATIONS

The year 2009 saw a fine-tuning of Sokolów's operational structure through the centralization of activities. Logistics was integrated with sales and marketing, as were exports effective 2010. Production was also modernized. New production lines were introduced at the Jaroslaw plant for soups and at the Tarnów plant for meat skewers. A skinless meat products production line was commissioned at the Kolo plant and a frankfurter packing line at Pozmeat.

In December 2009, subsidiary Pozmeat S.A. was merged with Sokolów S.A. to become one of its offices.

QUALITY, ENVIRONMENT AND ANIMAL WELLBEING

In the year under review, Sokolów continued to work towards maintaining high quality standards, improving environmental management and ensuring animal wellbeing.

Quality certificates were renewed and new certificates obtained in respect of third-world countries. New energy and water efficient equipment was purchased for the heat-processing and refrigeration of products. Equipment designed to reduce the amount of waste arising in production was also taken into use.

HKScan's employees in 2009

The HKScan Group has employees in nine European countries. Group companies have nearly 7 000 white-collar and blue-collar employees on payroll, with joint venture Sokolów bringing another just under 5 600 employees into the Group's sphere of influence. The table below presents a breakdown of employees by country.

In 2009, roughly 78 percent of employees were blue-collar and 22 percent white-collar.

Since European countries have developed along different historical and cultural lines, the traditions and customs relating to work thus also vary from country to country. In HKScan, each country's executive management ensure that Group companies have regard to the legislation and agreements governing employment, remuneration and other terms of employment as well as occupational safety in their respective countries.

In keeping with its principles, HKScan regards as important the right of both white and blue collar employees to unionize and bargain collectively.

WORKFORCE HOLDS STEADY

The HKScan Group had an average of 7 429 employees in 2009 (7 750). The reduction of roughly 320 employees, equal to 4 percent of the total workforce, is attributable to the ongoing streamlining and cost-effectiveness measures in the market areas of Sweden and the Baltics in particular, by which measures Group companies are seeking to enhance their competitiveness and profitability.

In other respects HKScan, along with the meat industry in general, was able to preserve jobs also in the recession better than many other industries, and the downsizing measures implemented were only undertaken after careful deliberation.

The average number of employees in each market area was as follows: 2 361 in Finland, 3 270 in Sweden and 1 798 in the Baltics. In addition, the Sokolów group had an average of 5 569 employees.

HKScan paid a total of EUR 234.0 million (EUR 262.9m) in salaries and fees in 2009. When pension costs and other social security costs are included, the total rises to EUR 306.7 million (EUR 319.0m).

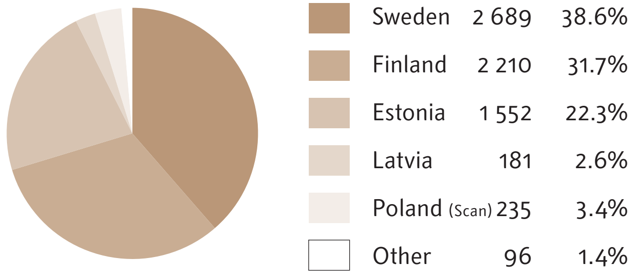
Employees by country at year-end

	2009	%	2008	%	2007	%
Sweden	2 689	38.6	2 794	39.4	3 050	41.6
Finland	2 210	31.7	2 229	31.4	2 236	30.5
Estonia	1 552	22.3	1 548	21.8	1 630	22.2
Poland (Scan)	235	3.4	192	2.7	100	1.4
Latvia	181	2.6	227	3.2	219	3.0
Lithuania	44	0.6	51	0.7	43	0.6
Denmark	43	0.6	44	0.6	45	0.6
Russia	5	0.1	5	0.1	5	0.1
UK	4	0.1	5	0.1	5	0.1
HKScan total	6 963	100.0	7 095	100.0	7 333	100.0
Sokolów	5 577	-	5 732	-	5 419	-

Employees by company at year-end

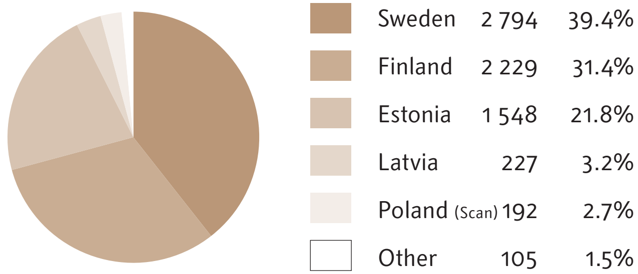
	2009	2008	2007
HKScan Corporation	12	13	14
Scan Group	2 971	3 035	3 200
HK Ruokatalo Oy	2 064	2 084	2 080
Rakvere Lihakombinaat Group	1 311	1 378	1 402
AS Tallegg	466	448	490
LSO Foods Oy	61	67	75
Other	78	70	72
HKScan Group total	6 963	7 095	7 333
Sokolów Group	5 577	5 732	5 419

Employees by country at the end of 2009



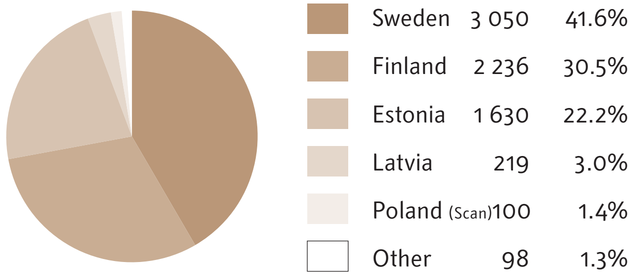
Additionally, the Sokolów Group employed 5 577 persons.

Employees by country at the end of 2008



Additionally, the Sokolów Group employed 5 732 persons.

Employees by country at the end of 2007



Additionally, the Sokolów Group employed 5 419 persons.

Responsibility is vital to HKScan's operations

In 2010, the company will particularly focus on nutrition, environmental matters and the wellbeing of production animals.

The concept of corporate responsibility in respect of food-producing companies has a wide range of aspects. Debate on matters pertaining to human nutrition and the environmental impacts of food production is a global phenomenon. The meat industry is the focus of particular attention due to e.g. the treatment and wellbeing of production animals.

HKScan is cognizant of its responsibility as a major Northern European meat company. Responsibility in operations is rooted in the very history of the company established in 1913 by local cattle farmers. Ever since, building production on a platform of local raw materials has been an overriding principle for HKScan. HKScan knows the origin of the meat raw material used for products in all of its market areas.

Responsibility extends throughout the production chain, from primary production through to the finished products. HKScan complies with and often exceeds the requirements imposed in legislation and regulatory guidelines and policies. In addition, HKScan and its subsidiaries based in the various market areas are active participants in joint industry undertakings in order to further build on the standard of their operations.

Although responsible action and sustainable development have always been important to the company, in 2009 HKScan resolved to start drafting its own corporate responsibility scheme. During 2010, this scheme will bring HKScan's measures in seven selected sectors under a single umbrella. **These sectors are product safety, nutrition, environmental matters, employee wellbeing at work, wellbeing of production animals, local aspects and economic responsibility.**

The responsibility scheme will be integrated into the Group's management system and a set of indicators will be devised to monitor its realization. Designated persons within the Group will also be tasked with coordination and management of the programme and its various sectors.

Seven sectors, three priorities for 2010

Responsibility in the food chain

Source: MTT 2009

Nutritionally correct – without compromising on taste

Consumers the world over are growing increasingly interested in the nutrition values of food. Besides taste, key issues include fat content and fat quality in food as well as the amounts of salt and additives in food. HKScan seeks to respond to consumer wishes by catering for these considerations as well in its extensive product range.

Meat is an important component of a balanced and healthy diet. Since 96% of Finns, for example, eat meat, meat and meat dishes play a pivotal role in our diet to satisfy protein requirements. Meat proteins are always of good quality because they contain all the essential amino acids which the body requires. Meat is an excellent source of iron and a good source of other minerals such as zinc and magnesium. It is also rich in vitamins B, especially vitamins B12 and B6.

Since meat and products prepared from meat play a key role in the diet of consumers in HKScan's area of operations, the company and its subsidiaries can influence national health through the product ranges offered. HKScan invests in ongoing research and product development so that it may develop new, tasty and increasingly healthy meat-based products.

WHAT WE HAVE ACCOMPLISHED

In Finland, the salt content of HK Ruokatalo's products has been systematically reduced since 2007. The salt reduction was carried out in respect of convenience foods in the years 2007–2008. In 2009, the salt content of processed meats, marinated meats and poultry products was reduced. However, the pursuit of healthfulness objectives is never allowed to compromise the taste and enjoyability of the products.

HK Ruokatalo aims at nutritionally smart products. The topic has been given particular consideration since 2007.

Development in this field has resulted in HK Ruokatalo or its product range/products featuring

– 87 heart-healthy Sydänmerkkituote products
– 40 000 kg less salt per year
– 10 000 kg less saturated fat per year
– reduced use of monosodium glutamate
– Guideline Daily Allowance labelling on packages, as the first company in Finland

In addition, HK Ruokatalo has

- opened a wellbeing website at: www.tiesydameen.fi/voi-hyvin
- embarked on nutrition cooperation with the Finnish Olympic team.

HK Ruokatalo will furthermore launch on the Finnish market in 2011 a new heart-healthy type of pork meat in which the fat content has been modified to conform to nutrition recommendations. Heart-healthy pork has been achieved through a new pig-feeding concept where the quality and administration method of vegetable oil play a key role. The new meat is unique because the transition to healthier meat is achieved through wholly natural means. The transition is accomplished in all parts of the animal and the share of trans fat has been reduced to less than the required one third of total fat. At the same time, the amount of essential omega 3 fatty acids, obtained through diet, has been increased by a factor of 3.5. The change can be both seen and tasted: the pork is softer and more tender, and it also has an excellent taste.

The new heart-healthy pork meat will in future also be used as the raw material for processed meats, i.e. sausages and sandwich meats, putting these as well in line with recommendations with regard to fat quality.

In Sweden, Scan has been reducing the amount of additives in its products since 2008 in response to consumer wishes. Monosodium glutamate (E621) is no longer used in any products sold under the Scan brand, for example, nor is the aroma enhancer added to any new products.

Environmental responsibility throughout the production chain

HKScan operates on the principle of causing minimum adverse environmental impact during production. This principle is put into practice in all market areas, taking into account existing regulations and certification processes. Executive management in each market area are responsible for ensuring the appropriate organization of environmental management.

An ISO 14001-certifed environmental management system is in place at all HK Ruokatalo production plants in Finland, the Rakvere Lihakombinaat and Tallegg plants in Estonia and six production plants in Sweden. Other Scan facilities apply the BAS system, in which environmental efforts are managed by a local steering group responsible for setting environmental targets for plants and monitoring compliance. In Poland, the Sokolów plants operate according to good production practice under the ongoing supervision of the Polish veterinary authority.

Environmental responsibility at HKScan extends across the entire production chain: from primary production through to consumers, for instance product packages.

HKScan pays attention to reducing the carbon footprint and other environmental impacts of its operations and products at all stages of the production process. One of the key environmental objectives is to reduce CO_2 emissions. As the meat industry is a large consumer of water, reduced water consumption and optimal water usage likewise count among HKScan's environmental objectives.

However, in the meat industry the greatest environmental impacts arise from primary production, i.e. the rearing of production animals at the farms of contract producers. HKScan engages in active measures together with its contract producers to reduce the environmental impacts of primary production as well.

WHAT WE HAVE ACCOMPLISHED

In Sweden, Scan AB is committed to a 35-percent reduction in greenhouse gas emissions by 2010 and a 50-percent reduction by 2020. Scan AB takes action in furtherance of these objectives in its own production, deliveries, energy consumption and purchasing.

Efforts have also been made to minimize environmental loading in investments. The modernization of HK Ruokatalo's slaughterhouse in Forssa implemented in the years 2006–2007 resulted in the plant's water consumption and waste generation falling substantially. The switchover to natural gas at the Vantaa production plant in 2007 reduced CO_2 emissions. In Outokumpu, improved recovery of slaughter animal blood led to a reduction in non-environmentally friendly wastewaters.

HK Ruokatalo's re-design of product packages in Finland has also been a part of its environmental programme. The sandwich meats package re-design implemented in autumn 2009 spelled a marked reduction in the use of package plastic. The new packages give rise to up to 50 percent less packaging waste than before. This translates into over 100 000 kg less package plastic used each year. Moreover, the new packages allow more compact packing and delivery trucks thus transport considerably less packing materials and sheer air.

In Sweden, Scan streamlined sandwich meat packages by removing the lid, thus reducing package material usage by 70 000 kg annually. As in Finland, the resulting environmental impact is significant, and it is only boosted by the greater compactness and reduced weight of shipments.

Meat from well-kept animals tastes better

The wellbeing of production animals was a topic of public debate in both Sweden and Finland in 2009. The debate focused on the wellbeing of pigs in particular.

Healthy and well-kept production animals are not only vital but in fact fundamental to the operation and profitability of the entire meat chain. Accordingly, HKScan requires its own employees, contract producers and the supervisory authorities to act in a manner that ensures that production animal treatment in all of the company's market areas complies with legislation and regulations. The aim is to further build on operations so as to expose abuses at an early a stage as possible. This calls for good cooperation among all actors in the meat chain.

In order to ensure and further enhance the wellbeing of production animals, HKScan lists among its objectives the provision of training and advisory services to contract producers. HKScan and its subsidiaries are furthermore actively involved in joint industry ventures designed to improve the treatment of production animals.

Greater production animal wellbeing manifests not only as higher farm profitability but also as meat raw material of higher quality, as the wellbeing of animals reduces stress, morbidity and thus also the need for antibiotics. Animal wellbeing must also be catered for in the breeding, housing and transportation of animals.

WHAT WE HAVE ACCOMPLISHED

In Sweden, Scan AB has already in a place a system requiring meat producers to sign an affidavit testifying to the health and origin of the animals sold. Independent certification seeking to ensure the wellbeing of animals will furthermore be introduced in Sweden during 2010. Certification will only be granted to those pig farms that meet the requirements imposed for production animal care. Scan AB has actively promoted the introduction throughout the Swedish meat industry of this new system designed to ensure the wellbeing of pigs.

In Finland, HK Ruokatalo has started to establish its own quality scheme for responsible pork production. The scheme encourages meat producers towards responsibility in the rearing of production animals. The new quality scheme of HK Ruokatalo and LSO Foods will focus on both the wellbeing of animals and greater consideration for the environment while also catering for profitable production.

The responsible production quality scheme within the contract production system comprises three components: animal health and wellbeing, environmental considerations and profitable production.
Indicators that best measure the respective key elements will be developed for each sector, and boundary values monitored by the company's experts will be determined for each indicator.

DEVELOPMENT IN OTHER SECTORS OF CORPORATE RESPONSIBILITY

In addition to the three priorities presented above, HKScan's corporate responsibility scheme extends to measures beyond the self-evident sector of product safety. These further sectors are employee wellbeing at work, local aspects and economic responsibility.

With regard to **product safety**, development measures comprise actions to promote traceability in the production chain and to ensure quality as well as production and product hygiene.

With regard to **employee wellbeing**, measures target management cultures alongside working conditions. Many studies indicate that supervisory practices are one of the key contributors to wellbeing at work.

Local aspects are important to HKScan for a number of reasons. Consumers are to an increasing degree basing their buying decisions on the origin of food. As a major employer, HKScan has a significant impact on employment and the economy in many of its production locations. This impact also extends to the company's contract meat producers, which number roughly 5 500 in Finland and about 15 000 in Sweden. The company carries out its own primary or contract production also in the Baltics and Poland.

Economic responsibility arises above all from profitable business activities. This calls for realistic financial objectives and action plans for their achievement. Risk management and the prevention of abuses as well as supervision likewise play a pivotal role with regard to business activities. At HKScan, these matters have been thoroughly addressed.

Report of the Board of Directors for the financial year ending 31 December 2009

• The HKScan Group's competitiveness grew stronger and supplier shares increased in all market areas in 2009.

• Reported EBIT increased by 45 percent and came to EUR 55.1 million (EUR 38.1m). EBIT exclusive of non-recurring items, which totalled EUR 12.7 million, climbed to EUR 67.8 million (EUR 38.1 m).

• Owing to improved profitability and reduced financing costs, pre-tax profit quadrupled to EUR 37.3 million (EUR 9.0m).

• Owing to exchange rate fluctuations, full-year net sales in euro declined by 7.4 percent but remained at the previous year's level when calculated at fixed rates.

• The share offering executed in December strengthened the Group's balance sheet structure.

Earnings development and financial standing

DEVELOPMENT OF NET SALES

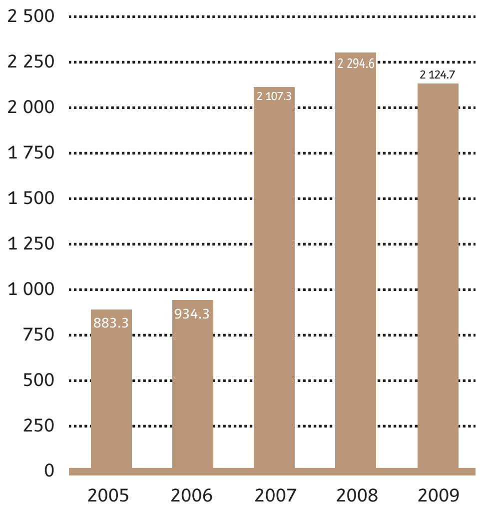
The HKScan Group's net sales in 2009 came to EUR 2 124.7 million (EUR 2 294.6m in 2008). The decline of approximately 7.4 percent in net sales in euro was due to movements in the exchange rates of the Group's main currencies. Measured at fixed rates, net sales were at the previous year's level. HK Ruokatalo Oy in Finland and Sokolów S.A. in Poland grew their net sales when measured in real prices. No mergers or acquisitions with a significant impact on net sales were concluded in the year under review.

Group net sales in 2009 broke down among market areas as follows: Finland 33.6% (31.4%), Sweden 47.6% (50.0%), Baltics 7.2% (7.1%) and Poland 11.6% (11.5%).

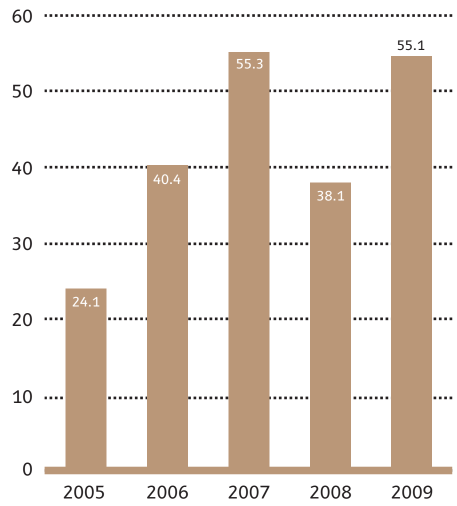
FINANCIAL PERFORMANCE

Group operating profit (EBIT) at EUR 55.1 million increased as anticipated from the previous year's figure of EUR 38.1 million (+44.7%). The market area of Finland delivered the greatest increase in euro while in relative terms, the growth rate was the highest in Poland.

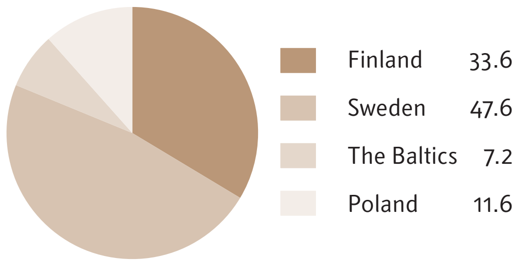
Net sales 2005–2009 (EUR million)



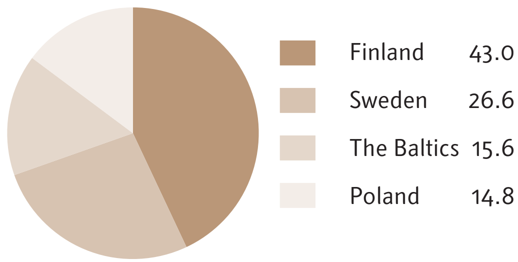
EBIT 2005–2009 (EUR million)



Breakdown of net sales by market area in 2009 (%) EUR 2 124.7 million



Breakdown of EBIT by market area in 2009 (%) EUR 55.1 million



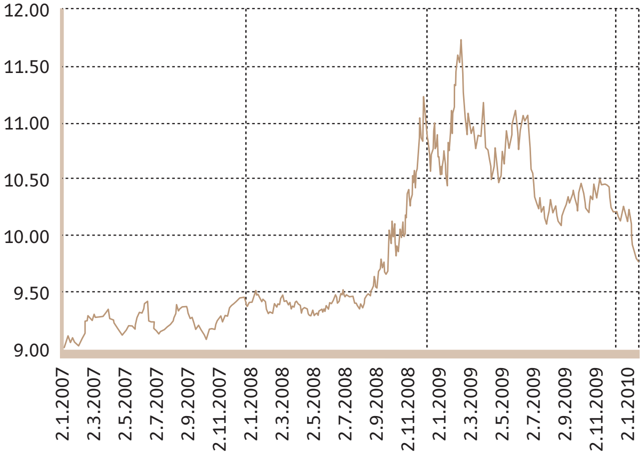
Net sales and EBIT by segment
(EUR million)

	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Net sales				
- Finland	185.4	197.3	732.5	740.4
- Sweden	278.3	301.6	1 037.4	1 179.3
- The Baltics	38.1	43.0	156.9	168.2
- Poland	65.1	66.3	251.7	270.9
- Between segments	-9.5	-16.0	-53.9	-64.3
Total	557.5	592.3	2 124.7	2 294.6
EBIT				
- Finland	6.4	6.4	27.0	14.4
- Sweden	9.1	8.6	16.7	18.0
- The Baltics	2.0	0.6	9.8	6.4
- Poland	2.9	1.9	9.3	4.2
- Between segments	0.0	0.0	0.0	0.0
- Group administration costs	-1.9	-2.2	*) -7.7	-4.9
Total	18.4	15.3	55.1	38.1

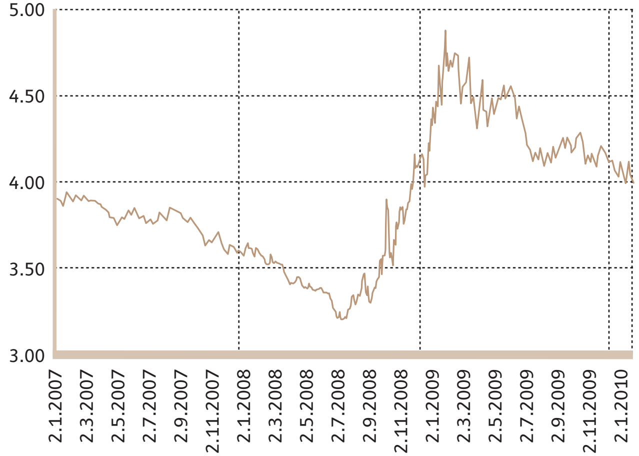
*) Includes EUR 1.3 million in non-recurring severance pay relating to the termination of the former CEO's employment and recognized in Q1.

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

Euro/Swedish crown (EUR/SEK)



Euro/Polish zloty (EUR/PLN)



Source: European Central Bank

Reported EBIT rose by 45 percent and EBIT exclusive of non-recurring items, which totalled EUR 12.7 million, climbed to EUR 67.8 million (EUR 38.1 m).

The company's performance in terms of both sales and earnings was particularly good in the final quarter of the year in all market areas. In the Baltics, Rakvere Lihakombinaat and Tallegg exceeded the Group's EBIT target of five percent. The market area of Sweden enjoyed favourable development in the last three months of the year and had it not been for non-recurring charges of EUR 5.8 million, EBIT in Sweden as well would have climbed to five percent of net sales. The fact that this was accomplished amidst the restructuring and reorganization ongoing in the Scan Group only makes the achievement more remarkable. In Poland, Sokołów posted the best quarterly results in its history. In the market area of Finland, HK Ruokatalo's solid earnings development carried through until the end of the year.

Group EBIT in 2009 broke down among market areas as follows: Finland 43.0% (33.5%), Sweden 26.6% (41.8%), Baltics 15.6% (14.9%) and Poland 14.8% (9.8%).

EFFECT OF CURRENCY EXCHANGE RATES

Of the Group's main currencies, the Swedish crown and the Polish zloty started to plunge against the euro in autumn 2008 and hit bottom in February-March 2009. Both currencies have picked up since then but remain below their long-term levels. Movements in currency exchange rates become visible upon the consolidation of the figures of foreign business segments. At the closing date, an average of two thirds of the equities of foreign subsidiaries had been hedged.

Material events in the financial year

MARKET AREA: FINLAND

Profitability in the market area of Finland continued to rise in line with plans throughout the financial year and showed a considerable improvement when compared to the previous year.

HK Ruokatalo's domestic market sales by both volume and value increased by roughly 10 percent and the company achieved greater supplier shares. The excellent delivery reliability maintained all year further contributed to customer satisfaction. The sales of processed meats, which first picked up in late 2008, continued to rise all through the year. The holiday season, vital to the company's earnings performance, was highly successful, and HK Ruokatalo was the nation's largest supplier of Christmas hams.

Matters pertaining to responsibility were underscored in business operations.

The fall of 1.1 percent in net sales in HKScan's Finnish market area is attributable to the planned decrease of export sales.

A cost provision totalling of EUR 1.1 million and relating to personnel cuts at HK Ruokatalo's Forssa production facilities in 2006 is recognized in the figures for 2009. Severance pay of EUR 1.3 million to HKScan Corporation's former CEO is included in Group administration costs.

MARKET AREA: SWEDEN

The performance of Scan AB and its subsidiaries improved throughout the year and especially in the final quarter, the best of the year. EBIT exclusive of non-recurring items rose to EUR

14.9 million (EUR 8.6m) or 5.4 percent (2.9%) of net sales. The profitability of operations was successfully enhanced despite the challenges presented by the market and restructuring. In terms of profitability, the year 2009 was the best in the company's history.

All in all, non-recurring charges of roughly EUR 10.3 million (EUR 0m) were recognized in Sweden in 2009. These had to do with the ongoing streamlining programme and changes in management. Non-recurring charges recognized in Q4 amounted to EUR 5.8 million (EUR 0m).

The weakening of the Swedish crown against the euro resulted in lower euro-denominated net sales and EBIT. Measured in crowns, net sales declined by 2.9 percent on the year.

March 2009 saw the launch of a three-year streamlining programme designed to bring Scan's profitability up to the Group's EBIT target level of 5 percent. The tools employed to this end are a leaner cost structure at Scan, the introduction of higher value-added products and more efficient commercial operations.

To allow a sustained approach to developing the procurement of meat raw material, Scan established a separate procurement company Svenska Livdjur och Service (SLS) that in future will attend to Scan's producer contracts, meat purchases and production counselling in a centralized manner.

Scan AB's management changed on 4 March 2009 when managing director Magnus Lagergren and senior VP/director Matts Rosendahl decided to leave the company. Olli Antniemi, BSc (Econ) replaced Lagergren as managing director and was replaced in turn by Denis Mattsson eMBA on 23 June 2009.

MARKET AREA: THE BALTICS

HKScan's Baltic Group posted an excellent financial result. This accomplishment is made even more remarkable by the fact that it was delivered by AS Rakvere Lihakombinaat and Tallegg in a highly demanding business environment. Successful cost management, operational flexibility and product launches matching the spirit of the times kept financial performance sound despite a 6.7-percent decline in net sales over the year.

The deep economic recession and decline in consumer purchasing power were clearly reflected in demand in all Baltic states. Nonetheless, Rakvere Lihakombinaat and Tallegg managed to grow their EBIT and further strengthen their market standing.

MARKET AREA: POLAND

In Poland, Sokolów continued to grow its net sales and improve its profitability in the final quarter of the year to deliver an EBIT margin of 4.4 percent (2.9%) The company's sales increased in terms of both volume and value. Measured in zloty, Sokolów's net sales grew by 14 percent on the year, yet fell short of the euro-denominated figure a year earlier due to changes in exchange rates.

The increase in net sales in 2009 was attributable to successful sales in the domestic market, higher exports, and cost management. The ongoing recession had little effect on the food-buying decisions of Polish consumers in 2009.

INVESTMENTS

The Group's production-related gross investments in 2009 totalled EUR 41.3 million (EUR 84.0m). Breakdown of investments by market area: Finland EUR 8.0 million, Sweden EUR 18.5 million and the Baltics EUR 7.3 million. HKScan's share of Sokolów investments in Poland added a further EUR 7.5 million.

The most important undertaking in Sweden was the new distribution centre rising in Linköping, where installations of machinery and equipment continued. The centre will come online in spring 2010. No major investments were underway in Finland or the Baltics.

FINANCING

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 2009 stood at EUR 207 million (EUR 140m). In addition, the Group had other untapped overdraft and other facilities of EUR 39 million (EUR 37m). The EUR 100 million commercial paper programme had been drawn in the amount of EUR 5 million (EUR 0m). The increase in untapped facilities was due to the share offering, the net proceeds of which were used to pay down debt. In connection with the offering, the company also paid back its EUR 20 million hybrid bond.

The company has experienced no problems with re-financing and sees no significant need for further financing before the year 2013. 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.

The share offering executed in December 2009 strengthened the company's capital structure and the equity ratio climbed to 37.1 percent at year-end (29.5%). Consolidated cash flow from operating activities improved owing to better financial performance while prudent consideration of investments delivered stronger net cash flow from investing activities.

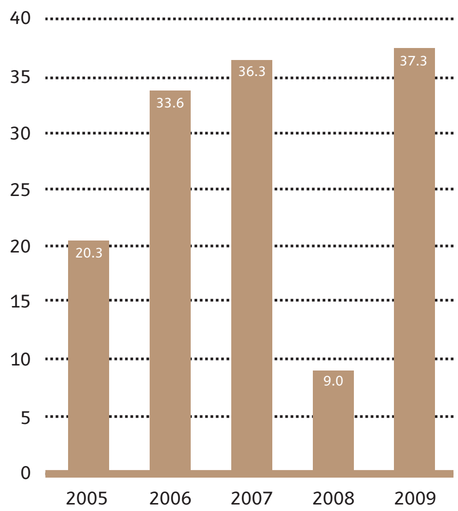
TAXES

The Group's taxes for January to December 2009 totalled EUR -4.9 million (EUR -1.4m). The effective tax rate was 13.0 percent (15.3%). The low effective tax rate was the result of a number of distinct factors, with the greatest impacts originating in the Baltics and Sweden. In Baltic operations, advantage was taken of Estonia's zero tax rate on retained profits. In Sweden, the company utilized losses on which a deferred tax asset had not been recognized earlier.

SHARE OFFERING AND BOND ISSUE

Pursuant to an authorization granted by the Extraordinary Meeting of Shareholders on 24 November 2009, HKScan's Board of Directors between 2 and 17 December 2009 executed a directed share

Profit before tax 2005–2009 (EUR million)



issue in which shareholders had pre-emptive right to subscribe for new A Shares in proportion to their existing holding of the company's series A and/or K shares. The share offering was warranted in order to strengthen the company's capital structure and to increase its operational and strategic flexibility. The subscription price was EUR 5.30 per share.

A total of 14 720 329 new A Shares were subscribed for, approximately 99.0 percent in the primary subscription and the remaining shares in the secondary subscription. The proceeds of the share offering amounted to approximately EUR 78.0 million before fees and expenses related to the offering.

As a result of the share offering, the total number of HKScan shares increased to 54 026 522 shares and the number of A Shares to 48 626 522 shares. The new shares entitle shareholders to dividend and other rights effective 29 December 2009, on which date the shares were entered in the Trade Register. The company's registered share capital did not increase as a result of the offering, as the proceeds were recognized in full in the reserve for invested unrestricted equity (RIUE).

The company allocated EUR 20 million of the proceeds of the offering to repaying in late December the hybrid bond which it had issued to its majority shareholders in September 2008. The bond was originally issued to strengthen the company's capital structure. It carried an interest rate of 8.5 percent p.a. and had no maturity. The bond was treated as equity in the IFRS financial statements. HKScan paid the interest on the bond for 2009 in cash, though the holders of the bond also had the option of accepting company shares in lieu of cash. The remaining proceeds of the offering were used to pay other interest-bearing debts.

TREASURY SHARES

At 1 January 2009, HKScan held a total of 4 474 of its A Shares. Over the course of the year, 47 508 shares assigned in the years 2006–2008 as part of the key employees' share bonus scheme reverted back to the company. At 31 December 2009, the company held a total of 51 982 of its A Shares. These had a market value of EUR 0.41 million (EUR 7.85 each) and accounted for 0.10% of all shares and 0.03% of all votes. No dividend is paid on treasury shares.

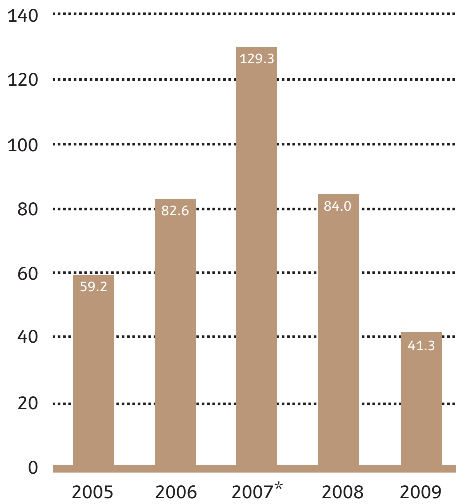
CHANGES IN MANAGEMENT

HKScan Corporation's management changed on 5 January 2009 when the Board of Directors relieved CEO Kai Seikku of his duties. Seikku had served as CEO since April 2006. CFO Matti Perkonoja was appointed CEO effective 12 January 2009. He had been the CFO of HKScan since 2000 and had also served in commercial and industrial executive positions in the Group which he joined in 1993. It was agreed that Mr Perkonoja would serve as CEO until the end of 2010. In January 2010, however, the Board and Mr Perkonoja agreed that he would stay on as CEO until the end of February 2012, after which time he plans to retire.

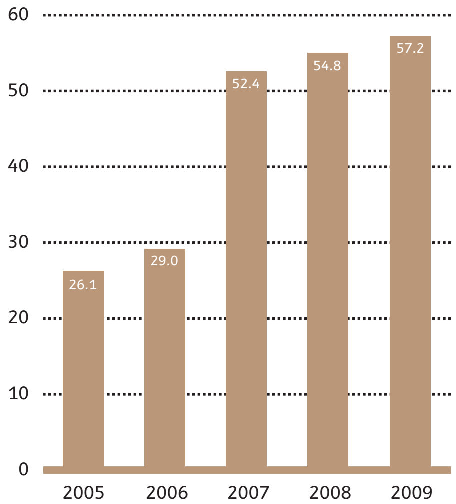
The Group's Management Team was augmented in January with the inclusion of CFO Irma Kiilunen and VP of strategy and development Tero Hemmilä. VP Tero Hemmilä left HKScan at the beginning of 2010.

In Sweden, Scan AB's managing director Magnus Lagergren resigned on 4 March 2009. Olli Antniemi, BSc (Econ) replaced Lagergren as managing director and was replaced in turn by Denis Mattsson eMBA on 23 June 2009.

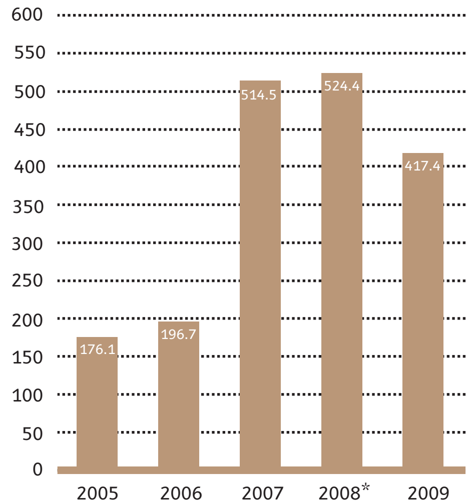
Gross investments 2005–2009
(EUR million)
* Exclusive of enterprise value on Scan AB acquisition



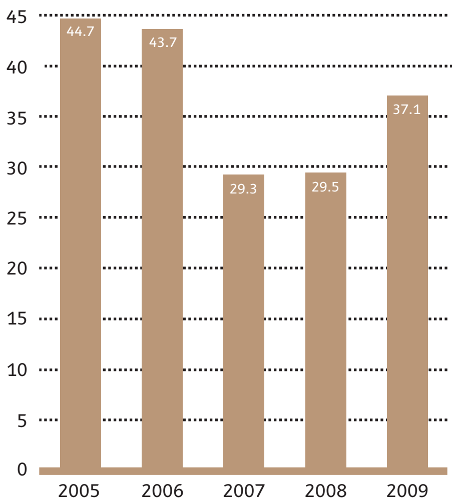
Depreciation 2005–2009
(EUR million)



Interest-bearing liabilities 2005–2009
(EUR million) * Exclusive of the capital loan



Equity ratio 2005–2009 (%)



HKScan Corporation Board member Lars Hultström announced his resignation from the Board on 1 December 2009, effective immediately. Hultström was elected to the Board as a new member by the Annual General Meeting of Shareholders of 23 April 2009.

CHANGES IN GROUP STRUCTURE

The company established in November 2009 a subsidiary by the name of HKScan Finland Oy and resolved to transfer to this company its production-related property, plant and equipment in Finland as well as its holdings in Finnish subsidiaries and associates. The transfer took place on 1 January 2010 and it is reported under the heading "Events taking place after 31 December 2009".

In Sweden, the long-prepared sale of Scan AB subsidiary Kontrollhudar International AB to the Danish Scan-Hide cooperative was executed in October.

In the Baltics, AS Rakvere Lihakombinaat increased its holding in its Latvian subsidiary A/s Rigas Miesnieks to 100 percent through a buyout of the 5.1 percent of company shares held by minority shareholders.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association were amended on two occasions during the year under review. The Annual General Meeting of Shareholders of 23 April 2009 passed a resolution to amend Article 7 to read as follows: "Notice of general meetings of shareholders shall be given by announcement published in at least two (2) newspapers designated by the Board of Directors no earlier than three (3) months and no later than three (3) weeks prior to the meeting."

The Extraordinary General Meeting of Shareholders of 24 November 2009 passed a resolution to increase the number of A Shares mentioned in the Articles of Association. The amended Article 3 reads as follows: "At least 3 600 000 and at most 8 000 000 of the total number of shares in the company are Series K shares and at least 400 000 and at most 60 000 000 are Series A shares. Holders of Series K and Series A shares are entitled to exercise their right to vote at meetings of shareholders as provided in Article 5 of these Articles of Association."

Material events after 31 December 2009

(1) HKScan Corporation transitioned to a holding company structure in its Finnish business. The reorganization streamlines financial reporting and internal auditing in the Group, as the business in each market area is kept separate from the parent company. The reorganization was accomplished as a business transfer on 1 January 2010 by transferring HKScan Corporation's production-related property, plant and equipment in Finland as well as its holdings in subsidiaries and associates to HKScan Finland Oy, a holding company wholly owned by HKScan Corporation.

The reorganization is technical and legal in nature and it will have no effect on operational activities. HK Ruokatalo Oy and LSO Foods Oy, the companies responsible for the Group's Finnish business, carry on as before. The arrangement has no effect on jobs or the standing of the parent company or its shareholders. Managing director Jari Leija of HK Ruokatalo Oy also serves as managing director of HKScan Finland Oy.

(2) In January, the Board and HKScan Corporation CEO Matti Perkonoja agreed that he would stay on as CEO for longer than initially announced. The appointment is effective until the end of February 2012, at which time Mr Perkonoja is to retire. He had earlier planned to retire after 2010.

(3) Olli Antniemi, BSc (Econ), was appointed senior vice president in charge of strategy and development as of 1 January 2010. He also joined the Management Team. Mr Antniemi is responsible for strategic business planning with an emphasis on Group synergies and management of the Group's strategy process. He previously served as executive vice president of the HKScan Group's Baltic Group, managing director of Scan AB and most recently as development director at HK Ruokatalo Oy.

HKScan Corporation's Management Team as of 1 January 2010 consists of CEO Matti Perkonoja as Chairman along with CFO Irma Kiilunen, senior vice president for strategy and development Olli Antniemi, HK Ruokatalo Oy managing director Jari Leija and Scan AB managing director Denis Mattsson. Management Team meetings are also attended by AS Rakvere Lihakombinaat managing director Anne Mere and AS Tallegg managing director Teet Soorm. Tero Hemmilä, Management Team member and VP in charge of strategy, left HKScan at the beginning of 2010. CFO Irma Kiilunen serves as deputy to the CEO of HKScan Corporation.

(4) In late January HKScan Corporation announced its better than anticipated Q4/2009 performance. According to preliminary data, sound commercial performance during Q4/2009 and the Christmas season in particular had resulted in higher-than-anticipated EBIT before non-recurring items.

HKScan had earlier estimated that EBIT for 2009 would clearly surpass that for 2008. Based on preliminary figures, the HKScan Group's reported EBIT for 2009 would be around EUR 55 million and EBIT before non-recurring items around EUR 67 million.
The company furthermore estimated that the non-recurring charges caused by the measures in the Swedish restructuring programme would amount to approximately EUR 8.6 million instead of the roughly EUR 5 million announced earlier.

Employees, research and environmental management

EMPLOYEES

The HKScan Group had an average of 7 429 employees in 2009 (7 750). The reduction is attributable to the ongoing streamlining and cost-effectiveness measures in the market areas of Sweden and the Baltics in particular, by which Group companies are seeking to enhance their competitiveness and profitability.

The average number of employees in each market area was as follows: 3 270 in Sweden, 2 361 in Finland and 1 798 in the Baltics. In addition, Sokołów had an average of 5 569 employees.

INCENTIVE SCHEME FOR KEY EMPLOYEES

The company had in place a share-based incentive scheme for key employees concerning the years 2006–2008. The company's Board has not launched a new share-based incentive scheme since the expiration of the earlier scheme at the end of 2008. No bonuses were paid under the scheme in 2008 or 2009. In accordance with the terms of the scheme, 47 508 A Shares assigned as a part of the incentive scheme in the years 2006–2008 reverted to the company in 2009.

RESEARCH AND DEVELOPMENT

Practically all research and development in the HKScan Group involves normal product development, meaning the development of new products over a span of one to two years and the updating of products already on the market. A total of EUR 8.9 million (EUR 13.1m) was spent on R&D in 2009, equal to 0.4 percent of net sales.

ENVIRONMENTAL MANAGEMENT

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. Executive management in each market area are responsible for ensuring the appropriate organization of environmental management.

The company has an ISO 14001-certifed environmental management system in place at all HK Ruokatalo production plants in Finland, the Rakvere Lihakombinaat and Tallegg plants in Estonia and six Scan plants in Sweden. Other Scan facilities apply the BAS system, in which environmental efforts are managed by a local steering group responsible for setting environmental targets for plants and monitoring compliance. In Poland, the Sokolów plants operate according to good production practice under the ongoing supervision of the Polish veterinary authority.

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

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

CORPORATE GOVERNANCE

The Audit Committee of HKScan's Board of Directors has prepared a corporate governance statement which is published as part of the Annual Report and also on the company's website www.hkscan.com under Investor Information.

BOARD OF DIRECTORS' EXISTING AUTHORIZATIONS

(1) The Board holds the authorization granted by the AGM on 23 April 2009 to decide on acquiring a maximum of 3 500 000 Series A shares as treasury shares, equivalent to approximately 8.9% of total registered shares and 10.3% of total A Shares.

Treasury shares may only be acquired using unrestricted shareholders' equity. The company's own shares may be purchased for a price quoted in public trading on the purchase day or for a price otherwise determined by the market.

The Board of Directors shall resolve upon the method of purchase. Among other means, derivatives may be utilized in purchasing the shares. The shares may be purchased in a proportion other than that of the shares held by the shareholders (directed purchase). The authorization is valid until 30 June 2010. To date, the Board of Directors has not exercised this authorization.

(2) The Board of Directors also holds an authorization to resolve on an issue of shares, options as well as other instruments entitling to shares as referred to in Chapter 10:1 of the Finnish Limited Liability Companies Act. The Board was authorized to resolve on the issue of a maximum of 5 500 000 A Shares, corresponding to ca. 14.0% of all registered shares in the company and ca. 16.2% of all A Shares.

The Board may resolve upon all the terms and conditions of the issue of shares and other special rights entitling to shares. The authorization to issue shares shall cover the issuing of new shares as well as the transfer of the company's own shares. The issue of shares and other special rights entitling to shares may be implemented as a directed issue. The authorization is valid until 30 June 2010.

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

Future outlook

MAJOR RISKS AND UNCERTAINTY FACTORS

The most significant business risks faced by the HKScan Group involve developments in the price of raw materials and pork in particular, in future possibly the availability of these as well. Country-specific uncertainties involve the success of the business development programmes in Sweden and the development of the national economies in the Baltics.

The international economic situation is gradually stabilizing, yet bad debt remains a possibility. The problems experienced by customers are due to the state of the economy in their country of operation as well as the availability of financing. Ongoing major fluctuations in the Group's central currencies may affect the Group's net sales, earnings and balance sheet. Any devaluation of local currencies in particular may have a negative effect on the Group's Baltic operations.

Changes in demand owing to e.g. rising unemployment and attributable to the economic climate may occur in the Group's market areas or its export markets. These may erode Group net sales and earnings.

The possibility of animal diseases can never be fully excluded in the food industry.

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

ESTIMATE FOR 2010

Consumer demand for food is expected to remain steady in the Group's domestic markets and export markets are anticipated to pick up somewhat towards the end of the year. In addition, the ongoing streamlining programmes and the restructuring programme in Sweden in particular provide the foundation for solid business development.

The Group's full-year EBIT exclusive of non-recurring items is estimated to surpass that in 2009 despite the considerable challenges posed by the markets in the early part of the year.

BOARD OF DIRECTORS' PROPOSAL ON DISTRIBUTION OF PROFIT

The parent company's distributable assets stand at EUR 156.7 million including the reserve for invested unrestricted equity (RIUE), which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.22 per share for 2009, i.e. a total of EUR 11.9 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

	2009	2008	2007	2006	2005
Net sales, EUR million	2 124.7	2 294.6	2 107.3	934.3	883.3
Operating profit/loss (EBIT), EUR million	55.1	38.1	55.3	40.4	24.1
- as % of net sales	2.6	1.7	2.6	4.3	2.7
Profit/loss before taxes, EUR million	37.3	9.0	36.3	33.6	20.3
- as % of net sales	1.8	0.4	1.7	3.6	2.3
Return on equity (ROE), %	9.0	2.3	9.2	11.9	7.7
Return on investment (ROI), %	7.4	5.2	7.2	10.1	7.4
Equity ratio, %	37.1	29.5	29.3	43.7	44.7
Net gearing ratio, %	84.9	132.0	137.0	76.2	71.0
Gross investments, EUR million	41.3	84.0	129.3	82.6	59.2
- as % of net sales	1.9	3.7	6.1	8.8	6.7
R&D expenses, EUR million	8.9	13.1	15.6	8.5	8.0
- as % of net sales	0.4	0.6	0.7	0.9	0.9
Employees, average	7 429	7 750	7 840	4 418	4 541

Per share data

	2009	2008	2007	2006	2005
Earnings per share. EUR					
Earnings per share (EPS), undiluted, EUR [2]	0.64	0.10	0.63	0.70	0.41
Earnings per share (EPS), diluted, EUR [2]	0.64	0.10	0.63	0.70	0.41
Equity per share [2]	7.21	7.13	7.36	6.04	5.60
Dividends					
Dividend paid per share, EUR	0.22[1]	0.24	0.27	0.27	0.27
Dividend per share, EUR [2]	0.22[1]	0.21	0.24	0.24	0.24
Dividend payout ratio, undiluted, %	34.5[1]	199.3	37.7	34.2	58.2
Dividend payout ratio, diluted, %	34.5[1]	199.3	37.7	34.2	58.2
Effective dividend yield, %	2.8[1]	5.4	1.9	1.9	2.7
Price/earnings ratio (P/E)					
- undiluted	12.3	36.7	19.6	18.4	21.2
- diluted	12.3	37.8	19.6	18.4	21.2
Highest trading price, EUR [2]	10.38	12.75	18.51	13.38	8.85
Lowest trading price, EUR [2]	3.70	3.43	10.76	7.35	6.37
Middle price during the financial period, EUR [2]	7.18	6.94	14.57	9.71	8.08
Market capitalization, EUR million	423.7	173.7	551.9	499.7	339.8
Trading volume (1 000 shares)	22 285	9 028	17 842	21 389	11 395
Trading volume, %	56.4	26.6	53.4	73.6	39.2
No. of shares during the financial period (1 000 shares)					
- adjusted weighted average	44 937	44 606	44 036	39 130	39 130
- adjusted number of shares at 31.12.	53 975	44 624	44 629	39 130	39 130

[1] Based on the Board of Directors' recommendation.
[2] Per-share data has been adjusted for the share offering in 2009.

Formulae for financial indicators

Return on equity (%)

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

Return on investment (%)

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

Equity ratio (%)

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

Net gearing ratio (%)

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

Earnings per share

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

Equity per share

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

Dividend per share

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

Dividend payout ratio (%)

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

Effective dividend yield (%)

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

P/E ratio

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

Market capitalization

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

Employee numbers

Average of workforce figures calculated at the end of calendar months

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

	Note	2009	2008
Net sales	1	**2 124.7**	**2 294.6**
Change in inventories of finished goods and work in progress		5.1	0.4
Work performed for own use and capitalized		0.9	1.3
Other operating income	3	6.7	14.0
Share of associates' results		0.9	0.6
Materials and services	4	-1 474.5	-1 642.6
Employee benefits expenses	5	-306.7	-319.0
Depreciation and amortization	6	-57.2	-54.8
Impairment	6	0.0	0.8
Other operating expenses	7	-244.8	-257.1
EBIT		**55.1**	**38.1**
Financial income	8	5.2	5.5
Financial expenses	8	-24.9	-35.5
Share of associates' results		2.0	0.9
Profit/loss before taxes		**37.3**	**9.0**
Income taxes	9	-4.9	-1.4
Profit/loss for the period		**32.5**	**7.6**
Profit for the period attributable to:			
Equity holders of the parent		29.9	4.7
Minority interests		2.6	2.9
Total		32.5	7.6
Earnings per share calculated on profit attributable to equity holders of the parent			
EPS, undiluted, continuing operations, EUR/share	10	0.64	0.10
EPS, diluted, continuing operations, EUR/share	10	0.64	0.10

Per-share data has been adjusted for the share offering in 2009.

The Notes on pp. 45–75 form an integral part of the consolidated financial statements.

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

	2009	2008
Profit/loss for the period	32.5	7.6
Other comprehensive income (after taxes):		
Exchange differences on translating foreign operations	1.8	-23.4
Available-for-sale investments	0.4	-0.2
Cash flow hedging	-7.1	-2.0
Total other comprehensive income	**-4.8**	**-25.6**
Total comprehensive income for the period	**27.6**	**-18.0**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	24.8	-20.5
Minority interests	2.8	2.5
Total	**27.6**	**-18.0**

IFRS Consolidated balance sheet at 31 December (EUR million)

	Note	2009	2008
Assets			
Non-current assets			
Intangible assets	11	65.7	57.8
Goodwill	12	88.2	81.7
Property, plant and equipment	13	469.1	479.3
Shares in associates	14	20.9	17.8
Trade and other receivables	15	18.2	17.4
Other long-term investments	15	10.5	9.9
Deferred tax asset	16	12.3	10.1
Total non-current assets		**685.0**	**673.9**
Current assets			
Inventories	17	118.7	128.3
Trade and other receivables	18	194.3	198.4
Income tax receivable	18	0.2	1.5
Other financial assets	19	2.0	2.2
Cash and cash equivalents	19	73.9	92.2
Total current assets		**389.0**	**422.6**
Total assets		**1 074.0**	**1 096.5**
Equity and liabilities			
Share capital	20	66.8	66.8
Share premium reserve	20	74.2	73.5
Treasury shares	20	-0.0	-0.0
Revaluation reserve and other reserves	20	149.7	96.8
Translation differences	20	-13.1	-15.8
Retained earnings	20	111.6	97.0
Equity attributable to equity holders of the parent		389.3	318.3
Minority interest		9.4	5.4
Total equity		**398.7**	**323.7**
Non-current liabilities			
Deferred tax liability	16	32.2	33.6
Interest-bearing liabilities	23,24	329.9	442.1
Non-interest bearing liabilities	23	5.9	7.9
Pension obligations	21	3.6	3.7
Provisions	22	8.5	1.4
Total non-current liabilities		**380.1**	**488.7**
Current liabilities			
Interest-bearing liabilities	23,24	87.5	82.4
Trade and other payables	23	202.0	199.4
Income tax liability	23	2.7	0.5
Provisions	22	2.8	1.9
Total current liabilities		**295.1**	**284.2**
Total equity and liabilities		**1 074.0**	**1 096.5**

IFRS Consolidated cash flow statement (EUR million)

	2009	2008
Operating activities		
EBIT	55.1	38.1
Adjustments to EBIT	-0.4	-1.3
Depreciation and amortization	57.2	54.0
Change in provisions	7.6	1.4
Change in net working capital	2.5	1.3
Financial income	5.2	5.5
Financial expenses	-24.9	-35.5
Taxes	-4.9	-1.4
Net cash flow from operating activities	**97.4**	**62.2**
Investing activities		
Gross investments in property, plant and equipment	-43.7	-84.1
Disposals of property, plant and equipment	2.9	12.0
Investments in subsidiary	-4.7	0.0
Shares in associates purchased	-0.2	0.0
Loans granted	-0.0	-0.2
Repayments of loan receivables	5.1	2.0
Net cash flow from investing activities	**-40.8**	**-70.3**
Cash flow before financing activities	**56.6**	**-8.1**
Financing activities		
Proceeds from share offering	76.8	0.0
Payments received on hybrid bond	0.0	20.0
Repayments of hybrid bond	-20.0	0.0
Current borrowings raised	46.6	187.9
Current borrowings repaid	-82.3	-164.2
Non-current borrowings raised	74.7	27.4
Non-current borrowings repaid	-160.8	-7.3
Interest paid on hybrid bond	-2.1	0.0
Dividends paid	-9.4	-10.6
Purchase of treasury shares	0.0	-0.1
Net cash flow from financing activities	**-76.5**	**53.0**
Change in cash and cash equivalents	**-19.9**	**44.9**
Cash and cash equivalents at 1.1.	94.4	56.8
Effect of changes in exchange rates on cash and cash equivalents	1.4	-7.3
Cash and cash equivalents at 31.12.	**75.9**	**94.4**

Statement of changes in consolidated shareholders' equity

Equity attributable to holders of the parent

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other equity item *)	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Total**	Minority interest	**Total**
Shareholders' equity at 1.1.2009	66.8	73.5	-2.2	66.7	20.0	12.2	-15.8	0.0	97.0	**318.2**	5.4	**323.7**
Income and expenses recognized in the period, total	-	0.0	-6.7	-	-	-0.1	2.7	0.0	29.0	**24.8**	2.8	**27.6**
Share-based compensation expense	-	0.8	-	-	-	-	-	-	-	**0.8**	-	**0.8**
Other change	-	-	-	-	-20.0	0.2	-	-	-	**-19.8**	-	**-19.8**
Direct recognition in retained earnings**)	-	-	-	-	-	-	-	-	-2.0	**-2.0**	-	**-2.0**
Transfers between items	-	-	0.6	-	-	2.3	-	-	-2.9	**0.0**	-	**0.0**
Share offering	-	-	-	76.8	-	-	-	-	-	**76.8**	-	**76.8**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	**0.0**	-	**0.0**
Increase in holdings in subsidiaries	-	-	-	-	-	-	-	-	-	**-**	2.1	**2.1**
Dividend distribution	-	-	-	-	-	-	-	-	-9.4	**-9.4**	-0.9	**-10.3**
Total shareholders' equity at 31.12.2009	66.8	74.2	-8.4	143.5	0.0	14.6	-13.1	0.0	111.6	**389.3**	9.4	**398.7**

Equity attributable to holders of the parent

	Share capital	Share premium reserve	Revaluation reserve	RIUE	Other equity item *)	Other reserves	Transl. diff.	Treasury shares	Ret. earnings	**Total**	Minority interest	**Total**
Shareholders' equity at 1.1.2008	66.8	73.4	0.8	66.7	0.0	10.8	3.0	-0.7	105.5	**328.5**	2.9	**331.5**
Income and expenses recognized in the period. total	-	-0.1	-3.1	-	-	0.3	-21.1	-	3.4	**-20.5**	2.5	**-18.0**
Share-based compensation expense	-	0.2	-	-	-	-	-	-	-	**0.2**	-	**0.2**
Other change	-	-	-	-	20.0	-	-	-	-	**20.0**	-	**20.0**
Direct recognition in retained earnings	-	-	-	-	-	-	-	-	-	**0.0**	1.4	**1.4**
Transfers between items	-	-	-	-	-	1.2	-	-	-1.2	**0.0**	-	**0.0**
Purchase of treasury shares	-	-	-	-	-	-	-	-0.1	-	**-0.1**	-	**-0.1**
Payments made in treasury shares	-	-	-	-	-	-	-	0.8	-	**0.8**	-	**0.8**
Dividend distribution	-	-	-	-	-	-	-	-	-10.6	**-10.6**	-1.4	**-12.0**
Total shareholders' equity at 31.12.2008	66.8	73.5	-2.2	66.7	20.0	12.2	-15.8	0.0	97.0	**318.2**	5.4	**323.7**

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

In the financial statements for 2008, the company reported re-measurement of net investment hedges in the revaluation reserve.
In the financial statements for 2009, the manner of reporting has been changed and hedging is recognized as an adjustment to translation differences.
The figures for the comparison year have been modified to correspond to the current practice.

IFRS Notes to the consolidated financial statements for 2009

Basic information about the company

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

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

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

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

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 18 February 2010. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting is also entitled to modify the financial statements.

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

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 2009. International Financial Reporting Standards refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

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

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

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

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

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2008 except for the following new standards, interpretations and standard amendments, which are effective as of 1 January 2009.

As of 1 January 2009, the Group has applied the following new or revised standards and interpretations:

- IAS 1 (revised) Presentation of Financial Statements. The revision is aimed at improving users' ability to analyze and compare the information given in financial statements. The means to achieve this include separating changes in a company's equity resulting from transactions with owners in their capacity as owners from other changes in equity. Non-owner-related changes are presented in the statement of comprehensive income. The Group will report a separate income statement and statement of comprehensive income.

- IAS 23 (revised) Borrowing Costs. The standard requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, such as a production facility, are included in the cost of that asset. The Group has previously recognized borrowing costs as an expense during the period in which they are incurred, in the manner permitted. The revised standard means that borrowing costs concerning construction projects undertaken on or after 1 January 2009 are allocated to the project and capitalized in the balance sheet. The Group had no such projects underway in the financial year under review.

- IFRS 8 Operating Segments. The standard replaces IAS 14 and requires adoption of the 'management approach' to presenting segment information, meaning that information is reported in the same manner as in internal reporting. The standard has not altered the Group's segment reporting breakdown.

- Improving Disclosures about Financial Instruments: Amendments to IFRS 7 Financial Instruments: Disclosures. The amendments introduce a three-level hierarchy for disclosing the fair values of financial instruments. The amended standard also calls for additional disclosures to help judge the relative reliability of fair value measurements. The amendments furthermore enhance and clarify earlier disclosure requirements concerning liquidity risk.

- Improvements to IFRSs. The Annual Improvements process allows minor and non–urgent amendments to IFRSs to be presented and implemented once each year in a single document. The amendments presented concern a total of 34 standards and the impacts vary for each standard. The amendments have had no significant impact on HKScan's consolidated financial statements, however.

- IFRIC 16. Hedges of a Net Investment in a Foreign Unit. The interpretation clarifies the accounting treatment in consolidated financial statements in respect of the hedge of a net investment in a foreign unit. It has not had any significant effect on the Group's financial statements.

- Amendments to IFRS 2. Share–based Payments – Vesting Conditions and Cancellations. The amendments require that non-vesting conditions be taken into account in the estimation of the fair value of the equity instrument at the grant date and also clarify instructions relating to the accounting treatment of cancellations. The amendments have not affected the consolidated financial statements.

The Group has elected to apply the following standard early, in the financial statements for the financial year ended 31 December 2009:

- IFRS 3 (Revised). Business Combinations (effective for annual periods beginning on or after 1 July 2009). The revised standard has a wider scope of application and contains many changes that are significant to the Group. The amendments affect the amount of goodwill recognized on acquisitions as well as the outcomes of disposals of businesses. The amendments furthermore affect items recognized through profit or loss in both the financial year in which the acquisition takes place and in the financial years in which additional purchase price is paid or additional acquisitions made. All acquisition-related costs are recognized as an expense.

Comparability with previous years

The years 2009 and 2008 are mutually comparable. 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: HK Ruokatalo Oy, LSO Foods Oy and its subsidiary Lounaisfarmi Oy, Lihatukku Harri Tamminen Oy, Helanderin Teurastamo Oy and HK International Ab. The accounts of Kivikylän Kotipalvaamo Oy have been included as of 31 December 2009. HKScan Corporation has a 49-percent stake in Lihatukku Harri Tamminen Oy and Kivikylän Kotipalvaamo Oy yet exercises control in the companies by virtue of a shareholder agreement.

The consolidated financial statements also include the accounts of the Scan AB subgroup (Sweden), the AS Rakvere Lihakombinaat subgroup (Estonia, Latvia and Lithuania), and AS Tallegg (Estonia).

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

Distribution of profit for the period between holders of the parent and minority shareholders is presented in the separate income statement and the distribution of comprehensive income between holders of the parent and minority shareholders is presented in the statement of comprehensive income. Minority interest in equity is presented as a distinct component of equity in the balance sheet. The share of minority interests of accumulated losses is recognized in the consolidated accounts up to a maximum of the investment.

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 associates Siljans Chark AB (from 1 January 2007), Höglandsprodukter AB (from 1 January 2007), daka a.m.b.a (from 1 January 2008) and Conagri AB (from 1 January 2008) are associates of this kind. The status of Nyhléns & Hugosons Chark AB has changed from an associate presented above EBIT to a subsidiary, resulting in a change in its consideration on 30 September 2008 with cumulative effect from the beginning of the said financial period.

JOINT VENTURES

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

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

Translation of foreign currency items

The result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit. The consolidated financial statements are presented in euro (EUR), the functional and reporting currency of the Group's parent entity.

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

The following exchange rates have been used in consolidation

	Income statement *)		Balance sheet	
	2009	2008	2009	2008
EEK	15.6466	15.6466	15.6466	15.6466
SEK	10.6200	9.6169	10.2520	10.8700
PLN	4.3298	3.5151	4.1045	4.1535

*) calculatory value of monthly average rates

Group companies recognize transactions in foreign currencies at the rate on the day the transaction took place. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the functional 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 which are designated as hedges of 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 is that part of the acquisition cost exceeding the Group's share of the fair value of the net assets of a company acquired after 1 January 2004 at the time acquisition took place. Goodwill on the combination of transactions prior to this corresponds to the carrying amount based on the earlier 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 owing to the acquisitions of Lounaisfarmi Oy and Kivikylän Kotipalvaamo Oy.

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

RESEARCH AND DEVELOPMENT COSTS

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

OTHER INTANGIBLE RIGHTS AND ASSETS

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

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

Inventories

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

Biological assets

Biological assets, which in the case of the HKScan Group mean living animals, are recognized in the balance sheet at fair values less estimated sales-related expenses, in accordance with IAS 41. The group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, mother hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. Since animals producing slaughter animals are not traded in, they have no market price.

Leases

Leases applying to tangible assets where the Group assumes a substantial part of the risks and benefits of ownership are classified as finance leases. These items 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. Leasing commitments are included in interest-bearing liabilities. The Group companies in the Baltics, Poland and Sweden have concluded a small number of finance leasing agreements.

Leases where the lessor retains a substantial part of the risks and benefit of ownership are treated as other leases. These payments are recognized as an expense in the income statement on a linear basis.

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 2009 or 2008. See "Accounting policies requiring management judgments and factors of estimation uncertainty" and "Goodwill".

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

Employee benefits

PENSION OBLIGATIONS

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

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local regulations and practice. In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognized in the income statement during the financial period in which they are incurred. All pension cost calculations are based on actuarial valuations prepared annually by the local authorities or authorized actuaries.

The obligations arising from the Group's defined benefit plans are calculated separately for each plan. Pension costs are recognized as an expense over the relevant persons' employment on the basis of calculations performed by authorized actuaries. The Group has no defined benefit plans apart from the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.2 million at 31 December 2009.

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

SHARE-BASED PAYMENTS

Share incentive scheme

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

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

The share incentive scheme covered the years 2006–2008.

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

The combined earnings impact of the share awards in effect in the year under review came to EUR -0.21 million (EUR -0.38m in 2008). The basic information and events concerning the share incentive schemes appear in the following table:

Basic information at 31 December 2009

	Earning period 2006	Earning period 2007	Earning period 2008
Grant date	30.11.2006	23.4.2007	27.6.2008
Nature of award	Shares and cash	Shares and cash	Shares and cash
Target group	Key employees	Key employees	Key employees
Maximum number of incentive shares	96 000	180 000	180 000
Equivalent cash portion (no. of shares) *	113 109	195 444	211 304
Trading price at grant date, EUR	13.90	17.28	9.24
Fair value at grant date, EUR **	13.63	17.01	8.97
Trading price at end of financial year, EUR	14.50	14.04	4.42
Earning period begins, date	1.1.2006	1.1.2007	1.1.2008
Earning period ends, date	31.12.2006	31.12.2007	31.12.2008
Release date of shares	31.12.2009	31.12.2010	31.12.2011
Criteria	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)
	Term of employment	Term of employment	Term of employment
Obligation to hold shares, years	3	3	3
Remaining binding period, years	0	1	2
Persons (31 December 2009)	3	12	0

* Cash element of share award expressed in shares

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

Events in 2009

	Earning period 2006			Earning period 2007			Earning period 2008			Financial year 2009 total	
Gross amounts*	1.1.2009	Change in financ. year, no.	31.12.2009	1.1.2009	Change in financ. year, no.	31.12.2009	1.1.2009	Change in financ. year, no.	31.12.2009	1.1.2009	31.12.2009
Awards granted (shares + cash)											
expressed as shares	219 521	0	219 521	375 444	0	375 444	391 304	0	391 304	986 270	986 270
Shares forfeited	24 000	64 143	88 143	24 000	37 634	61 634	0	0	0	48 000	149 777
Shares paid	141 220	0	141 220	92 056	0	92 056	0	0	0	233 276	233 276
Shares lapsed (incl. forfeited shares)	78 301	64 143	142 444	283 388	37 634	321 022	391 304	0	391 304	752 993	854 770

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

Parameters used in calculating fair value	Earning period 2006	Earning period 2007	Earning period 2008
Awards granted (share + cash) expressed as shares (no.)	219 521	375 444	0
Trading price at grant date, EUR	13.90	17.28	9.24
Presumed dividend, EUR	0.27	0.27	0.27
Fair value at grant date, EUR **	13.63	17.01	8.97
Trading price at date of award payment/balance sheet date, EUR	12.51	8.18	4.42
Assumed shares to be forfeited before allocation	11.9 %	6.7 %	0.0 %
Assumed shares to be forfeited during binding period	50.0 %	42.9 %	0.0 %
Exercise assumption of criteria ***	72.8 %	29.2 %	0.0 %
Fair value of share award at grant date, EUR	1 938 543	3 679 736	1 532 516
Fair value of share award at 31 Dec 2009, EUR	1 422 411	912 532	0
Impact on earnings in 2009 financial year, EUR	139 797	68 657	0

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

*** The amount of the award for the earning period is determined by the end of the April following each earning period on the basis of achievement of targets.

Provisions

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

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

Taxes and deferred taxes based on taxable income for the period

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

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

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

The deferred tax liability relating to the retained earnings of foreign Group companies has not been recognized, as the assets are used to safeguard the foreign companies' own investment needs. The distributable assets of the Baltic companies came to a total of EUR 65.0 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 year in which the service is performed.

Non-current assets held for sale and discontinued operations

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

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

Financial assets and liabilities

Depending on their nature, the Group's financial assets are classified on acquisition into the following categories: 1) financial assets recognized at fair value through profit or loss, 2) held-to-maturity investments, 3) loans and other receivables, and 4) available-for-sale financial assets. The Group recognizes financial assets and liabilities in the balance sheet in accordance with the settlement date method except for derivatives, which are recognized according to the transaction date. 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. 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. Derivatives that are not contracts of guarantee or do not satisfy hedge accounting are classified as held for trading. Currency futures are measured at the forward exchange rates at the reporting date. The fair values of interest rate swaps are defined as the present value of future cash flows.

Gains and losses arising from changes in fair value, whether realized or unrealized, are recognized through profit or loss in the financial year in which they arise. The majority of the Group's financial assets consist of loan receivables and other receivables. Loan receivables are recognized in the balance sheet at acquisition cost and are regularly and systematically assessed in relation to the security available. Loans and other receivables 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. Interest on receivables is included in financial items. Available-for-sale financial assets consist of assets not belonging to derivative assets which have been specifically designated into this category or which have not been classified in another category. These comprise e.g. shares and interest-bearing investments.

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments maturing in less than three months and subject to a low risk of change in value. Current accounts with overdraft facilities are included in current interest-bearing liabilities in the balance sheet.

The Group's financial liabilities comprise primarily short- and long-term bonds and credit limit facilities from financial institutions as well as exercise of the commercial paper programme. 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.

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.

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.

Accounts receivable sold through factoring are derecognized from the balance sheet at the moment of transfer to the buyer. All rights and obligations relating to accounts receivable transfer in full to the buyer at the moment of transfer. Subsequent to the transfer, no liability in respect of the receivable remains in the balance sheet.

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. Trade receivables are recognized in accordance with the original amount invoiced. All credit losses on trade receivables have been recognized as an expense when there is objective evidence that the receivable is impaired. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy or debt reorganization and payment default constitute evidence of the impairment of trade receivables.

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. Fair value is the value at which two willing parties would execute the transaction at the balance sheet date. Fair values are defined by using several distinct methods and measurement techniques, and the underlying assumptions are based on the market quotations of the said balance sheet dates. The fair values of interest rate swaps are the present values of anticipated future cash flows. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized under other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement under financial items. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged items affects profit or loss.

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.

HEDGE ACCOUNTING

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 derivative is recognized under other comprehensive income and the ineffective portion 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.

At the start of a hedging relationship, both the risk to be hedged and the hedging relationship are documented in accordance with hedge accounting policies and in compliance with the company's adopted risk management principles. The effectiveness of a hedging relationship is established before hedge accounting commences and thereafter at least quarterly each year.

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.

During the year under review, cash flow hedge accounting was in use to hedge against a forecast change in the spot market price of electricity and to hedge against interest rate risks relating to variable-interest loans. The Group has used electricity forwards and interest rate derivatives, respectively, as the hedging instrument. Hedging of the net investment in a foreign unit has been used to hedge against changes in the value of the equity of Scan AB and Sokolów S.A. In these, currency-denominated loans and derivatives have been used as the hedging instrument.

Despite the fact that some hedging relationships satisfy the Group's risk management hedging criteria, the Group does not apply hedge accounting to them. These include currency forwards and options that the Group uses to hedge net currency positions and the hedging of the net investment denominated in EEK. Changes in fair value relating to net currency position hedges are recognized under other operating income or expenses in keeping with the Group's recognition policy.

Shareholders' 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 shareholders' equity.

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

Dividend

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

EBIT

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

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

Accounting policies requiring management judgments and factors of estimation uncertainty

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

MANAGEMENT JUDGMENTS RELATING TO CHOICE AND APPLICATION OF ACCOUNTING POLICIES

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

FACTORS OF ESTIMATION UNCERTAINTY

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

MEASUREMENT TO FAIR VALUE OF ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

IMPAIRMENT TESTING

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

Application of new and revised IFRS norms

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

- Revised IAS 27. Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of changes in subsidiary ownership to be recognized directly in Group equity when the parent entity retains control. If control in the subsidiary is lost, any remaining investment is measured to fair value and any difference recognized in profit or loss. A corresponding accounting treatment will in future apply also to investments in associates (IAS 28) and interests in joint ventures (IAS 31). As a result of the revision, the losses of a subsidiary can be allocated to the minority also when the losses exceed the minority's investment.
- Improvements to IFRSs (as a rule, effective for annual periods beginning on or after 1 January 2010). The Annual Improvements process allows minor and non–urgent amendments to IFRSs to be presented and implemented once each year in a single document. The amendments presented concern a total of 12 standards and the impacts vary for each standard. The amendments have had no significant impact on HKScan's consolidated financial statements, however. The amendments are yet to be adopted for application in the EU.
- ED 9 Joint Arrangements. The current IAS 31 Interests in Joint Ventures permits the proportionate consolidation of the figures for a joint venture (line by line consolidation). The standard (the new ED 9) is likely to be amended to permit the application of the equity method only. The new standard will significantly alter both Group figures and the treatment of the Poland segment. No effective date has yet been determined.

Notes to the income statement

1. Business segments

The division into segments is based on the Group's organization and Board of Directors and Group management reporting. The management of the HKScan Group tracks the profitability of business operations by market area. Group reporting on based on the geographical segments of Finland, Sweden, the Baltics and Poland. The Polish market has been shown as a separate segment since 1 January 2005 and the Swedish market since 1 January 2007.

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

Year 2009 (EUR million)

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

Year 2008 (EUR million)

	Finnish operations	Swedish operations	Baltic operations	Polish operations	Elimi-nations	Un-allocated	Group Total
Income statement information							
External sales	734.4	1 125.1	165.1	270.0	-	-	2 294.6
Internal sales	6.1	54.3	3.1	0.9	-64.3	-	0.0
Net sales	740.4	1 179.3	168.2	270.9	-64.3		2 294.6
Segment EBIT	9.5	18.0	6.5	4.2	0.0	-	38.1
Unallocated items	-	-	-	-	-	-	0.0
EBIT	9.5	18.0	6.5	4.2	0.0	-	38.1
Financial income and expenses	-	-	-	-	-	-30.1	-30.1
Share of associates' results	0.6	0.3	-	-	-	-	0.9
Income taxes	-	-	-	-	-	-1.4	-1.4
Result for the financial year from continuing operations	5.7	6.3	6.1	-0.3	-10.3	-	7.6
Result for the financial year	5.7	6.3	6.1	-0.3	-10.3	-	7.6
Balance sheet information							
Segment assets	406.5	362.3	112.5	102.6	-25.7	-	958.2
Shares in associates	6.3	11.5	-	-	-	-	17.8
Unallocated assets	-		-	-	-	120.5	120.5
Total assets	412.8	373.8	112.5	102.6	-25.7	120.5	1 096.5
Segment liabilities	83.8	101.4	16.5	24.2	-16.6	-	209.3
Unallocated liabilities	-	-	-	-	-	563.5	563.5
Total liabilities	83.8	101.4	16.5	24.2	-16.6	563.5	772.8
Other information							
Sales, goods	726.8	1 125.1	165.0	264.2	-	-	2 281.1
Sales, services	7.5	0.0	0.1	5.8	-	-	13.5
Investments	27.5	28.0	14.9	13.6	-	-	84.0
Depreciation and amortization	-21.0	-17.2	-7.7	-8.9	-	-	-54.8
Impairment	0.8	0.0	0.0	0.0	-	-	0.8
Goodwill	12.6	27.6	19.1	22.4	-	-	81.7

2. Businesses acquired

The Group acquired 100% of the shares in Liha-Matti Oy on 2 January 2009 and a 49-% stake in Kivikylän Kotipalvaamo Oy on 31 December 2009. The combined purchase price of the acquisitions was EUR 7.8 million. The fair value of the net assets of the businesses acquired was EUR 6.6 million at the time of acquisition. Goodwill in the amount of EUR 4.3 million was recognized on the acquisitions. Liha-Matti Oy merged with and into Lihatukku Harri Tamminen Oy on 30 September 2009.

These figures have been calculated in accordance with the accounting policies observed in the HKScan Group.

Assets and liabilities arising from acquisition at 31.12.2009

	Fair value	Carrying amount
Cash and cash equivalents	2.5	2.5
Non-current assets	4.8	3.8
Trademarks	2.0	0.0
Inventories	0.8	0.6
Trade and other receivables	3.5	3.5
Trade and other payables	-3.1	-3.1
Loans	-3.1	-3.1
Deferred tax liabilities	-0.9	-
Fair value of net assets	6.6	4.2
Minority interest (51%)	-3.1	-
Goodwill	4.3	-
Total acquisition cost	7.8	-
Cash consideration payable	-	7.8
Additional purchase prices and asset transfer taxes thereon	-	-2.0
Cash and cash equivalents of business acquired	-	-2.5
Cash flow arising from acquisition	-	3.2

3. Other operating income	**2009**	**2008**
Rental income	1.8	1.8
Gain on disposal of non-current assets	0.1	2.2
Other operating income	4.8	10.0
Other operating income	6.7	14.0

4. Materials and services

Purchases during the financial year	-1 357.0	-1 518.2
Increase/decrease in inventories	15.7	27.8
Materials and supplies	-1 341.2	-1 490.4
External services	-133.3	-152.2
Materials and services	-1 474.5	-1 642.6

5. Employee benefits expenses

Salaries and fees	-234.0	-262.9
Salaries and fees arising from reorganizations	-10.8	0.0
Share incentive scheme expenses	-0.2	-0.4
Pension expenses, defined contribution plans	-54.4	-48.1
Pension expenses, defined benefit plans	0.1	-0.1
Total pension expenses	-54.3	-48.2
Other social security costs	-7.4	-7.6
Other social security costs	-7.4	-7.6
Employee benefits expenses	-306.7	-319.0
Managing directors and vice presidents	4.7	3.9
Board members	0.3	0.3
Management salaries, fees and benefits	5.0	4.2
Average number of employees during the financial year		
White-collar staff	1 619	1 835
Blue-collar staff	5 810	5 915
Total	7 429	7 750

Additionally, the Sokolów Group in Poland employed an average of 5 569 persons in 2009.

6. Depreciation and impairment

Depreciation according to plan	-57.2	-54.8
Depreciation and amortization	-57.2	-54.8
Impairment charges for non-current assets	0.0	0.0
Impairment charge reversals for non-current assets	0.0	0.8
Impairment	0.0	0.8
Total	-57.2	-54.0

7. Other operating expenses

Rents/leases	-9.7	-8.6
Losses on disposal of non-current assets	-0.4	-0.2
R&D costs	-8.9	-13.1
Non-statutory staff costs	-7.8	-7.0
Energy	-35.1	-38.4
Maintenance	-58.9	-66.1
Advertising, marketing and entertainment costs	-54.4	-56.1
Service, information management and office costs	-41.6	-42.5
Other costs	-28.0	-25.1
Total other operating expenses	-244.8	-257.1

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 (BDO Poland).

	2009	2008
Audit fees	-0.7	-0.6
Certificates and statements	0.0	0.0
Tax consultation	0.0	0.0
Other expert services	-0.4	-0.4
Audit fees, total	-1.1	-1.0

8. Financial income and expenses	**2009**	**2008**
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	0.0
- Commodity derivatives	0.1	-0.1
- Financial assets held for trading	1.8	-0.3
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	-0.3	0.5
Loan receivables measured at amortized cost	2.5	5.3
Other financial income	1.1	0.1
Total	5.2	5.5
Financial expenses		
Items recognized through profit or loss		
Interest expenses on financial loans		
measured at amortized cost	-19.9	-31.9
Impairment charges on available-for-sale financial assets	-3.5	-1.6
Other financial expenses	-1.5	-1.9
Total	-24.9	-35.5

Other financial expenses include variable lease payments of EUR 0 million (EUR 0m in 2008) on finance leasing agreements recognized as an expense in the financial year.
EBIT in 2009 includes translation differences of EUR 0.2m (EUR 0.2m).
The Group had an average of EUR 73 million (EUR 62m) in trade receivables sold to financing companies and the Group's financing expenses include the EUR 1.1 million (EUR 2.5m) in financing expenses paid on these.

9. Income taxes

Cumulative tax rate reconciliation	12 / 2009	12 / 2008
Income taxes		
Income tax on ordinary operations	-5.1	-3.8
Tax for previous financial years	0.0	0.2
Change in deferred tax liabilities and assets	0.3	2.2
Other direct taxes	0.0	0.0
Income tax on ordinary operations	-4.9	-1.4
Accounting profit/loss before taxes	37.3	9.0
Deferred tax at parent company's tax rate	-9.7	-2.3
Effect of different tax rates applied to foreign subsidiaries	3.0	1.3
Share of associates' results	0.8	0.4
Tax-free income	0.1	0.2
Non-deductible expenses	-0.5	-2.0
Use of tax losses not recognized earlier	1.4	0.8
Tax for previous financial years	0.0	0.2
Tax expense in the income statement	-4.9	-1.4

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year attributable to shareholders of the parent company by the weighted average number of shares issued. The interest accrued on the hybrid bond has been deducted from the profit for the financial year. The payment of interest on the hybrid bond using company shares has been taken into account in the diluted number of shares. EPS for the financial year is not altered by catering for the dilution effect.
The company has in place a share incentive scheme, in addition to which it has a right of exchange in respect of the interest accrued on the hybrid bond. Neither of these had a diluting effect on EPS in the reporting period.
The undiluted and diluted EPS presented in the financial statements for 2008, EUR 0.12, was calculated without deducting the interest accrued on the hybrid bond. The company has adjusted the comparison figure in this respect when adjusting for the share issue.

	2009	2008
Profit for the period attributable to equity holders of the parent	29.9	4.7
Interest on hybrid bond less taxes	-1.2	-0.3
Total	28.7	4.4
Weighted average no. of shares in thousands	44 937	44 606
Dilution effect of share incentive scheme	0	0
Possible payment of hybrid bond interest in shares	0	0
Weighted average no. of shares adjusted for dilution effect	44 937	44 606
Undiluted earnings per share (EUR)	0.64	0.10
Earnings per share adjusted for dilution effect (EUR)	0.64	0.10

Notes to the balance sheet

11. Intangible assets 2009		**Intangible assets 2008**	
Acquisition cost at 1.1.	69.3	Acquisition cost at 1.1.	75.2
Translation differences	3.2	Translation differences	-8.0
Increase	2.8	Increase	0.3
Increase (acquisitions)	2.0	Decrease	-0.2
Decrease	-0.9	Transfers between items	2.0
Transfers between items	2.8	Acquisition cost at 31.12.	69.3
Acquisition cost at 31.12.	79.2	Accumulated depreciation at 1.1.	-9.8
Accumulated depreciation at 1.1.	-11.5	Translation differences	0.3
Translation differences	-0.2	Accumulated depreciation on disposals	
Accumulated depreciation on disposals		and reclassifications	0.1
and reclassifications	0.9	Depreciation for the financial year	-2.1
Depreciation for the financial year	-2.7	Accumulated depreciation at 31.12.	-11.5
Accumulated depreciation at 31.12.	-13.4		
		Carrying amount at 31.12.2008	57.8
Carrying amount at 31.12.2009	65.7		

Allocation of carrying amount of assets with unlimited useful life

Allocation to cash-generating units of assets with unlimited useful life

	2009	**2008**
Finnish red meat	2.0	0.0
Business in Sweden	53.2	50.2
Total	55.2	50.2

12. Goodwill 2009		**Goodwill 2008**	
Acquisition cost at 1.1.	81.7	Acquisition cost at 1.1.	85.1
Translation differences	1.6	Translation differences	-4.1
Increase	0.6	Increase	0.7
Increase (acquisitions)	4.3	Decrease	0.0
Decrease	0.0		
Carrying amount at 31.12.2009	88.2	Carrying amount at 31.12.2008	81.7

Allocation of goodwill

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

Specification of goodwill 2009		**Specification of goodwill 2008**	
Finnish red meat	17.5	Finnish red meat	12.6
Business in Sweden	29.3	Business in Sweden	27.6
Baltic white meat	5.5	Baltic white meat	5.5
Baltic red meat	13.6	Baltic red meat	13.6
Business in Poland	22.4	Business in Poland	22.4
Total	88.2	Total	81.7

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.

Interest rates are defined taking into account market area risks. The interest rate has been defined as the weighted average cost of capital (WACC) so that the equity ratio of all cash generating units has been calculated in line with the Group's long-term average capital structure target excluding Poland, where actual capital structure has been used in the calculations. The interest rates used are 6.6% (7.0%) for Finland, 7.4% (8.0%) for Sweden, 8.0% (8.8%) for the Baltics and 8.9% (10.3%) for Poland. The change in the interest rates used is explained by the decline in longer-term interest rates and the reduction in the risk involving the Baltic and Polish currencies.

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 6.6 million in respect of Baltic red meat. Correspondingly, a decrease of 20 percent in the growth factor reflecting profitability development would result in an impairment of approximately EUR 2.3 million in respect of Baltic red meat. With other units, testing indicated that no reasonably possible change in interest rates or growth factor reflecting profitability development resulted in impairment.

The recoverable amount for Baltic red meat exceeds the unit's carrying amount by EUR 12.4 million. A 12 percent increase in the discount rate would lead to a situation in which the recoverable amount for Baltic red meat equals its carrying amount. The same outcome would arise from a decrease of 17 percent in the growth factor.

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 2008 or 2009.

13. Property, plant and equipment 2009

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

Property, plant and equipment 2008

	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and works in progress	Total
Acquisition cost at 1.1.	6.6	387.2	395.5	12.9	72.9	875.1
Translation differences	-0.3	-21.3	-21.7	-0.5	-2.7	-46.5
Increase	0.5	1.1	12.8	0.6	64.9	79.9
Decrease	-0.1	-10.5	-25.6	-0.8	-0.1	-37.1
Transfers between items	0.1	51.9	71.2	1.3	-110.8	13.7
Acquisition cost at 31.12.	6.8	408.4	432.2	13.5	24.2	885.1
Accumulated depreciation at 1.1.	-0.1	-165.8	-222.6	-10.0	0.0	-398.5
Translation differences	0.0	11.8	10.4	0.4	-	22.6
Accumulated depreciation on disposals and reclassifications	0.0	2.1	15.8	0.5	-	18.4
Depreciation for the financial year	0.0	-13.8	-34.2	-1.1	-	-49.1
Impairment charge reversals	0.0	0.0	0.8	0.0	-	0.8
Accumulated depreciation at 31.12.	-0.1	-165.7	-229.8	-10.2	0.0	-405.8
Carrying amount at 31.12.2008	6.7	242.6	202.4	3.3	24.2	479.3

14. Shares in associates 2009

Shares in associates 2009	
Acquisition cost at 1.1.	17.8
Translation differences	0.4
Increase	0.6
Acquisition cost at 31.12.	18.8
Share of associates' results	2.9
Dividends from associates	-0.8
Carrying amount at 31.12.2009	20.9
Shares in associates 2008	
Acquisition cost at 1.1.	20.3
Translation differences	-2.0
Increase	0.5
Decrease	-1.9
Impairment	-0.2
Transfers between items	-0.1
Acquisition cost at 31.12.	16.6
Share of associates' results	1.5
Dividends from associates	-0.3
Carrying amount at 31.12.2008	17.8

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

15. Non-current receivables and investments

	31.12.2009	31.12.2008
Non-current loan receivables	3.1	8.0
Other non-current receivables	15.1	9.3
Non-current loan and other receivables	18.2	17.4
Other non-current investments	10.5	9.9
Deferred tax asset	12.3	10.1
Total non-current receivables	41.0	37.4

Associates 2009

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

Associates 2008

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by the Group's parent company					
Honkajoki Oy group	12.9	9.2	18.3	0.4	38.33
Envor Biotech Oy	4.7	3.3	2.4	0.4	24.62
Pakastamo Oy	11.0	9.9	9.9	0.2	50.00
Lihateollisuuden Tutkimuskeskus LTK	9.6	2.1	23.7	0.5	44.80
Best-In Oy	1.7	0.9	4.8	0.1	50.00
Länsi-Kalkkuna Oy	3.6	3.1	27.0	0.1	50.00
Owned by LSO Foods Oy					
Finnpig Oy	1.1	0.6	2.8	0.1	50.00
Owned by Scan AB					
Bondens Bästa i Svalöv AB	0.2	0.1	1.5	0.0	50.00
SDT Sveriges Djurproducenters Tillväxt AB	4.8	0.1	0.0	0.1	50.00
Conagri AB	6.9	6.3	22.1	0.0	49.00
daka a.m.b.a	114.0	92.7	121.5	3.4	33.60
Fastighets AB Tuben	0.2	0.0	0.1	0.1	48.00
Höglandsprodukter AB	2.4	1.8	30.2	0.5	30.00
Siljans Chark AB	7.3	4.9	16.8	0.3	39.30
Svensk Köttinformation AB	0.2	0.1	0.9	0.0	50.00
Svensk Köttrasprövning AB	0.1	0.0	0.3	0.0	35.00
Svensk Lantbrukstjänst AB	2.1	0.9	10.9	0.2	26.00
Svenska Djurhälsovården AB	2.6	0.4	6.9	0.2	50.00
Taurus Köttrådgivning AB	0.2	0.1	0.5	0.0	39.33

16. Deferred tax assets and liabilities

Specification of deferred tax assets	1.1.2009	Transl. difference	Recognized in income statement	Recognized in equity	Companies acquired/ sold	31.12.2009
Pension benefits	1.1	-	-0.0	-	-	1.1
Impairment of PPE	0.1	-	-	-	-	0.1
Other matching differences	2.9	0.1	0.3	2.6	-	5.9
Arising from consolidation	0.6	-	-0.1	-	-	0.5
Adopted losses	5.3	0.3	-1.0	-	-	4.6
Total	10.1	0.4	-0.8	2.6	-	12.3

Specification of deferred tax liabilities						
Depreciation difference and voluntary provisions	8.6	-0.4	1.6	-	-	9.8
Other matching differences	11.7	-0.5	-3.9	-1.3	-	6.0
Arising from consolidation	13.0	-0.6	0.6	-	-	13.0
Recognized directly in retained earnings	0.4	-	-	-	-	0.4
Pension benefits	-	-	3.1	-	-	3.1
Total	33.6	-1.5	1.4	-1.3	--	32.2

Specification of deferred tax assets	1.1.2008	Transl. difference	Recognized in income statement	Recognized in equity	Companies acquired/ sold	31.12.2008
Pension benefits	1.2	-	-0.1	-	-	1.1
Impairment of PPE	0.1	-	-	-	-	0.1
Other matching differences	2.1	-0.3	0.3	0.7	0.1	2.9
Arising from consolidation	0.6	-	-	--	-	0.6
Adopted losses	4.3	-0.6	1.6	-	-	5.3
Total	8.3	-0.9	1.9	0.7	0.1	10.1

Specification of deferred tax liabilities						
Depreciation difference and voluntary provisions	9.5	-0.9	-	-	-	8.6
Other matching differences	10.4	-1.0	-0.2	2.5	-	11.7
Arising from consolidation	13.7	-1.3	0.6	-	-	13.0
Recognized directly in retained earnings	0.4	-	-	-	-	0.4
Pension benefits	-	-	-	-	-	-
Total	34.0	-3.2	0.4	2.5	-	33.6

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 17.3 million.

17. Inventories

	31.12.2009	31.12.2008
Materials and supplies	73.9	80.9
Unfinished products	7.1	7.1
Finished products	23.7	25.6
Goods	0.0	0.0
Other inventories	4.1	4.2
Prepayments for inventories	2.1	2.2
Live animals, IFRS 41	7.6	8.2
Total inventories	118.7	128.3

18. Trade and other current receivables

	31.12.2009	31.12.2008
Trade receivables from associates	0.3	0.4
Loan receivables from associates	0.6	0.6
Current receivables from associates	0.9	1.0
Trade receivables	133.2	135.5
Other receivables	51.5	47.1
Current receivables from others	184.7	182.6
Commodity derivatives, hedge accounting	0.0	0.0
Current derivative receivables	0.0	0.0
Interest receivables	0.7	1.0
Matched staff costs, current receivables	0.7	0.8
Other prepayments and accrued income	7.2	13.0
Current prepayments and accrued income	8.7	14.9
Tax receivables (income tax)	0.2	1.5
Income tax receivable	0.2	1.5
Total current receivables	194.5	199.9

Age breakdown of trade receivables and items recognized as credit losses
(EUR million)

	2009	Impair-ment losses	Net 2009	2008	Impair-ment losses	Net 2008
Unmatured [1]	120.1		120.1	113.7		113.7
Matured						
Under 30 days	10.4	0.4	10.0	14.4	0.0	14.4
30–60 days	0.8	0.0	0.8	2.0	0.0	2.0
61–90 days	0.2	0.0	0.3	0.3	0.1	0.3
over 90 days [2]	1.6	0.5	1.1	5.1	3.7	1.4
Total	133.2	0.9	132.3	135.5	3.7	131.8

[1] The sale of receivables to financial institutions must be taken into account in the amount of trade receivables.
[2] Comprise i.a. receivables to be set off against payments for animals.
The fair values of receivables are presented in Note 28, "Fair values of financial assets and liabilities".

19. Cash and cash equivalents

	31.12.2009	31.12.2008
Cash and bank	63.0	74.6
Short-term money market investments	10.9	17.6
Other financial instruments	2.0	2.2
Total cash and cash equivalents	75.9	94.4

Cash and cash equivalents according to the cash flow statement equal those in the balance sheet.

20. 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	Treasury shares EUR mill.	Total EUR mill.
1.1.2008	39 266	66.8	72.9	66.7	-0.7	205.7
Purchase of own shares	-15				-0.1	-0.1
Assignment of treasury shares	51				0.8	0.8
31.12.2008	39 302	66.8	72.9	66.7	0.0	206.4
Revert of treasury shares	-48				0.0	0.0
Share offering	14 720			76.8		76.8
31.12.2009	53 974	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. Before the share offering, A Shares numbered 33 906 193 and K Shares 5 400 000. After the share offering registered on 29 December 2009, A Shares number 54 026 522 and K Shares 5 400 000.

The equity reserves are described below.

Share premium reserve

In share issues decided while the earlier Finnish Companies Act (734/1978) was in force, payments in cash or kind obtained on share subscription less transaction costs were recognized under shareholders' equity and the share premium reserve in accordance with the terms of the arrangements.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognized under shareholders' equity pursuant to express decision to that effect. The share of payment received on the directed issue to Swedish Meats in excess of nominal value was recognized in the RIUE. The share offering in 2009 was recognized in full in the RIUE.

Treasury shares

At the beginning of 2009, HKScan held 4 474 A Shares as treasury shares. During 2009, a total of 47 508 A Shares reverted to the company. At year-end, the company held a total of 51 982 of its A Shares. These had a market value of EUR 0.4 million and accounted for less than 0.01% of all shares and less than 0.01% of all votes. The remaining acquisition cost is presented in the balance sheet as a deduction from equity.

Translation differences

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

Revaluation reserve and other reserves

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

Fair value reserve and hedging instruments reserve	**2009**	**2008**
Fair value reserve and hedging instruments reserve at 1.1.	-1.7	0.8
Amount recognized in equity in the financial year (effective portion), foreign exchange derivatives	0.5	-0.5
Amount recognized in equity in the financial year (effective portion), interest-rate derivatives	-11.3	0.0
Amount recognized in equity in the financial year (effective portion), commodity derivatives	1.0	-2.8
Share of deferred tax asset of changes in period	2.7	0.7
Fair value reserve and hedging instruments reserve at 31.12.	-8.8	-1.7

Dividends

Dividend of EUR 0.24 per share, totalling EUR 9.4 million, was distributed in 2009 (EUR 0.27 per share totalling EUR 10.6 million in 2008). Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.22 per share, totalling EUR 11.9 million, be declared.

21. Pension obligations

	31.12.2009	31.12.2008
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	3.6	3.7
Pension liability (+)/ receivable (-) in balance sheet	3.6	3.7
Defined benefit pension expense in income statement		
Pension obligations	0.1	1.0
Defined benefit pension expense in income statement (IFRS)	0.1	1.0
Change in liabilities/receivables arising from benefits in the financial year		
Balance at 1.1.	3.7	4.7
Defined benefit pension expense in income statement (IFRS)	-0.1	-1.0
Other change	0.0	0.0
Liabilities/receivables at end of financial year	3.6	3.7

22. Provisions

	1.1.2009	Increase in provisions	Exercised in financ. year (-)	31.12.2009
Non-current provisions	1.4	8.6	-1.5	8.5
Current provisions	1.9	1.5	-0.5	2.8
Total	3.3	10.1	-2.0	11.3

	1.1.2008	Increase in provisions	Exercised in financ. year (-)	31.12.2008
Non-current provisions	0.0	1.4	0.0	1.4
Current provisions	1.3	1.0	-0.4	1.9
Total	1.3	2.4	-0.4	3.3

Non-current provisions mainly comprise costs relating to staffing arrangements having to do with the streamlining programme in Sweden. Current provisions include the cost estimated for the employment dispute at the Forssa plant in the business segment of Finland. The figure for Estonia includes a minor bad debt provision against future bad debt.

23. Liabilities

	31.12.2009	31.12.2008
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	329.8	441.6
Other liabilities	0.1	0.4
Non-current interest-bearing liabilities	329.9	442.1
Non-interest bearing		
Other liabilities	5.9	7.9
Non-current non-interest bearing liabilities	5.9	7.9
Non-current provisions	8.5	1.4
Deferred tax liability	32.2	33.6
Pension obligations	3.6	3.7
Non-current liabilities	380.1	488.7
Current liabilities		
Interest-bearing		
Loans from financial institutions	78.0	70.5
Other liabilities	9.5	11.9
Current interest-bearing liabilities	87.5	82.4
Trade and other payables		
Advances received	0.1	0.7
Trade payables	100.7	113.0
Accruals and deferred income		
- Short-term interest payable	1.1	2.4
- Matched staff costs	46.5	45.6
- Other short-term accruals and deferred income	23.7	19.8
Derivatives	12.0	1.8
Other liabilities	17.9	16.1
Trade and other payables	202.0	199.4
Income tax liability	2.7	0.5
Current provisions	2.8	1.9
Current liabilities	295.1	284.2
Liabilities	675.3	772.8

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

24. Finance lease liabilities

	31.12.2009	31.12.2008
Long-term interest-bearing finance lease liabilities	0.9	1.5
Short-term interest-bearing finance lease liabilities	0.3	0.6
Total finance lease liabilities	1.2	2.1
Broken down by property, plant and equipment		
Buildings and structures	0.5	0.5
Machinery and equipment	0.2	1.3
Vehicles	0.5	0.3
Total finance lease liabilities	1.2	2.1
Maturity of finance lease liabilities		
Finance lease liabilities – total minimum lease payments		
Within one year	0.3	0.5
After one year and within five years	0.9	1.6
After more than five years	0.0	0.0
Total	1.2	2.1
Finance leasing liabilities – present value of minimum lease payments		
Within one year	0.3	0.4
After one year and within five years	0.9	1.5
After more than five years	0.0	0.0
Total	1.1	2.0
Finance expenses accruing in future	0.0	0.1
Total finance lease liabilities	1.2	2.1

25. Financial liabilities

	31.12.2009	31.12.2008
Non-current financial liabilities measured at amortized cost		
- Debt securities	214.9	259.7
- Credit facilities	108.9	174.3
- Leasing and factoring	0.8	1.6
- Commercial paper	0.0	0.0
- Other financial liabilities	5.4	6.5
Total	329.9	442.1
Current financial liabilities measured at amortized cost		
- Debt securities	44.9	38.5
- Credit facilities	22.9	28.0
- Leasing and factoring	2.8	3.3
- Commercial paper	5.0	0.0
- Other financial liabilities	11.9	12.5
Total	87.5	82.3

The fair values of liabilities are presented in Note 28 "Fair values of financial assets and liabilities".

The Group's bank loans are subject to both fixed and variable interest rates. Taking into account derivative contracts and the sale of trade receivables, fixed-rate loans account for 47% (37% in 2008). The average rate of interest paid by the Group is 3.2% (5.3% in 2008).

26. Financial risk management

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

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. Financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances. Risk management may employ various instruments such as currency forwards and options, interest-rate or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. As a rule, Group funding is obtained through the parent company while funding to subsidiaries is arranged by the Treasury through intra-Group loans in the local currency of each subsidiary. Funding of the Group is centralized to a finance unit operating under the Chief Financial Officer.

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 2009. The Group nonetheless seeks to constantly assess and monitor the amount of funding required for operations through i.a. the analysis of cash flow forecasts. The Group must maintain adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future. The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. The Group also has revolving credit facilities with banks, bank borrowings, insurance company borrowings, current accounts with overdraft facilities and the short-term, EUR 100 million Finnish commercial paper programme.

Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, comprising a EUR 275 million seven-year amortizing term loan and a EUR 275 million five-year credit limit with two one-year extension options, one of which has been exercised. Untapped credit facilities at 31 December 2009 stood at EUR 207 million (EUR 140m). In addition, the Group had other untapped overdraft and other facilities of EUR 39 million (EUR 37m). The EUR 100 million commercial paper programme had been drawn in the amount of EUR 5 million (EUR 0m). The commercial paper market, which had come to a virtual standstill, was gradually reviving towards the end of the year. The credit available from the facility is subject to variable interest rates and the related interest rate risk is managed through derivative instruments.

In the committed credit facility agreement, EUR 25 million matures in 2010, EUR 25 million in 2012 and EUR 250 million in 2013. The overdraft facility agreement is in force until further notice.

Towards the end of the year the company executed a share offering, the proceeds of which were used to pay down variable-rate interest-bearing loans. The arrangement also increased the amount of available credit facilities. The company sees no significant need for refinancing before the year 2013. 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. Financial backers are provided with quarterly reports on the loan covenants. If the Group is in breach of the covenants, the creditor may demand accelerated loan repayment. In the 2009 financial year, the Group was able to meet all covenants relating to loans. Management monitors the fulfilment of loan covenants on a regular basis.

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

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

Committed credit facilities and commercial paper programmes by credit type

31.12.2009			
Credit type	Scope	Exercised	Available
Overdraft facility	49.7	10.5	39.2
Credit limit	328.0	121.3	206.7
Commercial paper programme	100.0	5.0	95.0
Total	477.7	136.8	340.9

31.12.2008			
Credit type	Scope	Exercised	Available
Overdraft facility	52.2	14.8	37.4
Credit limit	329.3	188.9	140.3
Commercial paper programme	100.0	0.0	100.0
Total	481.5	203.7	277.8

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

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

				Maturity of credit type			
Credit type	31.12.2008	2009	2010	2011	2012	2013	>2013
Debt securities	298.3	38.5	43.0	33.8	34.5	28.1	120.3
Credit facilities	202.3	28.0	0.0	12.0	25.0	137.3	0.0
Leasing and factoring	4.8	3.3	0.3	0.3	0.9	0.0	0.0
Commercial paper programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	19.0	12.5	2.8	1.0	2.7	0.0	0.0
Total	524.4	82.3	46.2	47.1	63.1	165.4	120.3

Contractual maturity analysis of the Group's interest-bearing financial liabilities by currency:

				Maturity			
	31.12.2009	2010	2011	2012	2013	2014	>2014
EUR	174.2	33.4	15.7	14.0	70.4	40.7	0.0
SEK	194.6	25.4	19.0	19.0	60.3	69.2	1.7
PLN	41.3	26.3	12.8	2.2	0.0	0.0	0.0
EEK	3.4	2.7	0.1	0.6	0.0	0.0	0.0
LVL	3.6	0.0	0.0	3.6	0.0	0.0	0.0
DKK	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Total	417.4	87.9	47.8	39.4	130.7	109.8	1.7

				Maturity			
	31.12.2008	2009	2010	2011	2012	2013	>2013
EUR	232.8	40.4	42.5	33.3	36.5	80.0	0.0
SEK	233.6	7.7	0.5	0.5	19.4	85.4	120.0
PLN	48.5	30.9	2.7	12.8	2.0	0.0	0.0
EEK	4.2	2.9	0.0	0.0	0.9	0.0	0.3
LVL	3.6	0.0	0.0	0.0	3.6	0.0	0.0
DKK	1.7	0.3	0.3	0.4	0.7	0.0	0.0
Total	524.4	82.3	46.2	47.1	63.1	165.4	120.3

The adjacent table presents a contractual maturity analysis of the Group's interest-bearing financial liabilities. The figures are undiscounted and include repayment of capital only.

The table below analyzes the Group's non-derivative 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 derivative liabilities, 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.

31.12.2009, Maturity of financial liabilities

Credit type	2010	2011	2012	2013	2014	>2014
Debt securities	49.6	38.2	39.4	33.7	110.9	1.7
Credit facilities	25.0	11.5	1.8	100.1	0.0	0.0
Leasing and factoring	2.9	0.2	0.6	0.0	0.0	0.0
Commercial paper programme	5.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	12.0	3.2	2.2	0.0	0.0	0.0
Trade and other payables	203.6	0.0	0.0	0.0	0.0	0.0
Total	298.1	53.2	44.0	133.9	110.9	1.7
Maturity of derivative liabilities						
Interest rate derivatives, hedge accounting	-5.1	-3.6	-1.8	-0.6	-0.1	-0.1
Commodity derivatives, hedge accounting	-0.5	-0.2	-0.0	-0.0	-0.0	-0.0
Foreign exchange derivatives	-0.9	0.0	0.0	0.0	0.0	0.0
Foreign exchange derivatives, hedge accounting	-0.2	0.0	0.0	0.0	0.0	0.0

31.12.2008, Maturity of financial liabilities

Credit type	2009	2010	2011	2012	2013	>2013
Debt securities	52.6	55.0	43.8	42.8	34.9	123.3
Credit facilities	37.5	8.8	20.4	32.5	140.8	0.0
Leasing and factoring	3.4	0.4	0.4	0.9	0.0	0.0
Commercial paper programme	0.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	13.2	3.1	1.1	2.7	0.0	0.0
Trade and other payables	215.0	0.0	0.0	0.0	0.0	0.0
Total	321.7	67.2	65.8	79.0	175.7	123.3
Maturity of derivative liabilities						
Interest rate derivatives, hedge accounting	-3.3	-4.7	-1.4	-1.1	-0.6	-0.4
Commodity derivatives, hedge accounting	-0.5	-0.7	-0.5	-0.2	0.0	0.0
Foreign exchange derivatives	-2.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange derivatives, hedge accounting	0.0	0.0	0.0	0.0	0.0	0.0

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 credit rating are used as counterparties. Cash may be invested in bank deposits, certificates of deposit and the commercial paper programmes of certain specified companies listed on the Main List of the stock exchange.

Foreign exchange risk

The HKScan Group has productive activities in Finland, Sweden and the Baltics and, through a joint venture in Sweden, in Poland. Group companies also engage in foreign trade. Owing to income and expenses as well as equity investments and earnings denominated in foreign currencies, the Group is exposed to foreign exchange risk arising from movements in exchange rates. The US dollar, Japanese yen and Swedish crown are the most significant exchange risks affecting the Group's commercial operations. The Group hedges commercial sale agreements but does not apply hedge accounting to these. Approximately 1% of the Group's sales is denominated in foreign currencies. Foreign exchange risk exposure in respect of each currency is reviewed monthly. Currency forwards, options and swaps can be used to hedge foreign exchange risks. Foreign exchange risk in commercial operations may be hedged for no more than 12 months into the future. As a rule, 30–70 percent of the projected net foreign exchange flow is hedged.

The Group has foreign net investments and is thus exposed to risks arising from translation of investments denominated in foreign currencies into the functional currency of the parent company. The largest foreign currency-denominated equities of Group companies are in Swedish crowns, Polish zloty and Estonian crowns. The Group observes the principle of hedging at least 50% and no more than 75% of the crown-denominated net investment in Sweden. As economic uncertainty continues in the Baltics, at least 50% and no more than 75% of equity in Estonian crowns is hedged in accordance with the Group's principles. Owing to the continuing instability of the Polish zloty, the Group started zloty hedging in the year under review in keeping with the above principles.

Net investment may be hedged by taking out a loan in the relevant currency or through the use of derivative instruments. The equities and hedging relationships of the Group's non-euro-denominated subsidiaries and associates are presented in the following table.

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

Net investments

Currency	Expo-sure	Hedged amount	Net exposure	Hedging instrument	Nominal value	Hedging ratio
SEK	108.2	72.3	35.9	Foreign-currency loan	72.3	67 %
PLN	53.1	29.8	23.3	Currency future and option	29.8	56 %
EEK	98.0	60.6	37.5	Currency future	60.6	62 %

Hedging of the Group's net investments in the financial statements 2008:

Net investments

Currency	Expo-sure	Hedged amount	Net exposure	Hedging Instrument	Nominal value	Hedging ratio
SEK	98.0	73.5	24.5	Foreign-currency loan	73.5	75.0
PLN	46.9	0.0	46.9	-	0.0	0.0
EEK	88.3	61.3	27.0	Currency future	61.3	69.4

Hedging relations which meet hedge accounting requirements are treated as hedges of net investment made in a foreign unit.

Currency exposure has to do with financial instruments denominated in a foreign currency and valued in the functional currency. The functional currency of the parent company is the euro. Assets and liabilities denominated in foreign currencies translated into euro at the exchange rates of the reporting date:

	2009			2008		
Nominal values	USD	JPY	SEK	USD	JPY	SEK
Non-current assets						
- Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
- Loans and other receivables	0.0	0.0	129.3	0.0	0.0	138.5
Non-current liabilities						
- Interest-bearing liabilities	0.0	0.0	111.7	0.0	0.0	147.7
Current assets						
- Financial assets	1.4	0.0	3.1	0.4	0.0	17.5
- Trade and other receivables	1.6	0.6	3.3	8.1	0.9	7.5
Current liabilities						
- Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
- Non-interest bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0

The following table analyzes the strengthening or weakening of the euro against the US dollar, Japanese yen and Swedish crown, 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.

	2009				2008			
	USD	JPY	SEK	Total	USD	JPY	SEK	Total
Movement, %	10.0	10.0	10.0		10.0	10.0	10.0	
Effect on profit after taxes (EUR mill.)	0.2	0.0	1.8	2.0	0.6	0.1	1.2	1.9

The following assumptions were used in calculating sensitivity to currency risks:

• Forecast future cash flows have not been taken into account in the calculation but financial instruments such as forward contracts used to cover these positions are included in the analysis.

• The calculation and estimates of reasonably possible changes in exchange rates are based on the assumption of ordinary market and business conditions.

In respect of the US dollar and the Japanese yen, the effect would mainly be due to changes in the exchange rates applicable to trade receivables. In respect of the Swedish crown, the most significant factors are the crown-denominated loan and loan receivable.

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 40% of the Group's borrowings tied to a fixed interest rate. At the balance sheet date and taking into account interest rate derivatives and trade receivable financing, fixed-rate loans accounted for roughly 47% (37%) of the loan portfolio. The proceeds from the share offering were used to pay down variable-rate loans. 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 5 months (6 months). Interest rate maturity becomes approximately 13 months (12 months) when calculated based on the yield curve at the balance sheet date.

At the balance sheet date, the nominal amount of the Group's outstanding interest rate derivatives was EUR 203.5 million (EUR 276.8m). The average interest rate on the Group's interest-bearing liabilities, taking into account derivatives and margins on loans, stood at 3.2% at the balance sheet date (5.3%). The sensitivity of net financial expenses at the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was ca. EUR 2.7 million (EUR 3.7m) before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives at the balance sheet date. The sale of accounts receivable has been included in interest-bearing liabilities.

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

The interest rate maturity of interest rate derivative contracts to be terminated has been calculated up to the first maturity date of the option.

	31.12.2009	31.12.2008
Under 6 months	301.0	392.3
6–12 months	72.6	62.3
1–5 years	43.8	64.2
Over 5 years	0.0	5.6
Total	417.4	524.4

Amounts of the Group's financial liabilities and their contractual re-pricing periods based on the yield curve:

The duration of interest rate derivative instruments to be terminated has been calculated based on the yield curve at the balance sheet date. It ends when the yield curve reaches the fixed rate of the interest rate derivative contracts.

	31.12.2009	31.12.2008
Under 6 months	191.2	308.1
6–12 months	8.4	8.9
1–5 years	217.8	201.8
Over 5 years	0.0	5.6
Total	417.4	524.4

Credit risk

Credit risk management and credit control in the Group is centralized to the Group Treasury which works together with the business units. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organizations in the various market areas. The credit quality of customers is subject to ongoing monitoring and evaluation. Almost all customers have credit limits that are systematically monitored. Some customers are insured through credit insurance. Credit is only extended to customers with an impeccable credit rating. Methods used to secure credit extended include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges.

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

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

Commodity risk

The Group is exposed to commodity risk having to do with the availability of commodities and fluctuation in their prices. In Finland, the Group uses electricity derivatives to hedge against fluctuation in the price of electricity. Hedging level limits are defined in the electricity procurement policy. At least 70% of electricity procurement in the coming 12 months is hedged. Hedge accounting applies to the treatment of these derivatives.

The table below analyzes the effect that a rise or fall of 10% in the prices of commodity derivatives outstanding at the reporting date would have on profit after taxes, all other things being equal.

	2009		2008	
	price rises by 10%	price falls by 10%	price rises by 10%	price falls by 10%
Electricity futures	0.2	-1.2	-0.8	-1.8

27. Derivative instruments

Nominal values of derivative instruments

	31.12.2009	31.12.2008
Foreign exchange derivatives		
- Currency forwards	89.3	83.8
- Currency options	15.3	0.6
Interest-rate derivatives		
- Interest rate swaps	203.5	276.8
Commodity derivatives		
- Electricity forwards	10.8	8.6
	318.9	369.8

Fair values of derivative instruments

	2009 Fair value positive	2009 Fair value negative	2009 Fair value net	2008 Fair value net
Foreign exchange derivatives	0.1	-1.2	-1.1	-2.0
- Currency forwards	0.1	-1.2	-1.1	-1.9
- Currency options	0.0	0.0	0.0	-0.1
Interest-rate derivatives				
- Interest rate swaps	0.0	-11.3	-11.3	-11.5
Commodity derivatives				
- Electricity forwards	0.4	-1.0	-0.6	-1.9
	0.5	-13.5	-13.0	-15.4

Effective portion of fair values of derivative instruments subject to hedge accounting

	2009 Fair value effective portion	2008 Fair value effective portion
Foreign exchange derivatives		
- Currency forwards	-0.2	0
Commodity derivatives		
- Electricity forwards	-0.6	-1.6
Interest-rate derivatives		
- Interest rate swaps	-11.3	-11.5
	-12.1	-13.1

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

	2009 Fair value positive	2009 Fair value negative	2009 Fair value net	2008 Fair value net	2009 Nominal value	2008 Nominal value
Interest rate swaps						
matured in 2009	-	-	-	-0.1	-	100.0
matures in 2010	0.0	0.0	0.0	-1.0	0.0	20.0
matures in 2011	0.0	-0.4	-0.4	-0.4	10.0	10.0
matures in 2012	0.0	-1.8	-1.8	-0.6	29.8	9.2
matures in 2013	0.0	-2.1	-2.1	-1.4	39.8	34.2
matures in 2014	0.0	-1.5	-1.5	-1.1	39.5	20.0
matures in 2015 or later	0.0	-5.5	-5.5	-6.8	84.5	83.4
Interest rate swaps						
total in the financial year	0.0	-11.3	-11.3	-11.5	203.5	276.8
of which defined as fair value						
hedging instruments	0.0	-11.3	-11.3	-11.5	203.5	276.8
Foreign exchange derivatives	0.1	-1.2	-1.1	-2.0	104.6	84.4
of which defined as cash flow						
hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0
of which defined as net investment						
hedging instruments	0.0	-0.2	-0.2	0.0	36.9	0.0
Commodity derivatives	0.4	-1.0	-0.6	-1.9	10.8	8.6
matured in 2009				-0.5		3.5
matures in 2010	0.2	-0.6	-0.4	-0.7	3.4	2.7
matures in 2011	0.1	-0.3	-0.2	-0.5	2.8	1.8
matures in 2012	0.1	-0.1	0.0	-0.1	2.3	0.5
matures in 2013	0.0	0.0	0.0	0.0	1.6	0.0
matures in 2014 or later	0.0	0.0	0.0	0.0	0.8	0.0

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 shareholders' 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 share offering executed in December 2009 brought the equity ratio to 37%. 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 84.9%.

Net gearing ratio (EUR million)

	2009	2008
Interest-bearing liabilities	417.4	524.4
Interest-bearing loan receivables	2.9	3.3
Cash and bank	75.9	94.4
Interest-bearing net liabilities	338.6	426.7
Shareholders' equity	398.7	323.7
Net gearing ratio	84.9 %	132.0 %

28. 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	
	2009	2008	2009	2008
Financial assets				
Other financial assets	2.0	2.2	2.0	2.2
Financial assets recognized at fair value				
through profit or loss	-	-	-	-
- assets held for trading	-	-	-	-
Trade and other receivables	194.3	198.4	194.3	198.4
Cash and cash equivalents	73.9	92.2	73.9	92.2
Non-current liabilities				
Debt securities	212.7	251.8	214.9	259.7
Credit facilities	108.2	173.2	108.9	174.3
Leasing and factoring	0.7	1.4	0.8	1.6
Commercial paper	0.0	0.0	0.0	0.0
Other long-term liabilities	4.8	5.6	5.4	6.5
Accruals and deferred income	50.2	46.6	50.2	46.6
Total non-current liabilities	376.6	478.6	380.1	488.7
- of which interest-bearing	326.4	432.0	329.9	442.1

The carrying amounts of non-current liabilities have been calculated using the effective interest method and the fair values have been determined through the discounted cash flow method using the market interest rate or market value at the balance sheet date. The discount rate of interest thus equals the interest rate at which the Group could obtain corresponding credit from a third party at the reporting date.

	Fair value		Carrying amount	
	2009	2008	2009	2008
Current liabilities				
Debt securities	44.9	38.5	44.9	38.5
Credit facilities	22.9	28.0	22.9	28.0
Leasing and factoring	2.8	3.3	2.8	3.3
Commercial paper	5.0	0.0	5.0	0.0
Other current liabilities	11.9	12.5	11.9	12.5
Advances received	0.1	0.7	0.1	0.7
Trade payables	100.7	113.0	100.7	113.0
Accruals and deferred income	71.5	67.8	71.5	67.8
Other liabilities	35.4	20.3	35.4	20.3
Total current liabilities	295.1	284.2	295.1	284.2
- of which interest-bearing	87.5	82.4	87.5	82.4

The carrying amount of current non-interest bearing liabilities is a reasonable estimate of their fair value. The carrying amounts of current interest-bearing liabilities have been calculated using the effective interest method and the fair values have been determined through the discounted cash flow method using the market interest rate at the balance sheet date.
The fair values of currency forwards 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. 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.
The original carrying amounts of non-derivative based receivables and trade and other payables are equal to their fair values, as discounting has no material effect taking into account the maturity of the receivables.

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

The quoted prices of Level 1 foreign exchange and commodity derivatives are based on prices quoted on the market. The fair values of Level 2 instruments are to a significant degree based on inputs other than the quoted prices included in Level 1 but nonetheless observable for the relevant asset or liability either directly or indirectly (derived from prices). In determining the fair value of these instruments, the Group uses generally accepted measurement models, the inputs of which are nonetheless to a considerable degree based on observable market information.

29. Conditional liabilities

	31.12.2009	31.12.2008
Debts secured by mortgages and shares		
Loans from financial institutions	33.9	41.3
Total	33.9	41.3
Real estate mortgages	55.5	36.0
Pledged securities	30.4	15.4
Floating charges	20.7	19.7
Total	106.6	71.1
Security for debts of participating interests		
Guarantees	5.0	5.5
Total	5.0	5.5
Security for debts of others		
Guarantees and pledges	12.4	9.6
Total	12.4	9.6
Other contingencies		
Leasing commitments		
Leasing commitments maturing in less than a year	4.4	3.4
Leasing commitments maturing in 1–5 years	12.7	15.0
Leasing commitments maturing in over 5 years	1.9	4.6
Other rent commitments	40.6	42.4
Other commitments	5.8	4.7
Total other contingencies	65.4	70.1

Maturity breakdown of security given for associates and others

2010	0.1
2011	0.1
2012	0.3
2013	0.7
2014	0.0
>2015	16.3
Total	17.5

Rent receivables on other irrevocable lease agreements

	31.12.2009	31.12.2008
Maturing in less than a year	0.3	0.3
Maturing in 1–5 years	0.1	0.2
Maturing in over 5 years	0.0	0.0
Rent receivables, total	0.4	0.5

30. Related party transactions

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

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative comprising around 2 000 Finnish meat producers. The cooperative is tasked with fostering its members' meat production and marketing by exercising its power of ownership in HKScan. Today, LSO Osuuskunta has no actual business, but receives an income in the form of dividend paid by HKScan and to a lesser extent, income in the form of rent and other financial assets. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the Group by persons on the Group's Board of Directors and on the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 6.7 million in 2009 (EUR 6.9m in 2008). The said persons' purchase of animals from the Group came to EUR 2.2 million in 2009 (EUR 2.5m in 2008).

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			
HK Ruokatalo Oy, Turku	1 000	16 946	100.00
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	316	49.00
Kivikylän Kotipalvaamo Oy, Rauma	49	6 019	49.00
Linocon Oy, Helsinki	100	4	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
Total		245 361	
Owned by LSO Foods Oy and HK Ruokatalo Oy			
Lounaisfarmi Oy, Turku	20 000	1 043	100.00
Total		1 043	
Owned by AS Rakvere Lihakombinaat *)			
AS Ekseko, Estonia	6 984	272	100.00
AS Rigas Miesnieks, Latvia	155 920	12 427	100.00
Klaipedos Maisto Mesos Produktai, Lithuania	2 000	2 010	100.00
Total		14 709	

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

	Number of shares	Carrying amount (EUR 1 000)	Ownership (%)
Owned by Scan AB			
Esca Food Fastighets AB, Linköping	70 000	682	100.00
Esca Food Solutions KB, Linköping		816	48.50
Quality Genetics HB, Stockholm	926	361	92.60
Scan Produktion AB, Stockholm	1 000	-	100.00
SM Support Stenstorp AB, Stockholm	10 200	1 115	100.00
Kreatina A/S, Denmark	30 000	244	100.00
Kreatina Sp, Poland	5 000	-	100.00
Swedish Meats Support AB, Stockholm	80 000	4 389	100.00
Samfod S.A., Belgium	24 999	-	100.00
Scan Foods UK Ltd., UK	999	94	100.00
Swedish Meats RE AG, Switzerland	1 997	1 229	99.90
Svenska Livdjur & Service AB, Stockholm	200	98	100.00
Annerstedt Holding AB, Stockholm	10 000	2 255	100.00
SLP Pärsöns AB, Helsingborg	45 000	39 177	100.00
Skånekött AB, Skurup	30 000	343	100.00
Slakteriprodukter i Helsingborg AB, Helsingborg	6 000	1 964	100.00
Nyhléns & Hugosons Chark AB, Luleå	9 800	1 532	49.00
Flodins Kött AB, Stockholm	1 000	10	100.00
Annerstedt Flodins AB, Stockholm	46 250	1 285	100.00
AB O. Annerstedt, Stockholm	30 000	4 892	100.00
Total		60 486	

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 Sokolów S.A.

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

	2009	2008
Non-current assets	81.3	80.4
Current assets	47.4	46.7
Non-current liabilities	-5.8	-8.5
Current liabilities	-46.3	-49.0
Net sales and other operating income	253.6	273.1
Operating expenses	-244.3	-268.8

Shares and holdings in associated undertakings

	Number of shares	Carrying amount (EUR 1 000)	Ownership (%)
Owned by the Group's parent company			
Honkajoki Oy, Honkajoki	690	708	38.33
Envor Biotech Oy, Forssa	128	22	24.62
Pakastamo Oy, Helsinki	660	564	50.00
Lihateollisuuden Tutkimuskeskus LTK osuuskunta, Hämeenlinna	22 400	0	44.80
Best-In Oy, Kuopio	500	50	50.00
Länsi-Kalkkuna Oy, Turku	250	250	50.00
Total		1 594	
Owned by LSO Foods Oy			
Finnpig Oy, Vaasa	40	354	50.00
Owned by Scan AB			
Bondens Bästä i Svalöv AB, Kävlinge	500	2	50.00
SDT Sveriges Djurproducenters Tillväxt AB, Stockholm	135 500	2 799	50.00
Conagri AB, Malmö	98	90	49.00
daka a.m.b.a, Denmark		5 525	33.60
Fastighets AB Tuben, Stockholm	1 200	12	48.00
Höglandsprodukter AB, Halmstad	1 500	734	30.00
Siljans Chark AB, Mora	3 680	403	39.30
Svensk Köttinformation AB, Stockholm	500	2	50.00
Svensk Köttrasprövning AB, Skara	1 750	17	35.00
Svenskt Lantbrukstjänst AB, Lidköping	650	0	26.00
Svenska Djurhälsovården AB, Stockholm	4 400	612	50.00
Taurus Köttrådgivning AB, Stockholm	118	12	39.33
M R L Transport AB, Simrishamn	300	-	30.00
Skånska Andelsslakterier ek för, Malmö	1	-	20.00
Industrislakt Syd AB, Hörby	25 000	5	50.00
Bertil Eriksson Slakteri AB, Bäsinge	1 050	537	35.00
Svenska Pig AB, Stockholm		2	22.00
Spjutstorp Smågris AB, Helsingborg	4 900	-	49.00
Total		10 752	

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

The following transactions were carried out with related parties

	2009	2008
Product sales		
- Associates	34.9	37.6
Sales of animals to related parties	6.7	6.9
Product purchases		
- Associates	35.2	37.0
Purchases of animals		
from related parties	2.2	2.5
Severance pay to the CEO	1.3	0.0

Open balances at 31 December

Trade receivables		
- Associates	2.5	2.2
Trade payables		
- Associates	8.5	9.0

Employee benefits of management

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

31. Events after the reporting date

The company transitioned to a holding company structure in its Finnish business at the beginning of 2010. The reorganization will streamline financial reporting and internal auditing in the Group, as in future the business in each market area can be kept separate from the parent company. The reorganization was accomplished by transferring HKScan Corporation's production-related property, plant and equipment in Finland as well as its holdings in subsidiaries and associates to HKScan Finland Oy, a holding company wholly owned by HKScan Corporation. The transfer took place in the form of a business transfer on 1 January 2010.

The Board of HKScan Corporation and CEO Matti Perkonoja have agreed that he will stay on as CEO for longer than initially announced. Mr Perkonoja has now agreed to serve as CEO until the end of February 2012, after which he will take retirement. He had earlier planned to retire after 2010.

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

	Note	2009	2008
Net sales	1	**30 774.3**	**31 678.5**
Other operating income	2	1 674.7	2 458.6
Materials and services		0.0	0.4
Staff costs	3	-4 092.2	-2 788.6
Depreciation and impairment	4	-19 242.1	-17 426.0
Other operating expenses	5	-4 986.1	-4 087.9
EBIT		**4 128.7**	**9 835.1**
Financial income and expenses	6	-11 014.2	-6 128.1
Profit/loss before extraordinary items		**-6 885.5**	**3 707.0**
Extraordinary items	7	12 445.0	2 032.0
Profit/loss after extraordinary items		**5 559.5**	**5 739.0**
Appropriations	8	6 701.1	2 561.3
Income taxes	9	-1 401.8	1 057.4
Profit/loss for the period		**10 858.8**	**9 357.7**

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

	Note	2009	2008
ASSETS			
Non-current assets	10		
Intangible assets		2 209.5	2 452.3
Tangible assets		228 572.6	241 475.2
Financial assets		311 642.2	305 623.6
Non-current assets, total		**542 424.2**	**549 551.2**
Current assets			
Non-current receivables	11	149 292.1	156 470.0
Deferred tax asset	11	872.1	1 674.2
Current receivables	12	19 450.9	12 727.9
Cash and cash equivalents		12 486.5	50 558.0
Current assets, total		**182 101.5**	**221 430.1**
TOTAL ASSETS		**724 525.7**	**770 981.3**
EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		66 820.5	66 820.5
Share premium reserve		73 420.4	73 420.4
Revaluation reserve		3 363.8	3 363.8
Treasury shares		-38.6	-38.6
Fair value reserve		5 507.1	9 279.7
RIUE		143 075.8	66 742.0
Other reserves		4 523.7	4 484.4
Retained earnings		2 533.4	2 598.4
Profit/loss for the period		10 858.8	9 357.7
Total equity		**310 065.0**	**236 028.2**
Accumulated appropriations	14	**27 089.6**	**33 790.7**
Provisions	15	**3 164.3**	**3 248.8**
Liabilities			
Deferred tax liability	16	1 984.3	3 260.4
Non-current interest-bearing liabilities	16	305 442.2	433 549.6
Non-current non-interest bearing liabilities	16	5 904.6	5 527.9
Current interest-bearing liabilities	17	63 702.4	51 439.1
Current non-interest bearing liabilities	17	7 173.4	4 136.5
Total liabilities		**384 206.9**	**497 913.6**
TOTAL EQUITY AND LIABILITIES		**724 525.7**	**770 981.3**

FAS Parent company cash flow statement (EUR 1 000)

	2009	2008
Cash flow from operating activities		
EBIT	4 129	9 835
Adjustments to EBIT	2 018	842
Depreciation and impairment	19 242	17 426
Change in provisions	-85	66
Change in net working capital	7 744	-2 292
Interest income and expenses	-16 568	-16 650
Dividends received	5 554	10 522
Taxes	-1 402	1 057
Cash flow from operating activities	**20 632**	**20 807**
Cash flow from investing activities		
Purchases of shares in subsidiary	-6 019	0
Purchase of other fixed assets	-6 461	-24 031
Disposals of other fixed assets	289	1 530
Loans granted	-3 900	-5 449
Repayments of loan receivables	18 808	46 803
Cash flow from investing activities	**2 717**	**18 852**
Cash flow before financing activities	**23 349**	**39 659**
Cash flow from financing activities		
Proceeds from share offering	76 334	0
Payments received on hybrid bond	0	20 000
Repayment of hybrid bond	-20 000	0
Non-current borrowings raised	73 975	15 009
Non-current borrowings repaid	-153 840	0
Current borrowings raised	51 020	175 513
Current borrowings repaid	-79 442	-217 101
Interest on hybrid bond	-2 077	0
Dividends paid	-9 422	-10 610
Purchase of treasury shares	0	-129
Group contributions received	2 032	11 342
Cash flow from financing activities	**-61 421**	**-5 976**
Change in cash and cash equivalents	**-38 072**	**33 682**
Cash and cash equivalents at 1.1.	50 558	16 876
Cash and cash equivalents at 31.12.	**12 486**	**50 558**
Change in working capital:		
Increase (-)/decrease (+) in current operating receivables	3 340	1 468
Increase (-)/decrease (+) in current non-interest bearing liabilities	4 404	-3 760
	7 744	-2 292

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.

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

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

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

Copies of HKScan Corporation's financial statements are available at the company's registered office at Kaivokatu 18, 20520 Turku.

Accounting policies

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish accounting legislation (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid at 31 December 2009.

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

COMPARABILITY WITH PREVIOUS YEARS

The financial statements for 2009 are comparable with the figures for 2008.

TRANSACTIONS IN FOREIGN CURRENCY

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

DERIVATIVE INSTRUMENTS

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted at the balance sheet date. Changes in the value of currency futures are recognized in financial income and expenses in the income statement. Gains or losses on interest rate swaps hedging variable-interest loans are presented under financial expenses in the income statement.

PENSION PLANS

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

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

CEO Kai Seikku was to retire at the age of 60. His pension was fixed at 60% of retirement salary, which is calculated as the average of the two highest annual salaries in the four years preceding the end of the employment. The pension arrangement of the CEO's deputy was in harmony with that of the CEO. Kai Seikku's employment was terminated on 5 January 2009, on which date the CEO's supplementary pension agreement was also terminated. The deputy's supplementary pension was paid up by 31 December 2008.

The CEO's period of notice was six months by either party. If his employment was terminated by the company, the CEO was entitled to severance pay equivalent to 18 months' salary excluding incentive bonuses.

In 2008, CEO Kai Seikku was paid a total salary of EUR 0.750 million, of which share bonuses tied to performance or other targets accounted for EUR 0.121 million. The CEO was granted 9 996 A Shares in the company on the basis of the actual results in the 2007 earning period of the share incentive scheme. Earnings in early 2009 will be eroded by the non-recurring expense of some EUR 1.3 million relating to the termination of the CEO's employment. The 27 000 A Shares assigned to the CEO based on the share incentive scheme reverted to the company in January 2009.

Matti Perkonoja, deputy to the former CEO, was appointed CEO effective 6 January 2009. His employment has been agreed for a fixed term ending on 28 February 2012. CEO Matti Perkonoja was paid a total salary of EUR 0.6 million in 2009.

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 consists 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)

	2009	2008
1. Breakdown of net sales		
Sales in Finland	30 774	31 679
	30 774	31 679
2. Other operating income, total		
Rental income	589	596
Other operating income	1 046	1 605
Gain on disposal of non-current assets	40	258
Other operating income, total	1 675	2 459
Employees, average	9	13
3. Staff costs		
Salaries and fees	-3 548	-925
Pension expenses	-439	-1 688
Other social security costs	-106	-176
Staff costs	-4 092	-2 789
Management salaries, fees and benefits		
Managing directors and vice presidents	2 154	1 194
Board members	226	230
Total	2 117	1 424
4. Depreciation and impairment		
Depreciation according to plan	-19 242	-18 217
Depreciation according to plan on non-current assets and goodwill	-19 242	-18 217
Impairment charge reversals for non-current assets	-	791
Impairment charges for non-current assets	-	-
Exceptional impairment and reversal of impairment on non-current assets	0	791
Total depreciation and impairment	-19 242	-17 426

5. Other operating expenses		
Rents/leases	-1 117	-1 217
Losses on disposal of fixed assets, tangible assets total	-114	-147
Losses on disposal of non-current assets	-114	-147
Audit fees, statutory audit	-117	-97
Audit fees, other expert services	-78	-62
Audit fees	-195	-159
Non-statutory staff costs	-115	-165
Energy	-68	-187
Maintenance	-166	-125
Advertising, marketing and entertainment costs	-145	-84
Service, information management and office costs	-2 037	-1 049
Other costs	-1 028	-955
Total other operating expenses	-4 986	-4 088
6. Financial income and expenses		
Financial income		
Dividends from Group companies	5 024	7 294
Dividends from participating interests	523	3 216
Dividends from others	7	12
Income from units	5 554	10 522
Interest income on non-current financial assets from participating interests	32	42
Interest income from other non-current financial assets	32	42
Other interest and financial income from Group companies	11 038	18 578
Other interest and financial income from others	6 382	22 845
Other financial income	17 420	41 423
Total financial income	23 006	51 987

Financial expenses		
Other interest and financial expenses payable to Group companies	-6 631	-9 423
Other interest and financial expenses payable to participating interests	-	-2
Other interest payable and financial expenses to others	-27 389	-48 690
Total other interest and financial expenses	-34 020	-58 115
Total financial expenses	-34 020	-58 115
Financial income and expenses, total	-11 014	-6 128
Foreign exchange gains	5 461	22 311
Foreign exchange losses	-7 070	-22 786
Total foreign exchange gains and losses	-1 609	-475

7. Extraordinary items

Extraordinary income, Group contributions	12 445	2 032
Total extraordinary items	12 445	2 032

8. Appropriations

Increase (-) or decrease (+) in depreciation difference	6 701	2 561
Total appropriations	6 701	2 561

9. Direct taxes

Income tax on ordinary operations	2 672	528
Income tax on extraordinary items	-3 236	-528
Tax for previous financial years	14	211
Change in deferred tax liabilities and assets	-851	846
Income tax on ordinary operations	-1 402	1 057

FAS Notes to the balance sheet

10. Non-current assets

Intangible assets 2009

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost at 1.1.	3 423	1 223	136	4 782
Increase	50	-	-	50
Decrease	-	-	-	-
Transfers between items	105	-	-	105
Acquisition cost at 31.12.	3 578	1 223	136	4 937
Accumulated depreciation at 1.1.	-1 313	-988	-29	-2 330
Accumulated depreciation on disposals and reclassifications	-6	-	6	-
Depreciation for the financial year	-242	-122	-34	-397
Impairment	-	-	-	-
Accumulated depreciation at 31.12.	-1 561	-1 110	-56	-2 727
Carrying amount at 31.12.	2 017	112	80	2 209

Tangible assets 2009

	Land and water areas	Buildings	Machinery and equipment	Other tangible	Pre-payments	Total
Acquisition cost at 1.1.	3 147	214 593	180 773	3 264	7 428	409 204
Increase	-	968	3 427	16	2 000	66 411
Decrease	-	-199	-2 227	-	-	-2 426
Transfers between items	-	198	6 697	-	-7 001	-105
Acquisition cost at 31.12.	3 147	215 560	188 670	3 280	2 427	413 084
Accumulated depreciation at 1.1.	-	-65 297	-99 887	-2 545	-	-167 729
Accumulated depreciation on disposals and reclassifications	-	147	1 914	-	-	2 061
Depreciation for the financial year	-	-6 264	-12 465	-114	-	-18 844
Impairment	-	-	-	-	-	-
Accumulated depreciation at 31.12.	-	-65 297	-110 438	-2 659	-	-184 512
Carrying amount at 31.12.	**3 147**	**144 146**	**78 232**	**621**	**2 427**	**228 572**

Revaluations included in acquisition cost

	Land and water areas	Buildings	Machinery and equipment	Other tangible	Pre-payments	Total
Revaluations at 1.1.	-	3 364	-	-	-	3 364
Increase	-	-	-	-	-	0
Decrease	-	-	-	-	-	0
Revaluations at 31.12.	**0**	**3 364**	**0**	**0**	**0**	**3 364**

Financial assets 2009

	Holdings in Group companies	Holdings in associates	Amounts owed by associates	Other shares and holdings	Total
Acquisition cost at 1.1.	303 778	1 594	47	204	305 623
Increase	6 019	-	-	-	6 019
Decrease	-	-	-	-	0
Transfers between items	-	-	-	-	0
Acquisition cost at 31.12.	309 797	1 594	47	204	311 642
Carrying amount at 31.12.	**309 797**	**1 594**	**47**	**204**	**311 642**

	31.12.2009	31.12.2008
Non-current assets		
Intangible assets		
Intangible rights	2 017	2 111
Goodwill	112	234
Other long-term expenditure	80	107
Intangible assets	2 209	2 452
Tangible assets		
Land and water	3 147	3 147
Buildings and structures	144 146	149 296
Machinery and equipment	78 232	80 886
Other tangible assets	621	719
Payments on account and		
tangible assets in the course of construction	2 427	7 428
Tangible assets	228 573	241 475
Financial assets		
Holdings in Group companies	309 797	303 778
Holdings in associates	1 594	1 594
Amounts owed by participating interests	47	47
Other shares and holdings	204	204
Financial assets	311 642	305 623
Non-current assets, total	542 424	549 551

11. Non-current receivables

Non-current loan receivables	2 880	3 286
Deferred tax assets	872	1 674
Other receivables	905	1 170
Total	4 657	6 130
Amounts owed by Group companies:		
Non-current Group loan receivables	145 309	151 816
Other	-	-
Non-current receivables from Group companies	145 309	151 816
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	150 164	158 144

12. Current receivables

Trade receivables	1	1
Short-term prepayments and accrued income (from others)	711	2 560
Total	712	2 561
Amounts owed by Group companies:		
Trade receivables	45	43
Loan receivables	570	-
Prepayments and accrued income (within Group)	4 887	7 084
Other receivables	12 671	2 392
Total	18 173	9 519
Amounts owed by participating interests:		
Trade receivables	-	81
Loan receivables	559	559
Other receivables	7	8
Current receivables from participating interests	566	648
Total current receivables	19 451	12 728
Main items included in prepayments and accrued income		
Matched financial items	313	430
Matched staff costs	53	157
Matched taxes	-	933
VAT receivable	-	2
Other prepayments and accrued income	345	1 039
Total	711	2 561

13. Shareholders' equity

Shareholders' equity in 2009

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

Shareholders' equity in 2008

	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Shareholders' equity at 1.1.2008	66 820	73 420	3 364	-730	66 742	6 651	13 593	229 860
Increase	-	-	-	-	-	7 113	-	7 113
Dividend distribution	-	-	-	-	-	-	-10 610	-10 610
Share offering	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	-385	-385
Purchase of own shares	-	-	-	-129	-	-	-	-129
Payments made in treasury shares	-	-	-	821	-	-	-	821
Profit for the period	-	-	-	-	-	-	9 358	9 358
Shareholders' equity at 31.12.2008	66 820	73 420	3 364	-38	66 742	13 764	11 956	236 028

Distributable assets	31.12.2009	31.12.2008
Contingency fund	245	206
Treasury shares	-38	-38
Reserve for invested unrestricted equity	143 076	66 742
Retained earnings	2 533	2 598
Profit/loss for the period	10 859	9 358
Distributable assets	156 675	78 866

14. Accumulated appropriations

Depreciation difference	27 090	33 791
Total appropriations	27 090	33 791

The unrecognized deferred tax liability on depreciation difference is EUR 7 043K.

15. Statutory provisions

Provisions for pensions	3 164	3 249
Statutory provisions, total	3 164	3 249

16. Non-current liabilities

Bonds	-	5 000
Deferred tax liability	1 984	3 260
Loans from financial institutions	305 442	413 550
Other liabilities	5 905	5 528
Total	313 331	427 338
Amounts owed to Group companies:		
Bonds	-	15 000
Total	-	15 000
Total non-current liabilities	313 331	442 338

Non-current liabilities

Interest-bearing:		
Non-current amounts owed to Group companies	-	15 000
Amounts owed to others	305 442	418 550
Non-current interest-bearing liabilities	305 442	433 550
Non-interest bearing:		
Amounts owed to others	7 889	8 788
Non-current non-interest bearing liabilities	7 889	8 788
Total non-current liabilities	313 331	442 338

17. Current liabilities

Loans from financial institutions	48 369	37 368
Trade payables	307	148
Accruals and deferred income	5 612	2 500
Other liabilities	1 177	1 076
Total	55 464	41 092
Amounts owed to Group companies:		
Trade payables	70	67
Accruals and deferred income	8	-
Other liabilities	15 333	14 417
Total	15 411	14 484
Total current liabilities	70 876	55 576

Current liabilities

Interest-bearing:		
Current amounts owed to Group companies	15 333	14 071
Current amounts owed to participating interests	-	-
Amounts owed to others	48 369	37 368
Current interest-bearing liabilities	63 702	51 439
Non-interest bearing:		
Current amounts owed to Group companies	78	413
Current amounts owed to participating interests	-	-
Amounts owed to others	7 095	3 724
Current non-interest bearing liabilities	7 173	4 137
Total current liabilities	70 876	55 576

Main items (non-current and current) included in accruals and deferred income

Matched staff costs	638	383
Matched interest expenses	994	1 910
Matched taxes	325	-
Other accruals and deferred income	3 663	207
Total	5 620	2 500

Liabilities due in five years or more

Loans from financial institutions		300 207
Other long-term liabilities		-
Liabilities due in five years or more		300 207

18. Commitments and contingent liabilities

Commitments and contingent liabilities

	2009	2008
Debts secured by mortgages and shares		
Loans from financial institutions	-	814
Total	-	814
Real estate mortgages	2 856	2 856
Floating charges	5 046	5 046
Securities pledged	-	-
Total	7 902	7 902
Security for debts of subsidiaries and other Group companies		
Guarantees	68 479	66 931
Total	68 479	66 931
Security for debts of participating interests		
Guarantees	5 027	5 495
Total	5 027	5 495
Security for debts of others		
Guarantees	5 088	5 339
Total	5 088	5 339
Other contingencies		
Leasing commitments		
Leasing commitments maturing in less than a year	0	0
Leasing commitments maturing in 1–5 years	1	0
Rent liabilities	988	1 481
Other commitments	15	15
Total other contingencies	1 004	1 496

19. Derivative instruments at 31.12.

Nominal values of derivative instruments

	2009	2008
Foreign exchange derivatives		
- Currency futures	86.0	68.8
- Currency options	15.3	0.6
Interest-rate derivatives		
- Interest rate swaps	203.5	276.8
Commodity derivatives		
- Electricity futures	10.8	8.6
	315.6	354.8

Fair values of derivative instruments

	2009 Fair value positive	2009 Fair value negative	2009 Fair value net	2008 Fair value net
Foreign exchange derivatives				
- Currency futures	0.0	-1.0	-1.0	-1.0
- Currency options	0.0	0.0	0.0	0.0
Interest-rate derivatives				
- Interest rate swaps	0.0	-11.3	-11.3	-11.5
Commodity derivatives				
- Electricity futures	0.4	-1.0	-0.6	-1.9
	0.4	-13.3	-12.9	-14.4

Derivative instruments to which hedge accounting applies

	2009 Nominal value effective portion	2009 Fair value	2008 Nominal value effective portion	2008 Fair value
Foreign exchange derivatives				
- Currency futures	21.6	-0.2	0.0	0.0
Commodity derivatives				
- Electricity futures	10.8	-0.6	8.6	-1.6
Interest-rate derivatives				
- Interest rate swaps	203.5	-11.3	276.8	-11.5
	235.9	-12.1	285.4	-13.1

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

Vantaa, 18 February 2010

Markku Aalto Chairman of the Board	Tiina Varho-Lankinen Deputy chairman of the Board	Matti Murto Member of the Board
Matti Karppinen Member of the Board	Matti Perkonoja CEO	

Auditors' report

TO THE ANNUAL GENERAL MEETING OF HKSCAN CORPORATION

We have audited the accounting records, financial statements, report of the Board of Directors and administration of HKScan Corporation for the period 1 January – 31 December 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, and notes to the consolidated financial statements as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the 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

The auditor shall conduct the audit in accordance with good auditing practice in Finland and, based on the audit, express an opinion on the financial statements, consolidated financial statements and report of the Board of Directors. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements and report of the Board of Directors are free from material misstatement and that the members of the Board of Directors of the parent company and the CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and report of the Board of Directors. The procedures selected depend on the auditor's judgment and assessment of the risks of material misstatement of the financial statements or the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and report of the Board of Directors.

We have conducted the audit in accordance with good auditing practice in Finland. 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 and regulations 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, 11 March 2010

PricewaterhouseCoopers Oy
Authorized Public Accountants

Johan Kronberg APA	Petri Palmroth APA

Shares and shareholders

HKScan has adopted dividend distribution of at least 30 percent of the year's net profit as one of its key financial targets. The per-share dividend of EUR 0.22 for 2009 proposed by the Board is equivalent to 34.5 percent of the undiluted result. The corresponding figure in the previous year was 199.3 percent.

RESOLUTIONS PASSED BY THE GENERAL MEETINGS OF SHAREHOLDERS

The Annual General Meeting was held at Finlandia Hall in Helsinki on 23 April 2009. The Annual General Meeting adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2008. Dividend for 2008 was fixed at EUR 0.24 per share, coming to a total of EUR 9.4 million. The dividend was paid to shareholders on 6 May 2009.

The Annual General Meeting confirmed the number of members on the Board of Directors as five. Board members Markku Aalto, Tiina Varho-Lankinen, Matti Murto and Matti Karppinen were re-elected and Lars Hultström elected to the Board as a new member. At the organization meeting held immediately following the AGM, the Board re-elected Markku Aalto as chairman and Tiina Varho-Lankinen as deputy chairman.

Board remuneration remained unchanged: members are paid EUR 20 000, the deputy chairman EUR 25 000 and the chairman EUR 40 000 per year. In addition, it was decided that an attendance fee of EUR 500 per meeting would be paid and that travel expenses would be reimbursed in accordance with the company's travel policy.

Authorized public accountants PricewaterhouseCoopers Oy, with APA Johan Kronberg as principal auditor, and Petri Palmroth APA were appointed as HKScan's auditors for the 2009 financial year. Pasi Pietarinen APA and Mika Kaarisalo APA were appointed as the company's deputy auditors. The AGM also approved the authorizations proposed for the Board to acquire the company's own shares and to resolve on a share issue. These authorizations are explained in greater detail in the Report of the Board of Directors under the heading "Board of Directors' existing authorizations".

HKScan Corporation Board member Lars Hultström announced his resignation from the Board on 1 December 2009, effective immediately.

The Extraordinary General Meeting of Shareholders held on 24 November 2009 at Rantasipi Airport Congress Center auditorium in Vantaa resolved to grant the company's Board of Directors authorization to resolve on a directed share offering of approximately EUR 75–78 million and its terms.

SHAREHOLDERS

At the end of the financial year, a total of 11 387 shareholders were entered in the register of shareholders, compared to 8 356 the year before. At the end of 2009, 25.1 percent (29.6%) of the company's shares were nominee registered or held by non-domestic shareholders.

SHAREHOLDER AGREEMENTS

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

SHARE CAPITAL

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

A Shares	48 626 522	90.00%
K Shares	5 400 000	10.00%
Total	54 026 522	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 (4 375 000 shares) and Swedish Meats ek.för. (665 000 shares). Each share gives equal entitlement to a dividend. The shares have no nominal value.

The company's shares joined the book-entry securities system on 31 October 1997.

INCREASES IN SHARE CAPITAL FROM 2007 TO 2009

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

No share capital increases or share offerings took place in the 2008 financial year.

The most recent share capital increase took place in January 2007 with the directed issue of 4 843 000 A Shares to Swedish Meats. The issue was part of the acquisition of the business of Swedish Meats (Scan AB). The subscription period was 29 January 2007 and the issue price was EUR 15.55 per share. The company's share capital was increased by EUR 8 233 100.00 to the current EUR 66 820 528.10. The increase was entered in the Trade Register on 5 February 2007. The new shares first entitled to dividend for the 2007 financial year.

STOCK EXCHANGE LISTINGS

HKScan's A Share has been quoted on NASDAQ OMX since 6 February 1997 in the sector of Consumer Staples. During the year under review, 22 285 126 of the company's shares were traded for a total of EUR 149 498 534.

The highest price quoted was EUR 10.38 and the lowest EUR 3.70. The middle price was EUR 7.18 and the year-end closing price was EUR 7.85. The share price rose by 77.6 percent on the year while the index for the Food Products sector (HX302020) rose by 47.8 percent or 47.4 points on the year.

The company's market capitalization (A and K Shares) at year-end was EUR 423.7 million, having stood at EUR 173.7 million a year earlier. The figure breaks down into A Shares valued at EUR 381.3 million and unlisted K shares having an imputed market value of EUR 42.4 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 2009, members of the Board of Directors and the company's CEO and his deputies as well as their related parties owned a total of 76 078 A Shares, which corresponded to 0.14 percent of the total number of shares and 0.05 percent of the votes.

NOTICES OF CHANGES IN OWNERSHIP

During 2009, the company received three notices regarding changes in holdings pursuant to Chapter 2:9 of the Securities Markets Act.

(1) Artio Global Management LLC announced that as a result of a share transaction executed on 20 April 2009, its shareholding in HKScan Corporation had fallen to zero.

(2) HKScan Corporation and Danske Bank A/S signed on 24 November 2009 an underwriting agreement relating to HKScan's upcoming share offering. In consequence of the agreement, Danske Bank A/S Helsinki Branch announced that its holding in HKScan would rise to 14.2 percent of the shares and 4.9 percent of the votes in the company if its underwriting commitment was realized in full.

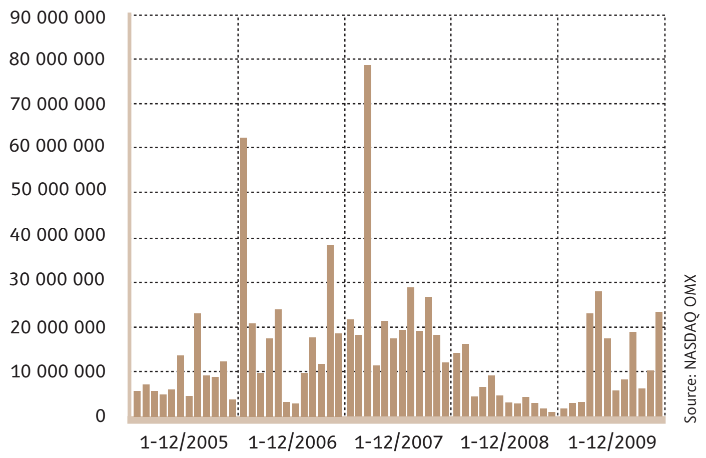
Under the agreement, Danske Bank A/S Helsinki Branch committed, subject to certain conditions, to subscribe for offered shares that remain unsubscribed for in HKScan's rights offering.

(3) HKScan Corporation announced the final result of the share offering on 23 December 2009. The underwriting commitment announced by Danske Bank A/S in the notification released on 24 November 2009 did not materialize and neither was the potential shareholding announced in the said notification realized. Danske Bank gave the company notification to this effect on 23 December 2009.

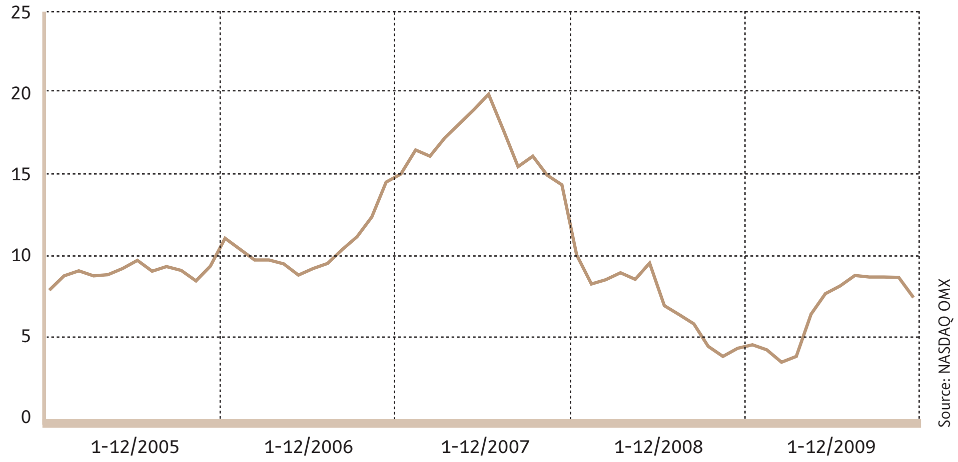
HKSCAN SHARE TRADING CODES

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

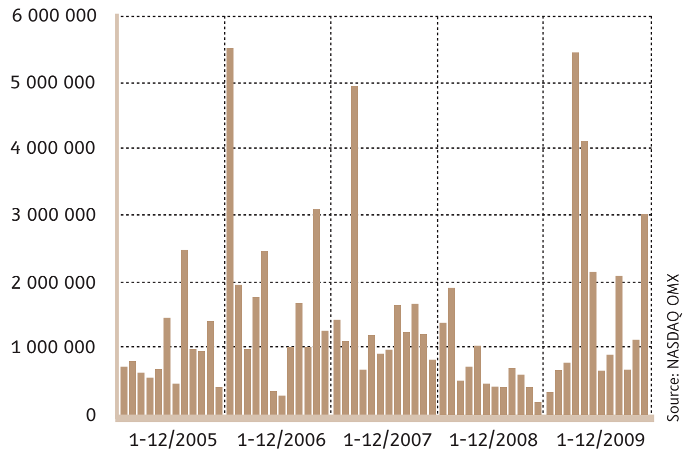
Shares traded 2005–2009
(value in euros of shares traded per month)



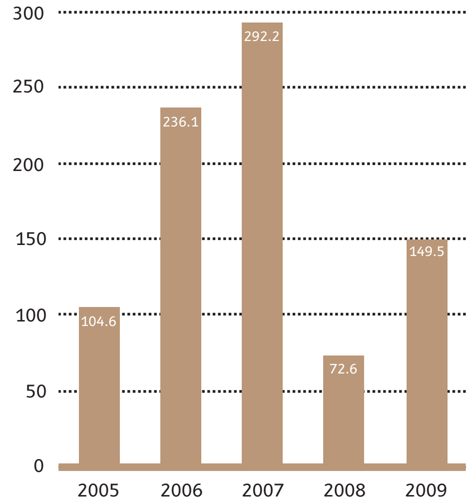
Share performance 2005–2009
(middle price in euros each month)



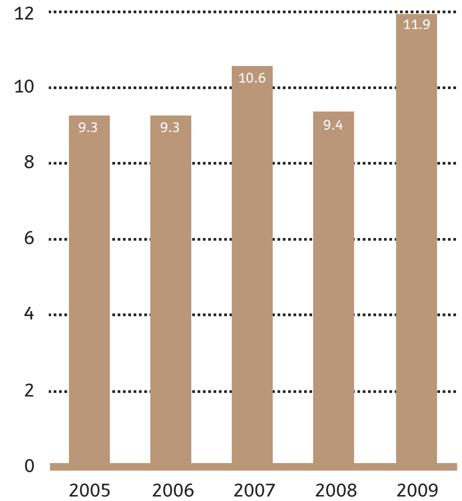
Shares traded 2005–2009
(number of shares traded per month)



Total shares traded 2005–2009 on NASDAQ OMX (EUR million)



Total dividends paid 2005–2009
(EUR million)



Analysis of shareholders as at 31 December 2009

Number of shares held	Shareholders	%	Shares held	%	Votes held	%
1–100	2 542	22.324	122 821	0.227	122 821	0.078
101–500	4 246	37.288	1 176 606	2.178	1 176 606	0.751
501–1 000	2 015	17.696	1 461 494	2.705	1 461 494	0.933
1 001–5 000	2 178	19.127	4 538 394	8.400	4 538 394	2.898
5 001–10 000	212	1.862	1 452 618	2.689	1 452 618	0.927
10 001–50 000	141	1.238	2 724 611	5.043	2 724 611	1.740
50 001–100 000	25	0.22	1 666 873	3.085	1 666 873	1.064
100 001–500 000	16	0.141	4 232 647	7.834	4 232 647	2.702
500 001–	12	0.105	36 510 120	67.578	139 110 120	88.816
Total	11 387	100.000	53 886 184	99.740	156 486 184	99.910
of which nominee registered	10		5 441 793	10.072	5 441 793	3.474
General account			139 780	0.259	139 780	0.089
Special accounts, total			558	0.001	558	0.000
Number of shares issued			54 026 522	100.000	156 626 522	100.000

Largest shareholders as at 31 December 2009

			A Shares	K Shares	% of shares	% of votes
1	LSO Osuuskunta		14 458 884	4 735 000	35.53	69.69
2	Swedish Meats ek.för.		6 234 750	665 000	12.77	12.47
3	OP Sijoitusrahastot mutual funds, total		1 117 424	-	2.07	0.71
	- OP-Suomi Arvo	544 375				
	- OP-Suomi Pienyhtiöt	453 424				
	- OP-Pohjola Pienyhtiöt	119 625				
4	Tapiola Mutual Pension Insurance Company		1 029 640	-	1.91	0.66
5	Central Union of Agricultural Producers and Forest Owners MTK		836 414	-	1.55	0.53
6	Nordea Sijoitusrahastot mutual funds, total		797 911	-	1.48	0.51
7	Alfred Berg Finland mutual fund		751 843	-	1.39	0.48
8	FIM Fenno mutual fund		571 172	-	1.06	0.36
9	Danish Crown a.m.b.a.		540 458	-	1.00	0.35
10	Fim Forte mutual fund		467 500	-	0.87	0.30
11	Varma Mutual Pension Insurance Company		464 989	-	0.86	0.30
12	Ilmarinen Mutual Pension Insurance Company		400 798	-	0.74	0.26
13	Evli mutual funds, total		375 006	-	0.69	0.24
	- Evli Select	333 986				
	- Evli Finland Mix	41 020				
14	ABN AMRO Small Cap Finland mutual fund		333 642	-	0.62	0.21
15	Omaisuudenhoito Arvo Finland Value mutual fund		282 500	-	0.52	0.18
	Nominee registered shareholders		5 441 793	-	10.07	3.47
	Other shareholders, total		14 521 798	-	26.88	9.27
	Total		48 626 522	5 400 000	100.00	100.00

Shareholder profile as at 31 December 2009

Shareholder type	% of shareholders	% of shares
Corporates	5.48	39.09
Finance and insurance companies	0.40	9.21
Public sector entities	0.13	4.44
Households	92.68	17.68
Non-profit organizations	0.98	4.23
Domestic holders, tot.	99.68	74.65
Abroad	0.33	15.02
Waiting list	-	0.00
General account	-	0.26

Nominee registered shares included, foreigners held 25.09% of the total number of shares. The corresponding figure a year earlier was 29.56%.

Share capital by share series as at 31 December 2009

Share series	Shares, no.	% of equity	% of votes
A Shares	48 626 522	90.00 %	31.05 %
K Shares	5 400 000	10.00 %	68.95 %
Total	54 026 522	100.00 %	100.00 %

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

Annual General Meeting

HKScan Corporation's Annual General Meeting will be held at 11:00 on Tuesday, 23 April 2010 in Helsinki in Congress Hall A of Finlandia Hall, address Mannerheimintie 13 e, 00100 Helsinki, Finland. Registration of the shareholders who have notified the company of their intention of attending the meeting will commence at 10:00.

Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 16:00 Finnish time on 20 April 2010 either through the Company's website www.hkscan.com, by telephoning +358 (0)10 570 6218 (weekdays 9:00–16:00), by fax to +358 (0)2 250 1667 or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 13 April 2010 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd (Finnish Central Securities Depository APK).

DIVIDEND

The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.22 per share be declared for 2009. 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 28 April 2010. The proposed payment date for the dividend is 5 May 2010. Shareholders whose shares are not registered in the book-entry securities system at the record date, 28 April 2010, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHARE REGISTER

The share register of HKScan Corporation is maintained by the Euroclear Finland Ltd (Finnish Central Securities Depository), PO Box 1110, FI-00101 Helsinki, Finland. Its street address is Urho Kekkosen katu 5 C, 00100 Helsinki, telephone +358 (0)20 770 6000 and email info.finland@euroclear.eu.

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

FINANCIAL INFORMATION

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

- the interim report for January–March will be released on 4 May 2010
- the interim report for January–June will be released on 10 August 2010
- the interim report for January–September will be released on 5 November 2010

The annual report and interim reports are published in Finnish, English and Swedish. The publications are available for review on the company's website www.hkscan.com where the company also posts its stock exchange releases.

Printed versions of the annual report will be posted automatically to all shareholders with at least 750 HKScan shares and registered in the company's share register kept by Euroclear Finland Ltd. The interim reports are published in the form of stock exchange release and are also available for review on the website. Copies of interim reports will be sent on request by post or as an email attachment.

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

SILENT PERIOD

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

Annual summary 2009

HKScan published a total of 35 company releases in English via NASDAQ OMX in 2009.
These are available for review in full on the company's website www.hkscan.com under HKScan -> Stock Exchange Releases and also on the website of the Central Storage Facility at www.oam.fi

5 Jan 2009	HKScan CEO Kai Seikku steps down
12 Jan 2009	Matti Perkonoja appointed HKScan CEO
14 Jan 2009	Changes at HKScan Management Team
22 Jan 2009	Change to publication date of financial statement bulletin
27 Feb 2009	HKScan Group's financial statement bulletin for 2008
4 Mar 2009	HKScan shifts emphasis in development to Sweden
17 Mar 2009	Proposals of the Board of Directors of HKScan Corporation to the Annual General Meeting
17 Mar 2009	Persons who have acted on behalf of LSO Osuuskunta and belong to the management of HKScan Corporation have been heard in an insider case regarding share purchases by LSO Osuuskunta
20 Mar 2009	Change in proposals of the Board of Directors of HKScan to the Annual General Meeting
7 Apr 2009	Insider investigation relating to share purchases by LSO Osuuskunta
8 Apr 2009	Annual report 2008 published
21 Apr 2009	Notification on change in ownership (Artio Global Management)
23 Apr 2009	Resolutions passed by the Annual General Meeting of HKScan
5 May 2009	HKScan Group's interim report 1 January - 31 March 2009
6 May 2009	HKScan to reform its operating model and organisation in Sweden
23 Jun 2009	Change in Scan's management
26 Jun 2009	Change in holding of own shares
6 Aug 2009	HKScan Group interim report 1 January - 30 June 2009
4 Sep 2009	Scan AB's streamlining programme proceeds in Sweden
15 Sep 2009	HKScan announces road map seeking development benefits of EUR 30 million in Sweden
16 Oct 2009	Notice to Extraordinary General Meeting of Shareholders of HKScan Corporation
2 Nov 2009	Cancellation of extraordinary general meeting of shareholders planned to be held on 9 November 2009 and notice to a new extraordinary general meeting of shareholders of HKScan Corporation
3 Nov 2009	Interim report of the HKScan Group 1 January – 30 September 2009
24 Nov 2009	Decisions by HKScan Corporation's extraordinary general meeting
24 Nov 2009	Board Of Directors of HKScan Corporation has decided on a Share Offering
24 Nov 2009	Notification of a change of ownership interest under chapter 2, section 10 of the Finnish securities markets act (Danske Bank)
24 Nov 2009	Publishing of the offering circular related to HKScan Corporation share offering
1 Dec 2009	Lars Hultström to resign from HKScan's Board of Directors
1 Dec 2009	HKScan Corporation supplements the offering circular relating to its share offering
11 Dec 2009	Effects of the bank strike on HKScan's share offering
18 Dec 2009	HKScan Corporation's share offering oversubscribed
23 Dec 2009	Final result of HKScan Corporation's share offering
23 Dec 2009	Notification under chapter 2, section 10 of the Finnish securities market act (Danske Bank)
29 Dec 2009	HKScan's financial calendar year 2010
30 Dec 2009	HKScan to reorganize legal structure of Finnish business at start of 2010

HKScan Corporation's corporate governance statement 2009

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE
Corporate governance in HKScan Corporation is based on Finnish legislation, HKScan's Articles of Association and the Finnish Corporate Governance Code as well as the charter and rules of procedure adopted by the company's Board of Directors. HKScan furthermore complies with the rules and regulations of the Stock Exchange and the Financial Supervisory Authority.

This corporate governance statement has been drafted in accordance with recommendation 51 of the Code that entered into force on 1 January 2009 and with Chapter 2:6 of the Securities Markets Act. The corporate governance statement is issued separate of the Company's annual report.

HKScan Corporation observes the Finnish Corporate Governance Code drafted by the Securities Market Association with the exception that members to the Nomination Committee may be appointed also from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company.

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

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

Group organization

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

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

Notice of general meetings of shareholders shall be given by announcement published in at least two (2) newspapers designated 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 and published on the Company's website.

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

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

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. No person who has reached the age of 62 may be appointed to the Board of Directors.

The following were elected to the Board by the AGM held in 2009:

Markku Aalto, chairman of the Board, b. 1950
Pork producer in Jämijärvi, Satakunta

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

Matti Murto, b. 1964
MSc (Agriculture)
Beef producer in Salo, Varsinais-Suomi

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

Lars Hultström (until 1 December 2009), b. 1954
BA (Econ) and degree from the Swedish University of Agricultural Sciences
Director of Fors Säteri farm in Katrineholm, Central Sweden

Until the AGM held on 23 April 2009, the Board also comprised:

Johan Mattsson, b. 1960
MSc (Econ & Bus Adm)
Farm entrepreneur and pork producer in the southern Swedish province of Skåne.

During 2009, the Board held 22 meetings. The average attendance rate of Board members was 98.1 percent. The Board constitutes a quorum when more than half of its members are present. Besides the members, the Group's CEO and the CFO as secretary to the Board also regularly attend Board meetings.

The Board conducts an annual evaluation of the independence of its members and has found all Board members to be independent of the Company and its significant shareholders.

CHARTER OF THE BOARD

The work of the Board of Directors is based on the provisions of the Finnish Limited Liability Companies Act and the Company's Articles of Association as well as the charter and supplementary rules of procedure adopted by the Board.

According to the charter, the following key matters are among those to be resolved by the Board of Directors at HKScan:

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

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

PERFORMANCE EVALUATION OF THE BOARD

The Board conducts an annual evaluation of its performance and working methods in the interests of enhancing its operations. The most recent evaluation addressed the composition and processes of the Board, the quality of the Board's performance, cooperation between the Board and operative management, and the expertise and participation of Board members.

BOARD COMMITTEES

Four committees have been set up in HKScan Corporation to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairmen of the committees from among their number, except for the Nomination Committee, to which members may be selected from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company.

Audit committee

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

The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with Recommendation 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan Corporation's Board of Directors include but are not limited to the following: to monitor the reporting process of financial statements; to supervise the financial reporting process; to monitor the efficiency of the Company's internal control, internal auditing and risk management system; to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; to monitor the statutory audit; to evaluate the independence of auditors; and to prepare the proposal for resolution on the election of the auditors. The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee.

The Audit Committee is chaired by Markku Aalto and its members are Matti Karppinen and Tiina Varho-Lankinen. The Audit Committee held five meetings during 2009. The average attendance rate of Committee members was 100 percent. Committee meetings are also regularly attended by the Group's CEO and CFO and by its external auditors.

Nomination committee

The Board elects the three members of the Nomination Committee. The members of the Committee need not be Board members. The CEO of the Company or other senior executives may not be elected to the Nomination Committee.

The duties of the Nomination Committee are defined in its charter adopted by the Board. The Committee is tasked with preparing the proposals to be presented to the General Meeting of Shareholders concerning the number, appointment and remuneration of Board members. The Nomination Committee convenes at least once before the General Meeting of Shareholders and reports on its work to the Board of Directors immediately following the meeting of the Committee.

The members of the Nomination Committee are Markku Aalto (chairman), Tiina Teperi-Saari and Lars Gustafsson. The Nomination Committee held three meetings during 2009. The average attendance rate of Committee members was 100 percent.

Remuneration committee

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

The duties of the Remuneration Committee are defined in its charter adopted by the Board of Directors. The Remuneration Committee is tasked with preparing matters pertaining to the Company's remuneration schemes. The Remuneration Committee convenes as necessary and reports on its work to the Board immediately following the meeting of the Committee.

The Committee is chaired by Tiina Varho-Lankinen and its members are Markku Aalto and Matti Karppinen. The Remuneration Committee held four meetings during 2009. The average attendance rate of Committee members was 100 percent.

Working committee

All Board members are members of the Working Committee, which is chaired by the chairman of the Board. The Working Committee held four meetings during 2009. The average attendance rate of Committee members was 90.0 percent.

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.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and possible deputy CEO of the Company are appointed by the Company's Board of Directors. The CEO is tasked with managing the Group's business activities and administration in accordance with the Articles of Association, the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors. The CEO is accountable to the Board of Directors for the implementation of the aims, plans, procedures and goals laid down by the Board.

The Company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the Group's financial performance, financial position, solvency and market position. He or she also presents the materials of the financial statements and interim reports to the Board. The CEO shall furthermore report to the Board on the implementation of the Board's resolutions and on the measures and outcomes to which these have given rise.

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

GROUP MANAGEMENT TEAM

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

INSIDER ADMINISTRATION

The Company complies with the Guidelines for Insiders of NASDAQ OMX forming part of the Exchange's rules and regulations. The revised version of the Guidelines was adopted effective 2 June 2008 and it is available for review on the Exchange's website www.nasdaqomx.com under "Listing center > Nordic market".

HKScan's insiders are split into a public register and a company-specific (non-public) register. By law, insiders included on the public register of insider holdings include members of the Board of Directors, the company's auditors and CEO. By corporate decision, the public register of insiders also includes the Group Management Team and designated representatives of the principal owners' administrative bodies. These come to approximately 20 persons.

By corporate decision, certain managing directors of subsidiaries, members of financial and accounting clerical staff, communications officers, management secretaries, etc. – a total of approximately 20 persons – have been included in the company-specific (non-public) register of permanent insiders.

HKScan's insiders may trade during 30 days following the disclosure of an interim report and financial statements bulletin. Insiders are barred from trading in the Company's share at other times.

The Company ensures compliance with insider holding guidelines by regularly reminding insiders of permitted trading windows and by checking the register maintained by Euroclear Finland (the Finnish Central Securities Depository) once a year to see the trades carried out by insiders. In the same context, the company sends an extract from the register to each insider to allow him or her to check and complete their own personal information in the register.

The decision to establish project-specific registers of insiders is taken by Company management on a case by case basis. Persons entered in a project-specific register are prohibited from trading in the Company's shares until the relevant project is announced or lapses.

HKScan's Group administration maintains and manages the insider register. The actual register resides in the SIRE system of Euroclear Finland Oy (the Finnish Central Securities Depository). Public access to the registers has been provided since 17 October 2005 on the Company's website at under "Investor information".

AUDITORS

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

The task of statutory auditing is to verify that the financial statements give a true and fair view of the result and financial position of the HKScan Group in the financial period audited. The auditor submits to the shareholders an auditor's report as a part of the annual financial statements and also provides the Audit Committee with regular reports on his/her observations.

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

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

INTERNAL CONTROL FRAMEWORK

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

CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2009 to updating the Group's internal guidelines and policies.

The Board of Directors and the Audit Committee in particular monitor the Company's financial position and the quality of the

Group's financial reporting. The Board carries out its duty by means including adoption of the Group's risk management policy and determination of the objectives and principles of internal control. The Group's CEO and CFO are responsible for maintaining and further developing an effective control environment relating to financial reporting.

At HKScan, the internal audit is a management tool for the accomplishment of supervision organized around an internal controller function in the business areas. The Company's auditors, who constantly perform audits of various operational aspects, also participate in internal auditing.

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

RISK MANAGEMENT

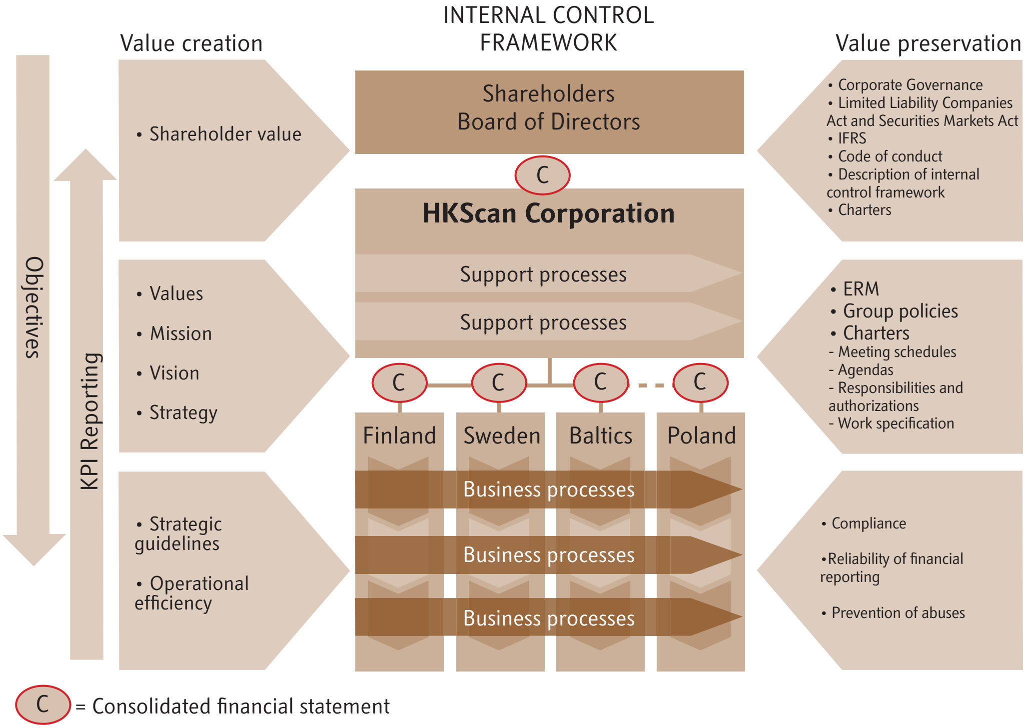
The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations.

The risks faced by the Group are by nature strategic (e.g. acquisitions), operative (e.g. animal diseases), financial (e.g. currency exchange rates and interest rates) and risks of damage (e.g. accidents and interruptions in production).

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of segment management and the managers of the relevant business processes. The Group CFO is responsible for the management of financial risks and risks to persons and property.

The Company is engaged in an enterprise risk management (ERM) project, the purpose of which is to update the risk management policy and which comprises consistent principles and systematic processes for risk management. The aim of the project 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 new risk management policy will be applied in all of the companies in the HKScan Group which carry out business operations.

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



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

CONTROL MEASURES

Control measures are designed to ensure that

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

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

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

COMMUNICATION AND DISTRIBUTION OF INFORMATION

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

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

MONITORING

The Group's earnings performance is monitored in meetings of the Board and the Group Management Team with the help of monthly reporting. The Audit Committee evaluates and the Board approves all interim reports and financial statements prior to their release to the markets. In addition, the statutory auditors provide the Audit Committee with an annual report on their audit plans and a quarterly report on their audit observations and the functioning of internal control. The Audit Committee in turn conducts an annual evaluation of the performance and independence of the auditors.

In 2009, particular attention was paid within the Group to the internal control framework and its further improvement. Ongoing processes include the updating of internal guidelines, the determination of Group processes and the preparation of charters for the various bodies. The outcomes of this work will be reported to the Audit Committee and the Group Management Team.

Risk management

The aim of risk management within the HKScan Group is to safeguard the prerequisites for achieving business objectives and ensuring 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.

As far as possible and appropriate, risk management 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. Risk management measures and risk reporting summaries at the Group level are managed in a centralized manner.

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. The companies and functions in the HKScan Group are in charge of introducing the requisite risk management procedures in day-to-day business operations.

HKScan's most significant risks

STRATEGIC RISKS

Fluctuation in the availability and prices of raw materials

The prices and availability of the raw materials, such as pork, poultry, and beef, which are needed for the production of HKScan products, vary. The global overproduction of raw materials decreases the prices of raw materials and increases their availability, while underproduction leads to poorer availability and rising prices of raw materials. Owing to oversupply and the high prices in Finland, and to a certain extent in Sweden as well, the export of excess production to countries where raw material is less expensive presents a challenge. The cycle of economy and the EU's Common Agricultural Policy affect the balance of supply and demand in the long term. Factors rapidly affecting supply, like animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of processed meats sold by the company to retail are agreed for several months ahead in Finland, Sweden and the Baltics, and under these circumstances, the rise in the prices of raw materials cannot be passed on to product prices. Passing higher raw material prices to product prices may also be difficult in a situation where no fixed prices have been agreed in advance.

Increasingly fierce competition in the meat industry and the constant state of flux in the structure of the perishable goods market

Competition in HKScan's business sectors has grown tougher recently with retail chains to an increasing degree entering the food market to compete with their own products and brands. Besides domestic competitors, competition is also made fiercer by international companies and companies operating in lower-cost countries. The company is responding to increased competition through, for example, the efficiency of its core processes, high-quality products, delivery reliability, and internationalization.

Adaptation of operations to possible changes in legislation and dependence on the authorities

HKScan's operations are regulated by the legislation of the company's respective countries of operation. Regional and supranational regulation, such as EU legislation, also affects the company's operations. The company's management considers that at present, the company is in compliance with legislation and other regulation. Legislation and other regulation and the interpretations thereof may change, however, and the company cannot guarantee that it would be compliant with such changed requirements without taking material action. In the event that the company expands its operations to new markets, the company will also have to observe local regulation in these new regions, which may differ considerably from regulation in effect in its current markets. In its operations, the company is also dependent on the authorities in its countries of operation. Authorities procedures may also vary considerably in the company's various sectors of operation.

Acquisitions and integration of businesses acquired

As a part of the development of its business, HKScan may acquire either in its current markets or in other geographical areas companies which enhance its competitive position. Risks relating to acquisitions include the unknown liabilities of the companies possibly acquired by the company, the possible inability to integrate and manage the business operations and personnel acquired, and the risk of the benefits or synergies of mass production not being realized. In addition, exclusion from industry consolidation might have an adverse effect on HKScan's strategic competitive position. Expansion to new geographical areas might also cause problems relating to exchange rate fluctuations, overlaps of different taxation systems, unexpected changes in statutory requirements, changes in and compliance with foreign legislation and regulations, and political risks and longer distances.

OPERATIVE RISKS

Animal diseases

An outbreak of animal diseases, such as avian influenza, Newcastle disease, foot and mouth disease, or BSE may affect the company's business and demand for the company's products. Animal diseases may affect consumer behaviour for a long time, although company management believes that consumption is usually normalized within a reasonable period of time from the respective animal disease discovery. The animal disease risk is levelled off by consumption transferring to the company's other meat product groups. In an integrated production line, such as some of the company's Baltic operations, discovery of an animal disease may temporarily sever, in a worst case scenario, the supply of raw materials, if substitute raw material sources such as importation from abroad do not exist.

Dependence on production plants and the uninterrupted operation of chains of distribution

HKScan is dependent on the uninterrupted operation of its production plants and distribution centres. If a key production plant of the company is destroyed or closed regardless of reason, its equipment is damaged in a significant manner or other disruptions occur in production, this is likely to cause delays in HKScan's ability to produce and distribute its products as scheduled. Depending on product, it may be possible for HKScan to transfer production to other locations, thus avoiding any significant interruptions to its operations, but changes in production of this kind may be more difficult to implement in respect of some product groups and may lead to significant delays in the deliveries of products and to lost sales, and give rise to additional expenditure.

The delivery of orders on very short lead times is characteristic of the company's industry. Short lead times increase the significance of an effective and dependable order/delivery chain and underscore the need to be able to anticipate consumer behaviour. Likewise, the significance of the reliability of logistics systems and other technological systems has increased. If distribution centres are damaged, destroyed or brought out of commission for whatever reason, or if the products held in the distribution centres suffer significant damage, HKScan will have to come up with an alternative method of delivering products to customers until such time that the damaged distribution centre can again be made available for operations.

Possible product quality issues

Food safety risks have to do with the purity of raw materials (residues, foreign substances), the healthfulness of products, packaging materials intended to come into contact with food, and microbiological purity. Particular attention is paid to the prevention and control of bacteria which cause food poisoning. In addition to rigorous in-house controls, the facilities of all industry operators are subject to strict scrutiny by the authorities. HKScan's high standard of requirements and rigorous internal control notwithstanding, HKScan cannot have absolute assurance of the risk-free management of the entire foodstuff chain. The realization of a risk relating to product safety or product liability may have a material adverse effect on the demand for the company's products among customers and consumers.

RISKS OF DAMAGE

Unforeseeable factors

Natural disasters, fires, bioterrorism, pandemics, exceptional weather conditions or other factors beyond the company's control may have an adverse effect on the health and growth of production animals or hamper the company's operations due to power outages, damage to production and property, disruptions in the distribution chains, or other reasons.

ECONOMIC RISKS

Financial risks

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash 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 Chief Financial Officer.

Owing to income and expenses denominated in foreign currencies and equity investments and earnings denominated in foreign currencies, the company is exposed to foreign exchange risk arising from movements in exchange rates. The most significant exchange risks in the company's business arise from the US dollar, Japanese yen and Swedish crown. The largest equities of the companies in the HKScan Group are in Swedish crowns, Polish zloty and Estonian crowns. The Group's financial risks are presented in more detail in Note 26 of the financial statements.

Board of Directors elected on 23 April 2009

MARKKU AALTO (BORN 1950)
Chairman of the Board

Finnish national
Member of HKScan's Board since 1994,
chairman since 2008

Key employment history:
Pork producer in Jämijärvi, Satakunta

Main Board memberships and public duties currently undertaken:
Member of the Board of LSO Osuuskunta
Member of the Board of Trustees of Parkanon Säästöpankki bank

Independent of the Company
HKScan shareholding: 2 750

TIINA VARHO-LANKINEN (BORN 1962)
Deputy chairman of the Board, MSc (Econ & Bus Admin)

Finnish national
Member of HKScan's Board since 2003,
deputy chairman since 2008

Key employment history:
Beef and broiler meat producer in Oripää, Varsinais-Suomi

Main Board memberships and public duties currently undertaken:
Chairman of the Board of LSO Osuuskunta
Chairman of Suomen Broileriyhdistys association
Chairman of the Delegation of Pellervo Confederation of Finnish Cooperatives
Member of the Supervisory Board of Varsinais-Suomen Lähivakuutusyhdistys insurance association

Independent of the Company
HKScan shareholding: 5 500

MATTI MURTO (BORN 1964)
Member of the Board, MSc (Agriculture)

Finnish national
Member of HKScan's Board since 2008

Key employment history:
Beef producer in Salo, Varsinais-Suomi

Main Board memberships and public duties currently undertaken:
Vice chairman of the Board of LSO Osuuskunta
Member of the Supervisory Board of Suur-Seudun Osuuskauppa cooperative
Member of the General Assembly of the Finnish Association of Academic Agronomists

Independent of the Company
HKScan shareholding: 2 750

MATTI KARPPINEN (BORN 1958)
Member of the Board, MSc (Econ & Bus Admin)

Finnish national
Member of HKScan's Board since 2008

Key employment history:
CEO of Lännen Tehtaat plc since 2005
CEO of Atria Corporation / Lithells AB, 2002–2005
Profit centre director, Nokian Renkaat plc, 1998–2001
Marketing director, Saarioinen Oy, 1994–1998
Marketing manager, Tamrock Oy, 1989–1994
Market manager, Unilever Finland Oy, 1985–1989

Main Board memberships and public duties currently undertaken:
Chairman of the Board of the Finnish Food and Drink Industries' Federation ETL
Member of the Board of the Confederation of Finnish Industries EK
Member of the Supervisory Board of Tapiola Mutual Insurance Company
Member of the Board of Sucros Oy

Independent of the Company
HKScan shareholding: -

Auditors for the 2009 financial year

AUDITORS
Authorized public accountants PricewaterhouseCoopers Oy with Johan Kronberg MSc (Econ & Bus Admin), APA of Länsi-Turunmaa as principal auditor
Petri Palmroth, MSc (Econ & Bus Admin), Authorized Public Accountant, Turku

DEPUTY AUDITORS
Mika Kaarisalo, MSc (Econ & Bus Admin), Authorized Public Accountant, Turku
Pasi Pietarinen, MSc (Econ & Bus Admin), Authorized Public Accountant, Turku

CFO Irma Kiilunen, BSc (Econ & Bus Admin), serves as secretary to the Board of Directors.

The shareholdings of Board members are reported as at 17 March 2010.

LARS HULTSTRÖM (BORN 1954)
Member of the Board from 23 April 2009 to 1 December 2009, BA (Econ) and degree from the Swedish University of Agricultural Sciences

Swedish national

From left: Management Team members Denis Mattsson, Olli Antniemi, Irma Kiilunen, Matti Perkonoja and Jari Leija

Management Team as of 11 January 2010

MATTI PERKONOJA (BORN 1949)
CEO of HKScan Corporation, commercial college graduate

Finnish national

Key employment history:
CEO of HKScan since January 2009
Earlier:
HKScan CFO, 2000–2009
Unit director and commercial director in the Group and managing director of Broilertalo Oy, 1993–2000
Active in the meat industry since the 1970s

Main Board memberships and public duties currently undertaken:
Chairman of the Supervisory Board of Rakvere Lihakombinaat
Chairman of the Supervisory Board of AS Tallegg
Chairman of the Board of Scan AB
Vice chairman of the Board of Sokolów S.A.
Member of the Supervisory Board of Tapiola Corporate Life
Member of the employers' consultative committee of Mutual Employment Pension Insurance Company Varma
Managing Director of LSO Osuuskunta
Member of the Board of the Finnish Food and Drink Industries' Federation ETL

HKScan shareholding: 52 936, of which 13 500 as share bonus

IRMA KIILUNEN (BORN 1953)
CFO, deputy to the CEO, BSc (Econ & Bus Admin)

Finnish national

Key employment history:
CFO of HKScan since January 2009
Earlier:
HKScan's finance director since 2001
Duties in finance and financial administration in various HKScan Group companies 1977–2001

Main Board memberships and public duties currently undertaken:
Member of the Board of Scan AB
Member of the Supervisory Board of Rakvere Lihakombinaat
Member of the Supervisory Board of AS Tallegg
Member of the Board of HKScan Finland Oy
Member of the Board of LSO Foods Oy
Member of the Board of Best-In Oy

HKScan shareholding: 6 642, of which 1 752 as share bonus

JARI LEIJA (BORN 1965)
Managing Director of HKScan Finland and executive vice president, Finland, vocational qualification in engineering

Finnish national

Key employment history:
Managing director of HKScan Finland as of 2009 and managing director of HK Ruokatalo Oy since December 2007
Earlier:
Senior vice president in charge of HK Ruokatalo's poultry business
In charge of HK Ruokatalo Oy's production and delivery logistics and the terminals in Vantaa and Tampere in the capacity of executive vice president, production
Logistics manager
Vantaa plant manager
Joined the Group in 1993

Main Board memberships and public duties currently undertaken:
Member of the Board of Pakastamo Oy
Deputy member of the Board of Pyhäjärvi-instituuttisäätiö foundation
Deputy member of the Board of Transbox Oy
Member of the Board of Länsi-Kalkkuna Oy
Member of the Board of LSO Foods Oy
Chairman of the Board of Lounaisfarmi Oy
Member of the Board of Kivikylän Kotipalvaamo Oy
Member of the Board of Harri Tamminen Oy

HKScan shareholding: 43 788, of which 13 500 as share bonus

DENIS MATTSSON (BORN 1953)
Managing Director of Scan AB and executive vice president, Sweden, eMBA

Finnish national

Key employment history:
Managing director of Scan AB since June 2009
Earlier:
Vice president, food industry, Scan, 2007–2009
Managing director, RavintoRaisio Oy, 2006–2007
Commercial director, Atria Oy, 1999–2006
Commercial director, Nestlé Oy, 1994–1999

Main Board memberships and public duties currently undertaken:
Member of the Board of Kavli Oy
Member of the Board of Nyhlens & Hugosons AB
Member of the Board of Kreatina A/S
Member of the Board of Scan Foods UK Ltd.

HKScan shareholding: 5 500, of which 0 as share bonus

OLLI ANTNIEMI (BORN 1959)
Senior vice president, strategy & development, BSc (Econ)

Finnish national

Key employment history:
HKScan senior vice president, strategy and development since January 2010
Earlier:
HK Ruokatalo, director of development
Managing director of Scan AB, March–June 2009
Executive vice president, HKScan's Baltic Group, 2003–2009
Marketing director and exports director at HK Ruokatalo
Also served the Huhtamäki Group in positions including a spell with Leaf in the United Kingdom

HKScan shareholding: 4 818, of which 3 504 as share bonus

The shareholdings of Management Team members are reported as at 17 March 2010.

Market analysts

Banks and stockbrokers in Finland analysing HKScan as an investment.

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

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