HK RUOKATALO GROUP OYJ ANNUAL REPORT 2006

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HKScan – a leading Northern European food company

HK Ruokatalo Group to become HKScan

In the 2006 annual report, the company is referred to as HK Ruokatalo Group Oyj, which is its legal name at the time of publication. The decision on changing the company name to HKScan Oyj will be taken by the Annual General Meeting convening in April 2007. All future prospects and projections presented in this annual report thus also apply to HKScan.

HKSCAN IN BRIEF

HKScan is one of the leading food companies in Northern Europe. The company's home market consists of Finland, Sweden, the Baltics and Poland.

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

The company has 36 production facilities in six countries and some 10,000 employees.

A core business principle of HKScan is consumer and customer satisfaction, which calls for high quality products and service at every stage of the value chain.

Mission statement and aims

HKScan delivers added shareholder value through a successful combination of consumer and customer focused operations, strong brands, efficient production, the excellence of its people and profitable growth in all its market areas.

HKScan seeks to enhance the everyday life of consumers by providing alongside traditional classic products also increasing numbers of innovations that make cooking easier and more enjoyable.

The group's vision is to be a leading multidomestic food company which holds a strong position in its Northern European domestic markets.

The strategic intents of HKScan are

- to meet the diverse food requirements and preferences of consumers at different points of life
- to have the most satisfied customers in its sector, won through competitive products, dependability and innovation
- to be among the most profitable companies in its sector
- to be among the most attractive employers in its sector

KEY FINANCIAL TARGETS

Operating profit:	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

Increasing the share of international operations to more than 50% of net sales has been a long-term goal of HK Ruokatalo Group. The acquisition of Scan AB has allowed us to meet this goal, and Finnish operations now account for 29 percent of net sales.

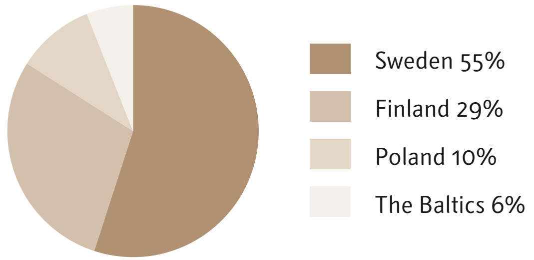
In future, the company's home market will be the Northern European region.

HKScan Oyj
Key indicators pro forma 2006

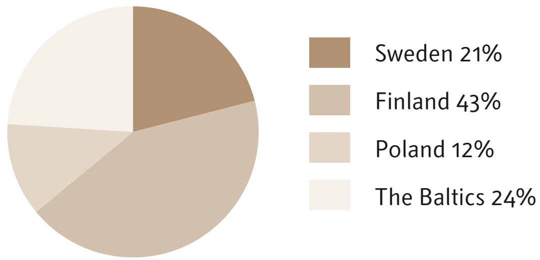
- net sales: EUR 2 057.1m
- operating profit: EUR 51.2m
- EBIT %: 2.5
- employees, ca. 10 000
- locations 36

HKScan
Breakdown of net sales and operating profit pro forma 2006

Net sales EUR 2 057.1 million



Operating profit EUR 51.2 million



HK Ruokatalo Group Oyj -> HKScan Oyj

Pro forma net sales 2006: EUR 2 057.1 million*, CEO Kai Seikku

Finland

Net sales in 2006: EUR 608 million

Managing director Esa Mäki

• HK Ruokatalo Oy

Sweden

Net sales in 2006**: EUR 1 124.8 million

Managing director Magnus Lagergren

• Scan AB

The Baltics

Net sales in 2006: EUR 130.8 million

Executive vice president, the Baltics Olli Antniemi

• AS Rakvere Lihakombinaat

• AS Tallegg

Poland

Net sales in 2006: EUR 203.6 million***

• Saturn Nordic Holding AB

-> Sokolów S.A.

Managing director Boguslaw Miszczuk

* Between segments EUR -10.1 million

** Pro forma Scan Group

*** Saturn Nordic Holding, a joint venture owned 50-50 by HK Ruokatalo and Danish Crown, is the sole shareholder in Sokolów. In 2006, half of Sokolów's net sales, i.e. EUR 203.6 million, were accounted for in HK Ruokatalo Group figures.

LOCATIONS

HKScan has production facilities in Finland, the Baltics, Poland, Sweden and Denmark, with sales companies in Russia and the UK. In Poland, business is operated by Sokolów S.A, which is owned by holding company Saturn Nordic Holding AB. This company in turn is owned by HK Ruokatalo Group and Danish Crown on a 50–50 basis.

Locations in Luleå, Skellefteå and Ullånger are owned by Scan AB and Nyhléns & Hugoson on a 50–50 basis.

Headlines in 2006

Dualistic development in the economy

The HK Ruokatalo Group concern enjoyed a second good year running in its international operations. Growth targets were achieved in the Baltics. Positive development in Poland was slowed down by tighter market competition in the last quarter. In Finland, performance was clearly short of longer-term targets despite improvements in net sales and profitability towards the end of the year.

Group net sales came to EUR 934.4 million, an increase of 5.8 percent from a year earlier. The consolidated book operating profit was EUR 40.4 million (EUR 24.1m in 2005), up by 67.6 percent on the corresponding figure a year earlier. Comparable operating profit came to EUR 41.8 million (EUR 28.2m). The Board of Directors recommends a dividend of EUR 0.27 per share.

Expansion into Sweden, HKScan proposed as new name

HK Ruokatalo Group agreed on acquiring the business of Swedish Meats, the largest meat company in Sweden. Swedish Meats incorporated its business into the limited company Scan AB, whose capital stock was acquired by HK Ruokatalo Group in late January 2007. Scan AB is a wholly owned subsidiary of HK Ruokatalo Group. The expansion of operations to Sweden and substantial increase in company size strengthen competitiveness and market standing in the long run in the Baltic Sea Region and in the food market. The Board of HK Ruokatalo Group will propose to the Annual General Meeting that the name of the group be changed to HKScan.

Rationalisation of Finnish operations

HK Ruokatalo Oy launched in January 2006 a two-year industrial restructuring programme in Finland. Processed meat production will be centralised in Vantaa, the value added processing of fresh meat in Forssa and logistics in Vantaa. When implemented, the plans will cut the number of industrial plants from eight to six with the closure of production at the Turku processed meat factory and the Tampere meat processing plant.

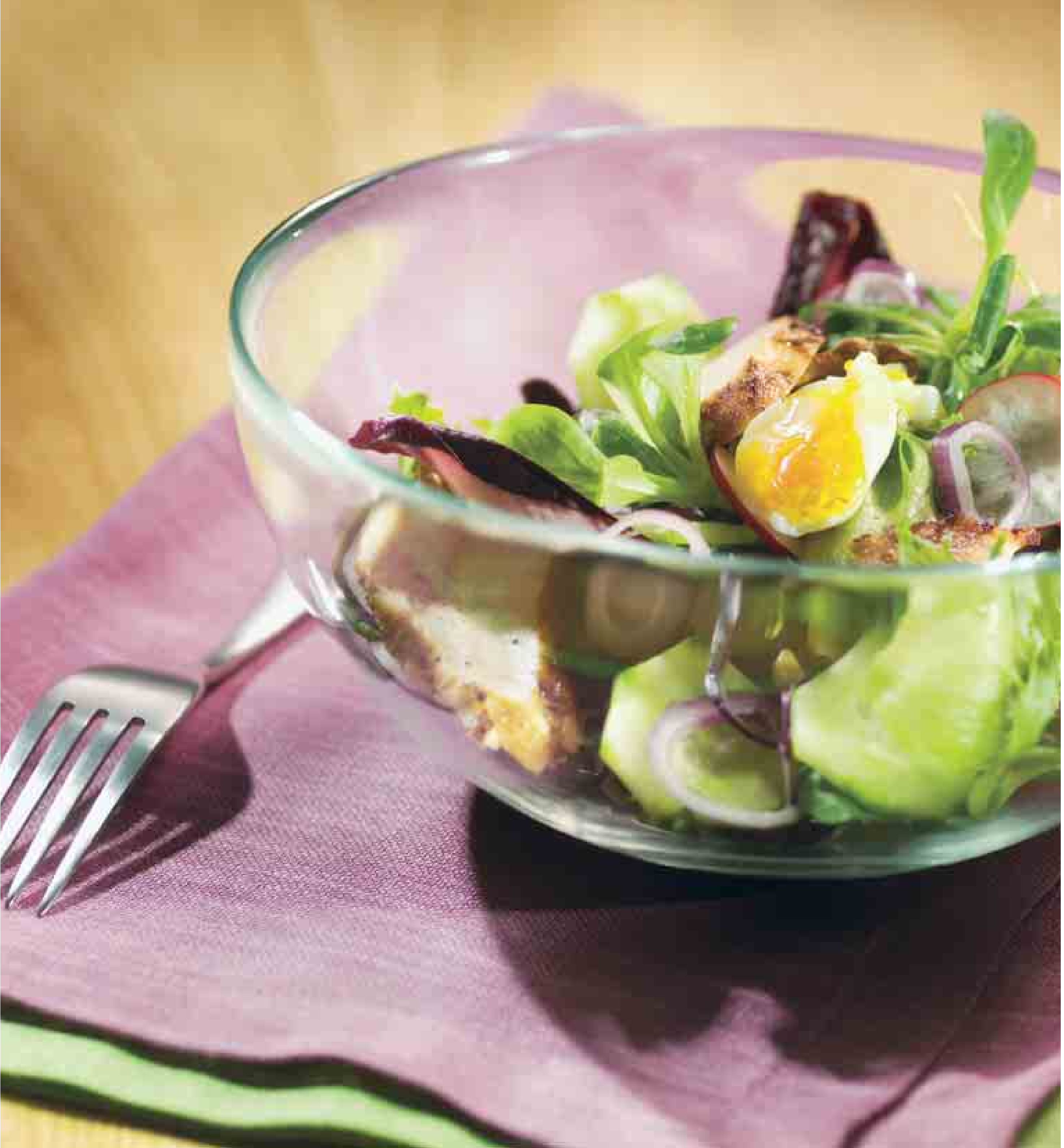
The modernisation of the slaughterhouse and cutting room in Forssa was completed for deployment in November 2006.

Buyouts of minority shareholders in Poland and Estonia

HK Ruokatalo Group and Danish Crown increased their holding in Sokolów to 100 percent and the company was de-listed from the Warsaw Stock Exchange. In Estonia, HK Ruokatalo Group acquired the remaining shares in Rakvere Lihakombinaat and the company was de-listed from the Tallinn Stock Exchange.

Key figures in 2006 and 2005

	2006	2005
Net sales, EUR million	934.3	883.3
Operating profit, EUR million	40.4	24.1
- % of net sales	4.3	2.7
Profit before tax, EUR million	33.6	20.4
- % of net sales	3.6	2.3
Return on equity, %	11.9	7.7
Return on investment, %	10.1	7.4
Equity ratio, %	43.7	44.7
Gross investments, EUR million	82.6	59.2
Earnings per share (EPS), EUR	0.79	0.46
Dividend per share, EUR	0.27	0.27
Employees	4 418	4 541



CHICKEN SALAD
- with chilli aioli

3	Kariniemen chicken breasts
1/2	cucumber
4	radishes
1	red onion
4	eggs
300 g	salad greens (mache, romaine, radicchio)
	olive oil
	salt, white pepper
2 dl	Via chilli aioli

Season chicken breasts with salt, pepper and olive oil. Place eggs in boiling water and cook for 6 min. Wash, dry and tear up salads, peel and slice cucumber and red onions, slice radishes. Fry or grill chicken until tender, slice. Peel and halve eggs, mix all ingredients and serve with chilli aioli on the side.

Review by the CEO

The retirement of CEO Simo Palokangas on 31 March 2006 after twelve years of dedicated effort on behalf of the company marked the end of a remarkable period in the history of HK Ruokatalo Group. Mr Palokangas oversaw the laying of the foundation for the company's current competitive abilities and also presided over more than a few reincarnations as concerns company name. Our growth continues, and yet another name change is also in the works.

* * * * *

The year 2006 for HK Ruokatalo Group is easily encapsulated. On the domestic front, the going was uphill and we fell short of targets. In Poland, targets were met despite a substantial setback in the last quarter, while in the Baltics we managed to exceed targets. The company took an important step towards the west in late 2006 with the acquisition of the business of Swedish Meats in a deal approved on 13 December.

The domestic restructuring programme was made public on 10 January. The two-year programme spells an end to some 500 jobs and also means the closure of two locations with a lengthy industrial heritage. The process is a gruelling one above all for those immediately concerned.

Restructuring is nonetheless essential, for both now and the future. To neglect it would be irresponsible in terms of the company's continuity, remaining jobs and conditions for successful performance. Determined strides must be made to transform uncompetitive production processes and structures into competitive edge. There is no other path but the one we are on.

Competitive edge is a fleeting thing even at best and its retention requires constant endeavour. In future, the company will focus on products, businesses and markets where it is able to operate in a competitive manner, i.e. in a financially profitable manner. We can offer little hope of the restructuring becoming any easier on our organisation, our employees or the entire lengthy food chain.

The most significant restructuring measure as regards continuing operations abroad involved Saturn Nordic Holding, the joint venture with Danish Crown, increasing its stake in Sokolów from the 82.5 percent at the beginning of 2006 to a full 100 percent through public offer and buyout. Sokolów also acquired Pozmeat, in the vicinity of the city of Poznan, from a bankruptcy estate in October. Starting up production in the years-abandoned factory and relaunching operations is one of the key challenges facing us in 2007.

The 4.3-percent stake of minority shareholders in the listed Rakvere Lihakombinaat in Estonia was also bought out through public offer.

The latter half of 2006 and the final quarter in particular in terms of publicity was marked by the Swedish Meats business acquisition. The challenges in turning around the company's performance are daunting. The years 2007–2008 will see extensive structural and operational development in the business of the incorporated Scan AB, much akin to the years 2006–2007 in Finland. At the time of writing, it is yet early days to go into the specifics of this inevitable transition.

The acquisition will herald also other changes in the daily operations of the group besides the adoption of the name HKScan. Company size will double, and we must learn to live in a shared and increasingly international business entity.

The time of calling Finland our home market is also coming to an end. In 2007, Finnish operations will only account for roughly 30 percent of group net sales. Our domestic market now comprises the entire Northern European region, and only operations outside this region will qualify as international. The company faces a future of multidomesticity. Whether in Sweden, Finland, the Baltics or Poland, we will always find ourselves on home ground, establishing our presence with local brands.

The strategic position in the Baltic Sea region sought for over a decade has now been achieved in terms of market standing with the exception of minor blind areas. Nonetheless, we are yet far from converting this position to financial performance in line with targets. With only a few exceptions and despite the nascent improvements in performance, the profitability of the company and its businesses remains wholly inadequate.

Industrial restructuring offers even at best only a temporary aid to profitability. In the long term, viability and health are determined by consumer and customer relations and the competitiveness of the product range and individual brands.

Our products must be up-to-date, appetising and relevant in the daily lives of consumers in all our market areas. The concept may seem self-evident, yet it is one much easier to broach in the CEO's review than to cascade down in operations. Wherever promoted, it runs into a constricting wall of old habits and lack of faith. Physics teaches us that static friction far surpasses dynamic friction.

I call for bold vision and tenacity on the part of those responsible for renewing our product range in their efforts to introduce a new philosophy. I send out a call to all our employees for their support as we transition into an increasingly consumer-driven mode of operations. We must all exhibit humility and a keen desire to learn if we are to perceive the everyday life of the consumer as our raison d'être – yet we also find ourselves in a world of vast potential which we may tap into together.

An ongoing area for development in the foreseeable future is the marketing-driven business process that ultimately steers the activities of the group and its subsidiaries. It is important to comprehend the distinction from the traditional philosophy of "from farm to table". Our philosophy should rather read "from table to farm", for it is on the side of the table that interest in and funding for our shared value chain arises, a fact that is not at variance with any element of the whole of the long food chain.

A media-saturated society tends to grossly overrate the accomplishments of chief executives in the upswings and downturns of business. The credit and thanks for success should rather go to our skilled employees, along with our partners and customers, the consumers and the choices they make on a daily basis, producers and other strategic stakeholders.

The year 2007 is already well underway. Let us all work together to make it a better one than its predecessor.

Vantaa, April 2007

Kai Seikku

Restructuring continues apace in Finland

HK Ruokatalo Group's Finnish operations 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. HK Ruokatalo Oy's brands in Finland are HK, Kariniemen, Via and Kokki.

Finland	2006	%	2005	%
Net sales	608.0	64.5	588.8	66.1
Operating profit	21.8	53.9	13.9	57.6
Employees	2328	56.0	2525	58.6

The amounts are EUR million. The number of employees is the year-end figure. The percentage indicates the share of the corresponding group figure.

Efficiency measures continued in Finland

HK Ruokatalo Group's operations in Finland are characterised by intense structural development with the objective of enhanced cost competitiveness. The company launched in January 2006 a two-year industrial restructuring programme in Finland. The aim of the programme is to centre most of the processed meat production in Vantaa, the value added processing of fresh meat in Forssa and logistics in Vantaa. The plan, which is scheduled for 2006–2007, will result in the closure of operations at the Turku processed meat factory, the Tampere meat processing plant and the Tampere distribution terminal.

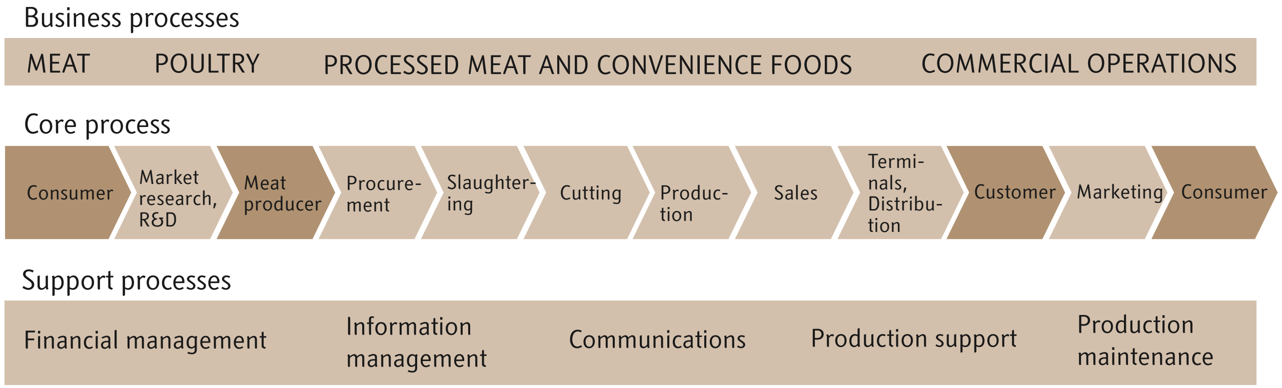
The number of industrial plants will thus fall from eight to six. Together with certain efficiency measures already implemented, the plan will affect an estimated 500 jobs by the end of 2007.

As part of the restructuring, HK Ruokatalo Group and LSO Osuuskunta sold the property in the Kupittaa district of Turku at year-end. The Tampere property was sold in early 2007. The company remains a tenant in the Turku office building and leases the industrial buildings in Turku and Tampere until the restructuring has been completed. The structural solutions will rationalise business at home and enhance cost competitiveness. They will deliver annual cost savings in the region of EUR 15–20 million, to be realised in part in 2007 and in full in 2008.

Meat business

In addition to the procurement of pork and beef, HK Ruokatalo's meat business also includes slaughtering and cutting operations

Core process in Finland



HK Ruokatalo's operations are divided into four parts: the meat, poultry meat and processed meat and convenience food businesses, and commercial operations. The core process at HK Ruokatalo begins with determining the needs of consumers. The input of meat producers in primary production, raw meat procurement, slaughtering, cutting, product manufacture, transport and commercial endeavours are then integrated into the various stages of the process.

OVEN-BAKED HK SININEN
- sharp black label Emmenthal cheese
- pepper and potato hash

1	HK SININEN LENKKI BOLOGNA SAUSAGE
300 G	BLACK LABEL EMMENTHAL CHEESE
10	SMALL COOKED POTATOES
1	RED BELL PEPPER
1	ONION
	ONION STALKS OR CHIVES
	CANOLA OIL
	SALT
	BLACK PEPPER
	BALSAMIC VINEGAR
	TABASCO

Remove skin from HK Sininen sausage. Score surface and place cheese in cuts, bake in oven at 160°C for 25 min. Chop bell peppers. Halve potatoes. Slice onions and finely chop onion stalks. Fry bell peppers in skillet and add dash of balsamic vinegar. Add onion and potatoes. Fry until browned and season with salt, pepper and Tabasco. Serve in good company with HK Sininen.

and meat flow control throughout the entire process. The company has pork slaughterhouses in Forssa and Mellilä and a beef slaughterhouse in Outokumpu. The value added processing of fresh meat takes place at Forssa and Tampere.

The Raw Material Group at HK Ruokatalo is tasked with supplying the Finnish units with pork and beef raw material and coordinating the raw material demand and balance between group companies. The aim is for managed raw material flows to ensure efficiency throughout the entire operating process.

Some of the meat processed by HK Ruokatalo is used as a raw material in the company's own processed meat industry, part is sold as carcasses and in separate joints to industrial customers and for export. An increasing share of the meat is processed into consumer products.

Finland consumed 180.2 million kg of pork (+2.7%) and 95.2 million kg of beef (-0.2%) in 2006. In 2006, HK Ruokatalo procured 2.3 percent less pork and 2 percent less beef than in 2005. The total volume of raw meat material fell by 2.5 million kg to 142.2 million kg.

The profitability of the company's meat business remained weak in 2006 despite signs in the latter half of the year of the efficiency measures taking effect.

HK EHTA ROAST BEEF
- Red wine sauce

1	HK EHTA ROAST BEEF
100 G	GREEN ASPARAGUS
100 G	EARLY CARROTS
100 G	BRUSSELS SPROUTS
400 G	NEW POTATOES
	SALT
	GREEN PEPPERCORNS
	THYME
	OLIVE OIL

Take out roast to warm at room temperature. Halve potatoes and season with salt, green peppercorns, thyme and olive oil. Place roast and potatoes in oven at 180°C and bake for 35 minutes. Turn potatoes occasionally. Peel asparagus and carrots, halve Brussels sprouts, cook carrots and Brussels sprouts for 2 min. in salted water. Add asparagus and cook for another 2 min. Turn into colander. Heat red wine sauce (comes with the Ehta roast). Sauce may be seasoned with additional herbs, garlic, peppercorns or dash of cream if desired. Remove roast and potatoes from oven. Let roast stand for a moment before slicing. Serve with vegetables, potatoes and sauce.

LSO FOODS INCREASED PROCUREMENT

The operations of HK Ruokatalo Oy's procurement company LSO Foods Oy are based on production contracts with producers. LSO Foods is designed to serve as an efficient marketing avenue for feeder and slaughter animals. It also attends to animal logistics and production advisory services relating to the development of farms. LSO Foods aims for managed growth in procurement volume, efficient control of animal flows and improved raw material quality.

In autumn 2006, LSO Foods Oy and cooperative Järvi-Suomen Portti Osuuskunta concluded a subcontracting agreement whereby Portti outsourced animal procurement and associated services to LSO Foods. Higher volumes and the elimination of organisational overlaps enhance cost efficiency in procurement. The agreement resulted in higher procurement volume and market share for LSO Foods. At year-end, LSO Foods had 9 500 pork and beef contract producers.

During the year under review, LSO supplied 99.3 million kg of raw meat material (98.8 million kg in 2005). The figure also includes the animals supplied to Järvi-Suomen Portti in November and December. Pork accounted for 80.2 million kg of total volume and beef for 19.1 million kg. With a 43% share, LSO Foods leads the market in pork procurement and holds approximately one third of the beef market. LSO Foods supplied farms with 647 000 piglets and 27 000 calves for rearing, in line with the figures for a year earlier.

FORSSA PLANT MODERNISED

HK Ruokatalo continued to enhance its competitiveness in 2006. The extensive industrial restructuring programme launched in the early part of the year includes sizable investments in further developing the Forssa production plant. The investments are a further step in the modernisation of the Forssa slaughtering line initiated in 2004. Cutting operations were retooled in 2006 to increase the degree of automation of the cutting plant and reduce laborious, repetitive work stages. The carcass quick freezer was also rebuilt. The modernisation of the Forssa production plant was completed in November.

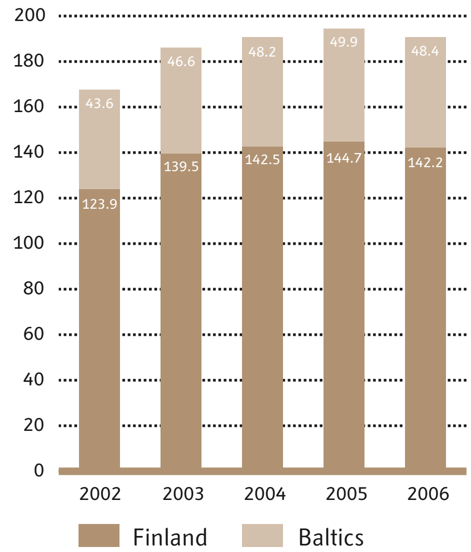
Meat balance of the Finnish units in 2006

Procurement and purchases by HK Ruokatalo Group's Finnish units in million kg

	million kg	% of meat used by the group
Own slaughter animal procurement in Finland		
-Pork	78.7	55.4
-Poultry	43.5	30.6
-Beef	17.9	12.6
-Other	0.0	0.0
Own procurement, total	140.1	98.5
Purchases in Finland	2.0	1.4
Meat from Finland, total	142.1	99.9
Imports for own production	0.00	0.0
Imports for use by others	0.08	0.1
Use of meat, total	142.2	100.0

Own procurement includes meat procured by LSO Foods Oy and HK Ruokatalo Oy. Additionally, the Rakvere Lihakombinaat Group and AS Tallegg procured 48.4 million kg of meat for their own use. When we add this to the figures for Finland, HK Ruokatalo Group concern's meat balance sheet total rises to 190.6 million kg. Sokolów S.A. procured a total of 115.7 million kg of meat in 2006.

Use of meat material 2002-2006
(kg million)



Poultry business

The procurement of poultry meat and the production of poultry products are the remit of HK Ruokatalo's poultry business. Production takes place at the plants in Eura and Säkylä. HK Ruokatalo's poultry products are made from Finnish raw material and marketed under the Kariniemen brand.

In 2006, Finland consumed a total of 82.9 million kg of poultry meat, down by 1.4 million kg from a year earlier. The decrease is attributable to weaker demand for turkey meat. The demand for broilers rose by approximately one percent. In 2006, HK Ruokatalo procured 43.5 million kg of poultry meat, all sourced from the company's own roughly 180 own contract producers. HK Ruokatalo has a market share of approximately 49 per cent and clear leadership of the Finnish poultry meat market.

POULTRY PRODUCTION DEVELOPED

The competitiveness of contract production was supported during the year under review through active development and training. Use of a lighter feed for mother hens and information on production and conditions further improved broiler chick production. We successfully increased the use of whole corn in feed in rearing for slaughtering. Production results developed favourably and the birds remained healthy.

Extensive production development measures continued in 2006. The Eura plant saw modernisation of the packing processes of products both boned and on the bone, as well as an increase in the degree of automation. These enable us to cope with even higher production volumes in future. Greater efficiency was introduced in the cutting of fillet and thigh meat due to further increases in the demand for boned poultry products.

PROGRESS MADE IN RATIONALISING TURKEY SECTOR

The two largest turkey meat processing companies in Finland, HK Ruokatalo and Atria, established turkey meat producer Länsi-Kalkkuna Oy as a joint venture owned 50–50. The turkey business employees of both transferred to the new company, which launched operations at the beginning of 2007. The cooperation within the joint venture covers primary production, slaughtering and cutting and aims to safeguard turkey farming and turkey meat processing in Finland. The joint venture is vital to improving the profitability of the turkey business. HK Ruokatalo is expected to benefit from cost savings of around EUR 1 million a year.

Processed meat and convenience food business

HK Ruokatalo's processed meat and convenience food business in Finland operates plants located in Vantaa and Turku.

The overall sales value of processed meat and convenience foods grew at the market rate of some two percent while sales of whole meat products and frankfurters outpaced market development. The convenience food market in Finland grew by some six percent. The rise in HK Ruokatalo's sales of ground meat products and snacks exceeded market growth. Via sauces and soups transferred to HK Ruokatalo as a new addition to the product range.

Substantial resources were allocated to product development in keeping with the revised product philosophy, allowing us to launch the new Potku product range at the end of the year. Potku is an innovative range of hot and spicy nibbles geared to consumers with a more adventurous palate.

RESTRUCTURING UNDERWAY

The expansion in line with the company's restructuring programme was started at the Vantaa plant in autumn 2006.

Management of the processed meat and convenience food business was reorganised during the year under review with an eye to enhancing customer and consumer focus. Major investments in the business concerned the automation of portioning and packing lines implemented in a bid to boost productivity.

There remains room for improvement in the profitability of the processed meat and convenience food business. The company engages in consumer-driven product development in order to launch new meat products and convenience foods on the market. Increasing the value added of products is a key priority.

Commercial operations

HK Ruokatalo's Commercial Operations unit is responsible for sales to retail and HoReCa customers, marketing, product development, exports, industrial sales, logistics and distribution terminals.

In 2006, retail customers accounted for 64 percent of HK Ruokatalo's sales, HoReCa customers for 13 percent and industry for 9 percent. Another 9 percent of sales went to exports, mostly to Russia.

The focus of HK Ruokatalo in 2006 on improving profitability was evident in commercial operations as well. The emphasis in sales management shifted from the aggressive pursuit of market share and volumes to more profitable trading.

In future, the company will seek profitability through more consumer-driven operations, i.e. launching products that bring added value to consumers and increase the value of product groups.

PRODUCT RANGE REVISED

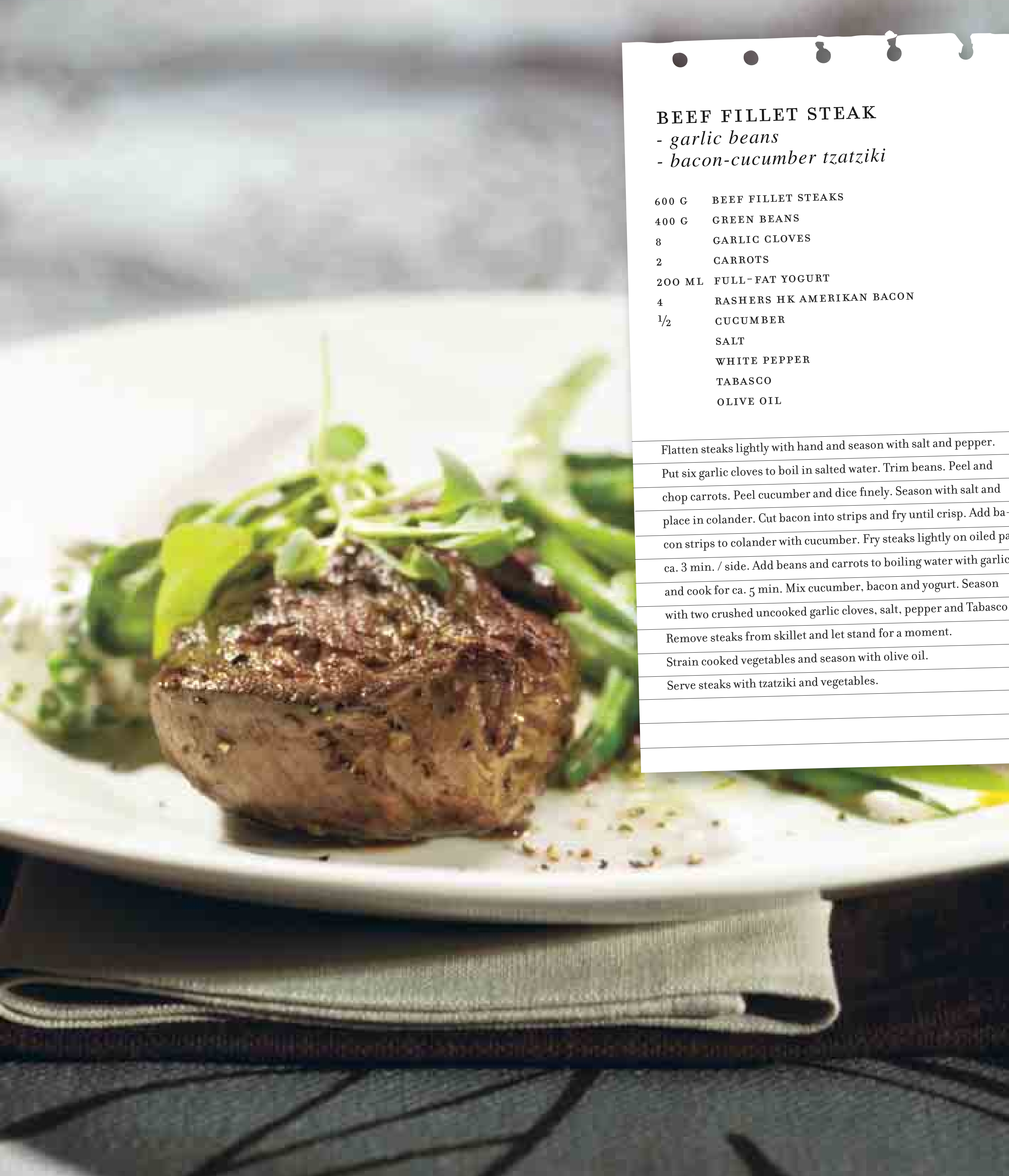
The greatest gains in profitability were reaped in the meat business by cutting sales of low-profitability products or discontinuing them altogether and by raising prices. Sustained progress was made in the area of cut meat, where the sales figures of 2005 were bested by more than a million kg. The warm summer was highly auspicious for the sales of barbecue products and sales of Christmas hams were also on target.

The development of new meat products to meet consumer demand and provide added value began in 2006. The work resulted in the HK Ehta range, which represents a major breakthrough in the company's product philosophy. The first five products in the Ehta range were introduced in late 2006. The easily cooked Ehta products have been designed with the modern consumer in mind and the line's innovative and individualistic packaging adds a welcome dash of colour to meat counters in stores. New products will be added to the range in 2007.

The processed meat market saw little growth in 2006. Demand for whole meat products increased at the expense of processed cold cuts. The best-selling products in the processed meat market were HK whole meat products, frankfurters and liver products.

The convenience food market continued to develop briskly. Price increases along with discontinuation of poorly performing products helped boost the profitability of the product group. Consumer research revealed an opportunity in snack products which gave rise to the development of the Potku product range.

The bird flu debate of early 2006 sparked uncertainty among consumers as to the safety of poultry meat. Retail shied away from marketing poultry products, which eroded demand in the early part of the year. The situation reverted to normal in summer and demand picked up to the extent that fillet products were occasionally in short supply. A balance was achieved towards the end of the year and demand could again be met in full. In 2006, consumer preferences clearly ran to boned products, with higher-end fillet products finding particular favour.



BEEF FILLET STEAK
- garlic beans
- bacon-cucumber tzatziki

600 G	BEEF FILLET STEAKS
400 G	GREEN BEANS
8	GARLIC CLOVES
2	CARROTS
200 ML	FULL-FAT YOGURT
4	RASHERS HK AMERIKAN BACON
½	CUCUMBER
	SALT
	WHITE PEPPER
	TABASCO
	OLIVE OIL

Flatten steaks lightly with hand and season with salt and pepper. Put six garlic cloves to boil in salted water. Trim beans. Peel and chop carrots. Peel cucumber and dice finely. Season with salt and place in colander. Cut bacon into strips and fry until crisp. Add bacon strips to colander with cucumber. Fry steaks lightly on oiled pan ca. 3 min. / side. Add beans and carrots to boiling water with garlic and cook for ca. 5 min. Mix cucumber, bacon and yogurt. Season with two crushed uncooked garlic cloves, salt, pepper and Tabasco. Remove steaks from skillet and let stand for a moment. Strain cooked vegetables and season with olive oil. Serve steaks with tzatziki and vegetables.

PORK EXPORTS ON THE RISE

Meat exports to Russia remained brisk throughout 2006. Increasing amounts of fresh, consumer-packed cut pork were exported alongside the traditional industrial selections. Other export destinations were Japan, the United States, the Baltics and Sweden.

LOGISTICS

The Logistics Group is in charge of the order picking and storage functions at the company's Finnish distribution terminals, despatch operations and transport. HK Ruokatalo is planning to centre its logistics operations in Vantaa as part of its efficiency measures. Product transportation for the HoReCa sector and industry is handled by HK Ruokatalo while the retail sector mostly attends to its own transportation needs.

Responsibility throughout the core process

OPERATIONAL SYSTEM

HK Ruokatalo has a comprehensive integrated management system comprising quality and environmental management and product safety management. The system is based on the ISO 9001:2000 and ISO 14001 standards, which cover all areas of HK Ruokatalo's operations. The management system is tasked with:

(1) coordinating and directing towards shared objectives; supporting the implementation of HK Ruokatalo's values and strategy, (2) ensuring continual improvement in a changing business environment, (3) creating and developing shared operations models for the entire organisation, (4) ensuring the high quality and safety of products, (5) reducing adverse environmental impacts and (6) developing the process approach in operations.

SAFE PRODUCTS

As a responsible food manufacturer, HK Ruokatalo has in place an in-house control system at all its production plants to ensure consumer safety. Approved by the authorities, the system is based on risk assessments of products, raw materials and manufacturing processes and on the management programmes made thereon. The laboratories in conjunction with the production facilities in Vantaa, Forssa and Eura help ensure that quality criteria are met. All three testing laboratories hold FINAS accreditation.

The company will next seek quality certification for product safety under the ISO 22000 standard. Certification of the Vantaa, Forssa and Mellilä production plants is expected in 2007.

A CLEAN ENVIRONMENT

HK Ruokatalo operates on the principle of causing minimum environmental impact during production. In the food industry, energy, water, process waste, wastewater and smoke gases from heating plants cause the greatest environmental loading. HK Ruokatalo constantly seeks to reduce the amount of energy and water consumed in relation to production (= specific consumption), to reduce the relative amount of landfill waste and to improve sorting. The environmental efficiency of product transportation is gauged through cost monitoring. Energy consumption and efficiency are monitored in the transport of animals.

Energy consumption fell by 1.6 percent from 2005, mainly as a result of lower heat requirements. CO^2 emissions at the Vantaa facility were reduced by the transition to natural gas in heating. A sewage sludge solid/liquid separation system was built at the Forssa slaughterhouse to curb the amount of waste. Measures to improve the quality of wastewater also continue in e.g. Vantaa.

HUMAN RESOURCES DEVELOPMENT

The long-term measures launched in the previous year will be continued among personnel. These include the development of team activities and leadership coaching and the adoption of new skills.

The drive to enhance competence is a sustained effort. Three groups of HK Ruokatalo employees have already taken the specialist vocational diploma in leadership (JET) and a fourth team started its studies in early 2007. The qualifications are completed as apprenticeship training and are funded out of public money. English instruction continues to be provided in twelve groups under the supervision of an in-house instructor and in certain private lessons.

Business area needs were met by the process description on management and the development of expertise prepared by change coaches and persons responsible for training. It enables business areas to define, develop and acquire the necessary expertise in keeping with their strategy.

The employee bonus scheme was overhauled. The basic part remains linked to team and business area targets while the performance-related part now depends on the development of operating profit (EBIT) in Finnish operations.

A temporary downswing broke the years-long rising trend in number of employee suggestions received in the year under review. Underlying the change is the current restructuring and ensuing uncertainty. Nonetheless, employees submitted a total of 1 058 suggestions in 2006, 966 fewer than a year earlier.

Values
with which HK Ruokatalo's
Finnish units identify

Trust
We keep our promise.
Trust has to be earned every day.

Competence
We want to rank among the best players in the business.

Continuous improvement and development
Doing things better today than yesterday,
doing things better tomorrow than today.

Customer satisfaction
We recognise customer needs. We anticipate them and respond to them in the best possible way.

Profitability
We aim for success, both of the company and the individuals working there. This ensures business continuity.

Achievement of environmental measurements

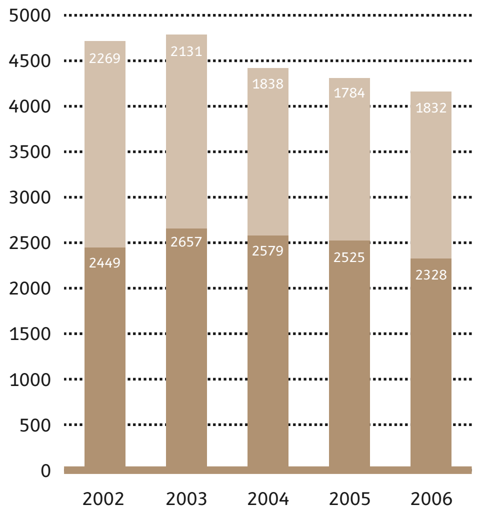
	2006	2005	change %
Electricity			
- total consumption (MWh)	90 404	90 078	+0.4
- specific consumption			
(kWh / external sales kg)	0.462	0.466	-0.9
Heat			
- total consumption (MWh)	94 356	97 771	-3.5
- specific consumption			
(kWh / external sales kg)	0.483	0.506	-4.7
Water			
- total consumption (MWh)	1 422 046	1 480 819	-4.0
- specific consumption			
(l / external sales kg)	7.27	7.67	-5.1
Waste			
- all waste, total (t / pa)	24 906	29 410	-15.3
- amount (g / production kg)	119.8	139.9	-14.3

Employees by company at year-end

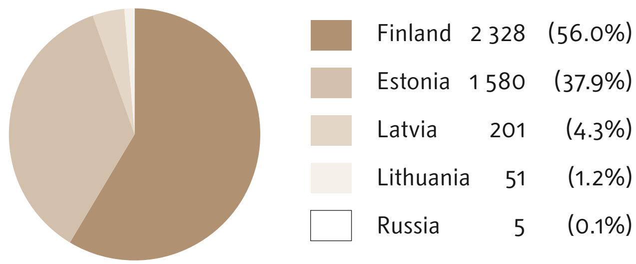
	2006	2005	Change
HK Ruokatalo Group Oyj	13	11	+2
HK Ruokatalo Oy	2 177	2 396	-219
AS Rakvere Lihakombinaat Group	1 346	1 258	+88
AS Tallegg	486	521	-35
LSO Foods Oy	91	79	+12
Other	52	44	+8
HK Ruokatalo Group concern total	4 165	4 309	-144

Employees in Finland and the Baltics at year-end 2002–2006

The darker colour denotes employees in Finland and the lighter those in the Baltics.

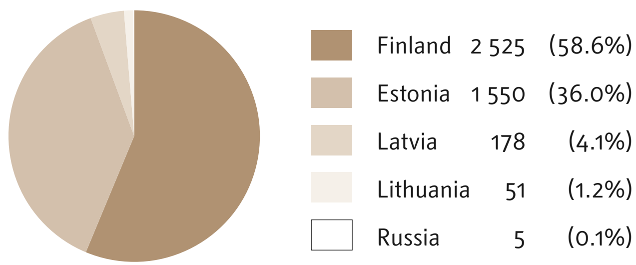


Employees by country at year-end 2006



Additionally, the Sokolów Group employed 4 968 persons.

Employees by country at year-end 2005



Additionally, the Sokolów Group employed 5 028 persons.

THAI MEATBALLS

400 G	GROUND TOPSIDE
2	EGGS
3 TBSP	BREADCRUMBS
200 ML	FRESH CORIANDER
2 TSP	GRATED GINGER
200 ML	COCONUT MILK
1	CHILLI PEPPER, MEDIUM HOT
	DARK SOY SAUCE
	THAI FISH SAUCE
1 CARTON	VIA THAI CURRY
	CANOLA OIL

Blend breadcrumbs with 100 ml coconut milk. Finely chop coriander and half of chilli pepper. Mix together eggs, ground meat, breadcrumb and coconut milk mix, chilli, coriander, soy sauce, fish sauce and ginger. Roll into meatballs with oiled hands and either fry in skillet or bake in oven. Heat curry sauce and add 100 ml coconut milk, serve with meatballs and cooked jasmine rice.

Strategically important step toward the west

HK Ruokatalo Group took a major step westward in 2006. In November, the company agreed on acquiring the business of Swedish Meats, the largest meat company in Sweden. The Assembly of the Swedish Meats cooperative accepted the deal at its meeting of 21 December 2006. The business of Swedish Meats was incorporated into the limited company Scan AB, whose capital stock was acquired by HK Ruokatalo Group in January 2007. Scan thus became a wholly owned subsidiary of HK Ruokatalo Group.

The acquisition results in HK Ruokatalo Group concern becoming one of the largest food companies in Northern Europe with annual net sales in excess of two billion euros. The Group has some 10,000 employees and 36 production plants in six countries. Scan AB will account for approximately 55 percent of net sales and 32 percent of employees.

SCAN IS NUMBER ONE IN SWEDEN

Scan AB is the meat business market leader in Sweden. Its leading brand Scan enjoys unparalleled recognition in Sweden and is part of the national identity. The Pärsons brand of cold cuts acquired a year ago is also very well known throughout the country.

The central product groups in Scan AB's range are cold cuts, sausages, bacons, pre-packaged meats and convenience foods. In the processed meat segments generating the highest net sales – falu and bologna sausage, hot dogs, sliced ham and meatballs – Scan products outsell the leading rival brand two to one.

In the raw material market, Scan accounts for some 73 percent of pork produced in Sweden and 60 percent of beef. This makes it a significant supplier of meat to other food manufacturers and, to a lesser extent, for the export market. Scan has no poultry meat production of its own.

The company has 15 production plants in Sweden and one each in Denmark and Poland. The latter came into the company's hands as part of an acquisition in 2005. Scan focuses intensely on the national market and less than two percent of its roughly 3 800 employees are based outside Sweden.

Meat consumption per capita in Sweden in 2006 was 78 kg. Although this is clearly below the EU average of 83 kg, no material increase in consumption is anticipated. Meat consumption in Sweden only rose by some two percent annually between 2000 and 2005. Despite slow growth in the overall market, sales can be boosted in selected segments through enhanced customer focus and an innovative product policy.

ENHANCED PROFITABILITY THROUGH EFFICIENCY MEASURES

Scan has only modest profitability relative to its size and market standing. The company has already decided on several measures to rectify the situation. The processing plant in Skurup was closed in July 2006. Early 2007 will mark the closure of the Visby cutting plant while operations in Helsingborg and Malmö will be discontinued in the latter half of the year. Operations will come to an end in Kävlinge in 2008. Restructuring has improved the efficiency of slaughtering and meat packing.

In March 2007, Scan became partner in a joint venture focusing on the slaughter of beef and sheep and capitalising on Swedish family business Team Ugglarp's existing production plant in the province of Skåne. Scan thus avoids having to invest a new facility, and excess industrial capacity is also reduced.

Business in Sweden is managed in keeping with the same profitability criteria and financial targets as in the group's other market areas. Swift and extensive development of operations is necessary if the business and profitability targets set for the acquisition of Scan are to be met.

CENTURY-LONG HISTORY

Scan has a rich and varied history. The earliest events hark back to 1899 when cattle farmers in the western Swedish province of Halland started a cooperative slaughterhouse, which was later joined by new members from other farmers' cooperatives. Together, these provided the foundation for the current Scan.

Sveriges Slakteriförbund (Swedish Slaughterhouse Association) was established in 1922 as an umbrella organisation for the cooperatives. The organisation Skånska Andelsslakterier (Cooperative Slaughterhouses of Skåne) that was formed in 1933 took the name of Scan in 1944.

The consolidation of regional cooperative slaughterhouses continued in the 1960s. In 1970, they adopted a common marketing name – Scan.

The Swedish Slaughterhouse Association became Swedish Meats as part of the extensive reshuffle of the cooperative meat industry in 1999. The industrial operations of four major meat cooperatives (Farmek, Norrlands Köttproducenter, Norrmejerier and Skanek) were amalgamated into and taken over by Swedish Meats, giving rise to the largest meat industry company in Sweden. Its business in turn was incorporated as Scan AB in January 2007.

The name Scan derives from the Latin for Skåne, or "Scania".

Second consecutive good year in the Baltics

HK Ruokatalo Group has been active in the Baltics, i.e. Estonia, Latvia and Lithuania, since 1998, when it acquired the Estonian AS Rakvere Lihakombinaat, the largest meat company in the Baltics.
The pork and beef processing Rakvere Lihakombinaat has three subsidiaries: the Estonian AS Ekseko, the Latvian Rigas Miesnieks and the Lithuanian Klaipedos Maisto Mesos Produktai. The companies sell under their own brands in all three countries. The best known brand in Estonia is Rakvere, in Latvia Rigas Miesnieks and in Lithuania Klaipedos Maistas.
HK Ruokatalo Group's second subsidiary AS Tallegg is the largest poultry meat and egg producer in Estonia. Tallegg also operates in Latvia and Lithuania under its own brands.

Estonia: Latvia: Lithuania:

Baltia	2006	%	2005	%
Net sales	130.8	13.9	113.8	12.8
Operating profit	12.6	31.2	6.5	27.0
Employees	1 832	44.0	1 779	41.3

The amounts are EUR million. The number of employees is the year-end figure. The percentage indicates the share of the corresponding group figure.

Consolidation continues in Baltic market

The economies of the Baltic States developed at a fairly rapid pace and costs are clearly rising. For example wages and salaries climbed by over 15% on average in 2006 and inflation stood at more than five percent. The prices of land and housing went up by 50–100 percent.

Large retail chains continued to grow stronger, which resulted in ongoing concentration of sales. Competition between the retail chains is intense and is also reflected as pressure on prices. The development has favoured large suppliers of meat able to leverage their size and respond effectively to the expectations of retailers. Moreover, the market share of meat sold in open-air markets and local stores continues to shrink, which is expected to further benefit large meat companies.

The processed meat market in Estonia is fairly consolidated and the five largest meat production and processing companies held a combined market share of 75% in 2006. In Latvia, the top five companies account for some 54% of the market. The processed meat market in Lithuania remains rather fragmented and the five leading companies only hold some 34% of the market. The number of local meat production and processing companies is expected to continue falling.

Meat consumption per capita in the Baltics failed to reach the EU average in 2006. Consumption in Estonia was 68 kg, in Lithuania 67 kg and in Latvia 50 kg, against an EU average of roughly 83 kg. Meat consumption increased at an annual rate of some four percent in the Baltics between 2000 and 2006.

SUCCESSFUL YEAR IN THE BALTICS

HK Ruokatalo Group performed well in the Baltics in 2006, with operations seeing an escalation in all sectors: higher market share and shelf space, greater efficiency in production and improved operating profit and earnings. Growth targets for net sales and profitability were reached in Baltic operations.

Sales clearly grew throughout the Baltics: net sales by 15 percent and sales volume by six percent. In red meat, Rakvere successfully boosted its sales in Estonia and increased its market share to 33.3 percent (Source: AC Nielsen 10–11/06 processed meat products). Rigas Miesnieks held a share of 18.3 percent of the market while Klaipedos Maisto accounted for slightly over 7% of the Lithuanian market.

In addition to our traditional mainstays of frankfurters, cooked sausages and hams, higher-end products such as sliced whole meat products and consumer-packed meats are also selling increasingly well. The sales of ground meat products, sliced products and all hams also developed favourably.

Marketing efforts focused on seasonal offerings for summer and Christmas and on new products launched in the traditional categories of grilling sausages, sliced whole meat products and consumer-packed meats.

Wages and energy costs climbed but at the same time, HK Ruokatalo Group was able to raise prices and succeeded in controlling costs and maintaining production efficiency. Cooperation within the group was intensified in a number of areas, including meat cutting and exports.

The pace of growth and change in the Baltic economies has been rapid. HK Ruokatalo Group has nonetheless been well able to adapt to these changes and business has developed in the desired direction.

RAKVERE CONSOLIDATES POSITION

Rakvere Lihakombinaat solidified its position in Estonia thanks to sustained development efforts. The favourable development of business gained support from the good quality, right price and appropriate production amounts of raw meat material produced by subsidiary Ekseko.

In Latvia, Rigas Miesnieks' new management and sales organisation honed the company's competitive abilities. The product range has been enhanced and the brand revamped. The company climbed into the black during the year under review.

In Lithuania, Klaipedos Maistas overhauled its product range and boosted sales, yet only posted a break-even result.

GOOD LATTER HALF OF THE YEAR FOR TALLEGG

The fall in the European demand and prices of poultry meat in early 2006 burdened Tallegg, which was at the same time finalising an extensive clean-up operation on its production chain. The situation returned to normal in summer and demand picked up once the seasonal summer products were made available in stores. Egg sales remained steady and profitable.

Cooperation in the area of logistics was further developed both internally between Rakvere and Tallegg and with customers.

Having shown a profit since summer, Tallegg posted a break-even result for the full year as anticipated. Tallegg's performance is expected to improve in 2007.

A VISTA OF POSSIBILITIES AND CHALLENGES

Consumption in the Baltic market will gradually upgrade to higher-end and higher quality products. The convenience food market is small but on a growth track. HK Ruokatalo Group will continue to focus on enhancing the competitiveness and attractiveness of its product range. As market leader, HK Ruokatalo Group is also the market bellwether.

New products will be innovated for the traditional product groups of frankfurters, cooked sausages, ground meat products and snack-type products. New approaches are also required for evolving product groups such as consumer-packed meats, slices and pelmeni. Expansion into wholly new product segments is not ruled out.

As market leader, HK Ruokatalo Group seeks to obtain increasing visibility in display and more shelf space for its products. The group will build on exports to Russia and elsewhere outside the Baltics, especially Sweden.

A tight rein must be kept on costs also in future, as hikes are anticipated in wages as well as the cost of energy, retail logistics services and feeds.

The excellence and wellbeing at work of our employees will receive heightened attention in a bid to lower the high rate of employee churn. This effort finds it foundation in the study of employee skills conducted particularly among middle management and supervisors.

Signs of the economy overheating are already evident in the Baltics but the economic expansion is estimated to continue at a more moderate pace than in 2006. People are quick to change jobs but the rise in wages has reduced the attractiveness of emigration. The rate of return migration is clearly picking up.

Despite rapidly rising costs, HK Ruokatalo Group seeks to retain the good level of earnings enjoyed in the Baltics in 2006.

Opportunities for growth in Central Europe

The pursuit of wider internationality prompted HK Ruokatalo Group to explore eastern Central Europe and take a minority stake in Poland's leading meat industry company Sokolów in 2002. Sokolów fulfilled the company's strategic requirements: 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 August 2004 HK Ruokatalo Group entered into strategic partnership with Danish Crown as Sokolów co-owner. The joint venture Saturn Nordic Holding established to this end started to systematically increase its holding, and by summer 2006 Sokolów was completely in Finnish-Danish hands. At this time, the owners decided to de-list the company from the Warsaw Stock Exchange. Since the beginning of 2007, Sokolów has had seven production facilities across Poland.

The Polish meat market remains fragmented for now. However, market restructuring has commenced and increasing numbers of meat companies are consolidating to ensure sufficient production volume and efficiency. With a market share of 5–8 percent, Sokolów is the second-largest company in its sector in Poland and also one of the most significant meat production and processing companies in all of Eastern Europe. With a population of nearly 40 million, Poland is the fifth largest meat producer in Europe. Meat production in 2006 came to approximately 3 900 million kilos, of which pork accounted for 57 percent. Meat consumption per capita in Poland is estimated at over 72 kg while the EU average is roughly 83 kg.

Sokolów excels especially at pork processing. Of pork processed by Sokolów in 2006, 53 percent was used for various kinds of processed meats such as sausages, salamis and tinned meats. Besides the Sokolów brand, renowned throughout Poland, the company's brand portfolio also comprises the Gold, Fitness, Babuni, Uczta, O'Drobina and Gratka brands.

The Poles are traditionally fond of meat dishes and sausages, and Sokolów's extensive product range caters for their many tastes. Its flavourful and filling country sausages remain much in demand especially in more rural areas while in cities, sales of modern, low-fat cold cuts such as Sokolów's Fitness are rising.

EXPORTS ON THE RISE

Sokolów products are sold through its own network of retail stores, outside shops and wholesalers. In Poland, Sokolów has some 500 retail outlets. Some are owned by the company, some are run by entrepreneurs and some are built on the shop-in-shop concept. Sokolów's own shops accounted for 28 percent of the company's net sales in 2006. It is the only meat company in Poland with a distribution network spanning the entire country.

Exports have steadily grown in importance to the company and despite fluctuation in exchange rates and shifts in trade policy, in 2006 exports already accounted for 28 percent of Sokolów's sales, compared to 24% in 2005. The major export destinations are other EU Member States.

PROFITABILITY IMPROVED

The group performed ahead of targets in Poland in the early part of the year. Price competition intensified towards the end of 2006, however. The tightened competition resulted in Sokolów's long-running positive development in revenue and profitability coming to a halt in the final quarter. The good early part of the year allowed net sales to increase by 8.1 percent and operating profit by 59.5 percent on the previous year. EBIT came to 2.9% of net sales (2.0% in 2005).

The market in Poland is expected to remain challenging through early 2007.

ADDITIONAL CAPACITY IN WESTERN POLAND

Sokolów has acquired Pozmeat S.A., a meat company located in western Poland outside the city of Poznan, and its factory completed in 2001. The deal involves a modern slaughterhouse, cutting plant and meat processing factory. In addition to the additional capacity, Sokolów also acquired one of Poland's best-known, century-old meat brands.

Production at the factory, which had been empty, was started up at the beginning of 2007. In future, Sokolów will be able to step up supplies to Central Europe and especially the nearby Berlin region, which in the longer term will strengthen the company's position.

Poland	2006	%	2005	%
Net sales	203.6	21.6	188.3	21.1
Operating profit	6.0	14.9	3.7	15.4
Employees	4 968	-	5 028	-

The amounts are EUR million and represent the share (50%) accounted for in HK Ruokatalo Group figures. The number of employees is the year-end figure. It refers to the entire personnel of Sokolów and has not been included in Group figures. The percentage indicates the share of the corresponding group figure.

GRILLED SAUSAGE
- vinaigrette potato salad

VINAIGRETTE POTATO SALAD

CA. 12	COOKED POTATOES
1	RED ONION
1/2	FRESH CUCUMBER
1	AVOCADO
2 TBSP	CAPERS
2 TBSP	RED WINE VINEGAR
50 ML	CANOLA OIL
2 TBSP	DIJON MUSTARD
	SALT
	WHITE PEPPER

Wash, peel and slice potatoes. New potatoes need not be peeled.
Mix oil with red wine vinegar and mustard to make vinaigrette.
Season potatoes with salt and white pepper. Add vinaigrette.
Chop onion fine, dice avocado and cucumber. Add to salad.
Add capers and check seasoning. Serve with grilled sausages.

Report of the Board of Directors for the financial year ending 31 December 2006

HK Ruokatalo Group's Finnish operations are characterised by intense structural development with the objective of enhanced cost competitiveness. Though revenue and profitability developed favourably towards the end of the year, we continued to fall clearly short of longer-term targets. Growth objectives in revenue and profitability were reached in Baltic operations; business development was steady and predictable. The early part of the year in Poland was on target. In the fourth quarter, revenue growth and profitability improvement were halted by tightened competition.

The acquisition of the business of Swedish Meats successfully executed in the latter half of the year makes HK Ruokatalo Group a substantially larger player in the industry than before. Swift and extensive development of operations is necessary if the business and profitability targets set for the acquisition are to be met.

REVENUE AND FINANCIAL PERFORMANCE

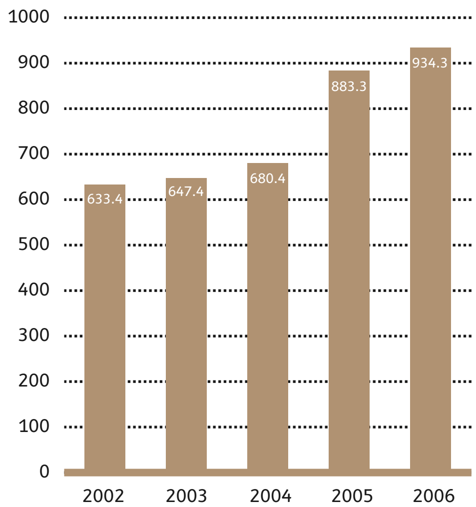
Group revenue in 2006 amounted to EUR 934.3 million, up 5.8% on the previous year. The highest growth in relative terms was seen in the Baltics. Revenue growth in the Finnish market was modest. At EUR 40.4 million, consolidated EBIT showed a bump of 67.6% from the previous year. The swiftest development here as well is attributable to the Baltics and Poland.

The most significant non-recurring item was the capital gain of EUR 3.4 million arising from the sale of the Turku property in Q4. Non-recurring charges and write-downs primarily relating to restructuring totalled EUR 2.5 million. Non-recurring capital gains in the year totalled EUR 4.8 million while non-recurring charges over the course of the year came to EUR 6.2 million.

Revenue and operating profit in the group's principal market areas for the last quarter and during the entire financial year (EUR million) were as follows:

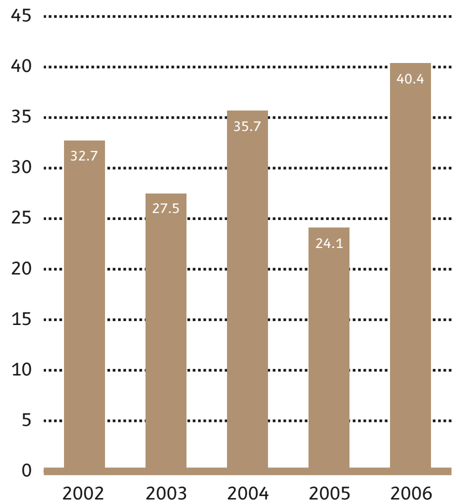
Revenue 2002-2006 (EUR million)

The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS)

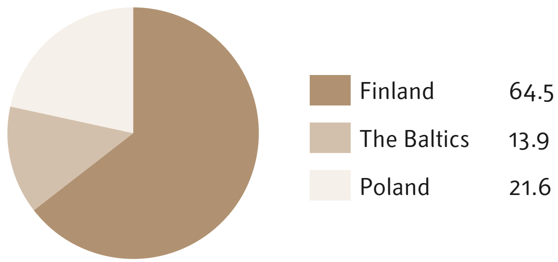


Operating profit 2002-2006 (EUR million)

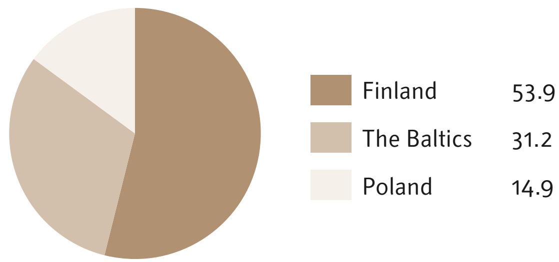
The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS)



Revenue by market areas 2006 (%)



Operating profit by market areas 2006 (%)



NET SALES AND EBIT BY SEGMENT

(EUR million)

	10-12/2006	10-12/2005	1-12/2006	1-12/2005
Net sales				
-Finland	162.9	153.0	608.0	588.8
-The Baltics	33.2	29.0	130.8	113.8
-Poland	49.5	52.4	203.6	188.3
-Between segments	-2.8	-1.1	-8.2	-7.5
-Total	242.8	233.3	934.3	883.3
EBIT				
-Finland	9.5	0.1	21.8	13.9
-The Baltics	3.2	1.4	12.6	6.5
-Poland	1.0	0.9	6.0	3.7
-Between segments	0.0	0.0	0.0	0.0
-Total	13.7	2.4	40.4	24.1

MARKET AREA: FINLAND

Net sales at home in 2006 were EUR 608.0 million, up by EUR 19.2 million (+3.3%) on the corresponding figure a year earlier. The figure includes company exports from Finland. EBIT rose to EUR 21.8 million from the previous year's EUR 13.9 million (+56.9%). EBIT came to 3.6% of net sales (2.4%) while the group target is 5%.

Sales of meat to the retail trade saw positive development in the latter half of the year. Whilst deliveries of meat joints increased substantially, consumer-packed meat fell short of target. Meat exports to Russia remained brisk throughout the year. Increasing amounts of fresh cut pork were exported alongside the traditional industrial selections. Other export destinations were Japan, the United States, the Baltics and Sweden.

The two-year modernisation project at the Forssa slaughterhouse and cutting room was completed in November with deployment of the final stage at the slaughterhouse. Deployment of the new investment went largely as planned. Statutory employer-employee negotiations under the Act on Cooperation within Undertakings were conducted in Forssa in respect of both the slaughterhouse and the cutting room. These had to do with the deployment of the modernised production lines and reduced demand for labour.

HK Ruokatalo's procurement company LSO Foods Oy and co-operative Järvi-Suomen Portti Osuuskunta concluded a subcontracting agreement in September whereby Portti outsourced animal procurement and associated services to LSO Foods. Higher volumes and the elimination of organisational overlaps enhance cost efficiency in procurement.

On the whole, the profitability of the meat business was and remains rather poor although development in the autumn clearly proved that the action taken thus far is steering performance in the right direction.

Reduced consumption of poultry meat in certain parts of Europe in early 2006 was reflected throughout the EU. It manifested as falling consumer prices, decreased exports and rising inventories.

Consumption of domestic poultry in Finland fell only slightly and started to rise again during the barbecue season. HK Ruokatalo's sales have been on target since. Demand increased for highly processed fresh products in particular. With cost pressure also largely under control, the company's poultry business achieved its profit targets.

The demand for broiler meat picked up after a slight hiccough in the early part of the year and total consumption was approximately one percent higher than in 2005.

The joint venture Länsi-Kalkkuna Oy established by HK Ruokatalo and Atria on a 50-50 basis to improve the profitability of the turkey business assumed responsibility for the beginning of the chain: primary production, slaughtering and cutting. Competition in the product market will continue between the owner companies' own brands. Slaughtering and cutting were centralised to HK Ruokatalo's Säkylä facility and hatchery operations to Jalasjärvi. Having launched operations at the beginning of 2007, Länsi-Kalkkuna will deliver annual savings of approximately one million euro to HK Ruokatalo, which is crucial to this loss-making business sector.

The sales value of HK Ruokatalo's processed meat and convenience foods grew at the market rate of some two percent. The sales of whole meat products and frankfurters outpaced overall market growth. The convenience food market in Finland grew by some six percent. The rise in company sales of ground meat products and snacks exceeded market growth. New items launched on the market included the VIA product range of sauces and soups.

Despite the development of sales, there remains room for improvement in the profitability of the processed meat and convenience food business. Management of rising costs, including energy costs, poses a challenge in the processed meat and convenience food business in Finland. Increasing the value added of products is a key priority.

MARKET AREA: THE BALTICS

Net sales in the Baltics amounted to EUR 130.8 million, up from EUR 113.8 million in 2005 (+15.0%). EBIT improved from the EUR 6.5 million in 2005 to 12.6 million (+95.3%). EBIT thus came to 9.6% of net sales (5.7% for 2005).

Sales in the Baltic Group were up by 6 percent in volume and 15 percent in value over the year. In addition to our traditional mainstays of frankfurters, cooked sausages and hams, higher-end products such as sliced whole meat products and consumer-packed meats are also selling increasingly well.

Rakvere solidified its position in Estonia thanks to development efforts undertaken in the past few years. Development gained support from the good quality and properly sized volumes of in-house raw material production. In Latvia, Rigas Miesnieks' new management and sales organisation have introduced greater efficiency, improved the product range and modernised the brand. The company is in the black. In Lithuania, the revamping of the Klaipedos Maistas product range brought increased sales but the company is still only breaking even.

Growth and change have been extremely rapid, particularly in Estonia, where costs have also gone up the fastest. Rakvere Lihakombinaat and its subsidiaries have managed to stay abreast of the changes, which is reflected favourably in market share and production efficiency as well as revenue and earnings. Continued success also in future is largely dependent on how well rising costs are managed.

The fall in the European demand and prices of poultry meat in early 2006 burdened Tallegg, which was at the same time finalising an extensive clean-up operation on its production chain. In June the situation had been restored to normal. Stronger demand and prices have allowed Tallegg to return a profit and it posted a break-even operative result for the year as expected. Tallegg's performance is expected to improve in 2007.

MARKET AREA: POLAND

Half of Sokolów's 2006 revenue, i.e. EUR 203.6 million, is accounted for in the figures for HK Ruokatalo Group. The figure in the previous year was EUR 188.3 million (+8.1%). EBIT came to EUR 6.0 million, up from EUR 3.7 million in the previous year (+59.5%). EBIT rose to 2.9% of net sales from the earlier year's 2.0%.

Sokolów's performance in the early part of the year even outpaced targets. However, price competition continued to intensify in Poland and the tightened competition resulted in the company's long-running positive development in revenue and profitability coming to a halt in the final quarter. The company, for all intents and purposes, refused to knowingly engage in loss-making sales. Sokolów's competitiveness needs to improve if the longer-term financial and business targets are to be achieved on the schedule reported earlier.

Sokolów's Q4 result was further eroded by embezzlement discovered at the company's Jaroslaw plant and carried out by of a group of professional criminals. The credit loss, written down in full in Q4, has an impact of EUR 0.8 million on the operating profit of the HK Ruokatalo Group concern in the market area of Poland. Investigation into the matter remains pending.

Sokolów acquired Pozmeat, a meat company located outside the city of Poznan, and its factory completed in 2001. The factory has been empty since autumn 2004, when Pozmeat went into liquidation. In the longer term, the acquisition will strengthen Sokolów's operating conditions in Western Poland and the nearby Berlin economic area. The company gained additional production capacity and one of Poland's best-known, century-old meat brands. Production started up in Poznan in early 2007.

EXPANSION INTO SWEDEN

In summer and autumn 2006, the company conducted negotiations on the acquisition of the business of Sweden's largest meat company Swedish Meats. The negotiations led to the agreement of 9 November 2006, which was accepted by the Assembly of Swedish Meats on 13 December 2006. The amendment to the by-laws of Swedish Meats concerning its purpose and line of business, a condition to the deal, was passed by its Assembly on 21 December 2006.

Swedish Meats incorporated its business into the limited company Scan AB, whose entire capital stock was acquired by HK Ruokatalo Group on 29 January 2007. Scan AB thus became a wholly owned subsidiary of HK Ruokatalo Group. HK Ruokatalo Group paid part of the purchase price with a directed issue of 4,843,000 Series A Shares. The purchase price also consisted of a cash consideration in the amount of ca. EUR 76 million (SEK 692 million). In addition, HK Ruokatalo Group assumed liability for Swedish Meats' debt amounting to a net value of some EUR 171 million or SEK 1.6 billion. The sum of some EUR 7 million (ca. SEK 66 million) will be paid over the next five years in additional purchase price, conditional however on the repayment to Scan AB of certain Swedish Meats' membership loans of equivalent value. Enterprise value according to share prices and currency exchange rates at the time of execution thus came to approximately EUR 329 million (SEK 2 988 million).

Goodwill before the acquired balance sheet has been measured at fair values amounts to some EUR 50 million. The current view is that purchase price will be allocated to intangible assets under brands. The company will announce the final allocation of purchase price at a later date.

The expansion of operations to Sweden and larger company size strengthen competitiveness and market standing in the long run in the Baltic region and in the food market. We will now be able to provide even more diverse and efficient service to retail and consumers. This represents a major step in the future development of HK Ruokatalo Group. The group now has 36 production facilities in six countries and some 10 200 employees as well as leading brands in all its markets. There are no geographical overlaps. HK Ruokatalo Group does not rule out the possibility of seeking further growth in Northern Europe also through mergers and acquisitions.

Scan AB's profitability relative to company size and market standing is modest. In future, the company will be developed in keeping with the same profitability criteria and financial targets applied by HK Ruokatalo Group in its business management.

EFFECT OF SCAN ACQUISITION ON GROUP REPORTING AND FINANCIAL INDICATORS

Scan AB and its subsidiaries will be consolidated into group figures effective 29 January 2007. In reporting, Sweden will be added to the group's previous principal geographical segments of Finland, the Baltics and Poland. The inclusion of Scan in the HK Ruokatalo Group concern will in future markedly alter consolidated financial indicators.

MANAGEMENT

On 1 April 2006, former CEO Simo Palokangas took retirement and was replaced with Kai Seikku, MSc (Econ. & Bus. Admin.). Seikku was managing director of HK Ruokatalo Oy, which is responsible for business operations in Finland, before taking up the post of group CEO.

RESTRUCTURING OF FINNISH OPERATIONS

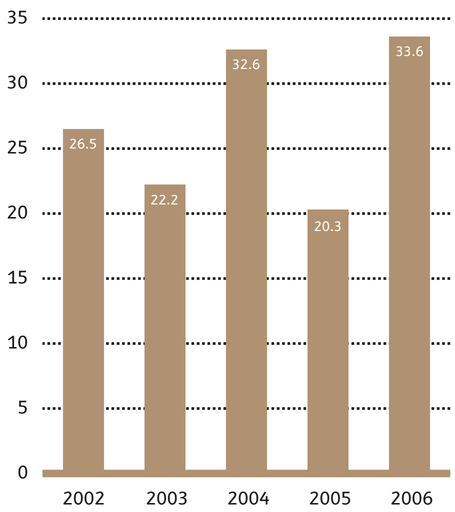
The company launched in January 2006 a two-year industrial restructuring programme in Finland. The aim of the programme is to centre most of the processed meat production in Vantaa, the value added processing of fresh meat in Forssa and logistics in Vantaa. The plan, which is scheduled for 2006–2007, will result in the closure of operations at the Turku processed meat factory, the Tampere meat processing plant and the Tampere distribution terminal. The number of industrial plants will thus fall from eight to six. Together with certain efficiency measures already implemented, the plan will affect an estimated 500 jobs by the end of 2007.

As part of the restructuring, HK Ruokatalo Group and LSO Osuuskunta sold the property in the Kupittaa district of Turku at year-end. HK Ruokatalo remains a tenant in the office building. The company's lease on the factory building expires at the end of 2007.

The structural solutions will rationalise business at home and enhance cost competitiveness. They will deliver annual cost savings in the region of EUR 15m–20m, to be realised in part in 2007 and in full in 2008.

Profit before tax 2002-2006
(EUR million)

The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS)



ACQUISITION OF MINORITY SHARES IN SOKOLÓW AND RAKVERE

Saturn Nordic Holding (SNH), the joint venture owned by HK Ruokatalo Group and Danish Crown, increased its holding in Sokolów to 91.75 percent by acquiring 9.4 million Sokolów shares in May by public offer. On 23 May 2006, SNH announced it would buy out the remaining 8.4 million shares. When the takeover process ended on 20 June 2006, permission was sought to de-list Sokolów from the Warsaw Stock Exchange.

In Estonia, HK Ruokatalo Group announced on 21 June 2006 that it would buy out the 1.6 million Rakvere shares held by minority shareholders of Rakvere Lihakombinaat. The takeover process ended on 31 August 2008 and Rakvere Lihakombinaat was de-listed from the Tallinn Stock Exchange at the end of September.

The buyouts and de-listing of Sokolów and Rakvere facilitate operative group management and streamline group administration. Moreover, with regard to provision of capital, the need for subsidiaries to be listed is eliminated by the parent company's listing.

INVESTING ACTIVITIES

Group gross investments totalled EUR 82.6 million (EUR 59.2m). Of this sum, EUR 59.8 million was spent in Finland and EUR 9.7 million in the Baltics. HK Ruokatalo Group's share of Sokolów investments was EUR 13.1 million.

The figure for Finland includes the buyout of minority interests in Sokolów and Rakvere in spring and summer 2006, totalling EUR 17.7 million.

The modernisation of the slaughterhouse and cutting room in Forssa was completed for deployment in November 2006. The transfers and modifications necessitated by the Finnish restructuring efforts were underway since spring.

Major investments in the Baltics concerned Rakvere subsidiary Ekseko's new pig farm and the new hennery commissioned by Tallegg.

In Poland, major investments were related to the acquisition of Pozmeat and preparations for the start-up of operations.

RESEARCH AND DEVELOPMENT

Practically all research and development in the HK Ruokatalo Group concern involves normal product development. A total of EUR 8.5 million (EUR 8.0m) was spent on R&D in 2006.

FINANCING ACTIVITIES

Group interest-bearing liabilities at 31 December 2006 were EUR 196.7 million, compared to EUR 176.1 million a year earlier. Interest-bearing liabilities averaged at over EUR 200 million throughout the year. The increase is largely attributable to brisk investing activities. Approximately half of the increase in financing expenses is explained by the rise in loans and half by the increase in interest rates. The equity ratio was 43.7 percent (44.7%).

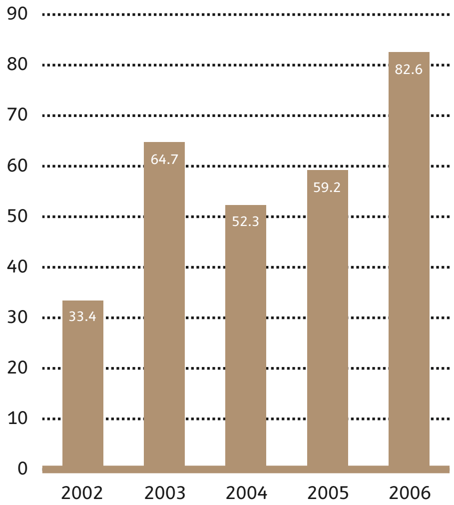
BOARD OF DIRECTORS' AUTHORISATIONS TO INCREASE THE SHARE CAPITAL

(1) The Board of Directors holds an authorisation granted by the Annual General Meeting of Shareholders on 21 April 2006 to increase the share capital through the issue of no more than 2 000 000 new A Shares, thus raising the share capital by a maximum of EUR 3 400 000. The authorisation allows the Board of Directors to disapply the pre-emption rights of existing shareholders and to decide the issue price and other terms and conditions of subscription.

(2) On 21 April 2006, the Annual General Meeting authorised the Board to decide whether to acquire and transfer treasury

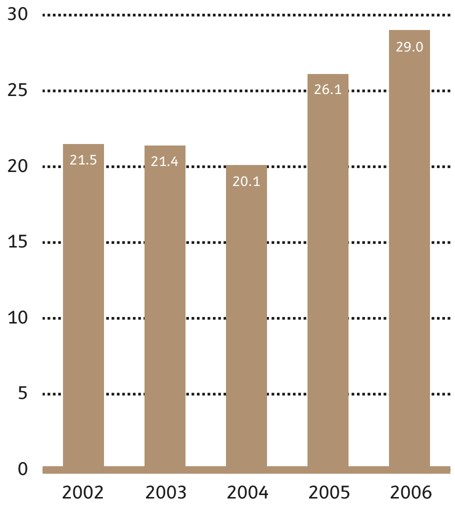
Gross investments 2002-2006
(EUR million)

The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS)



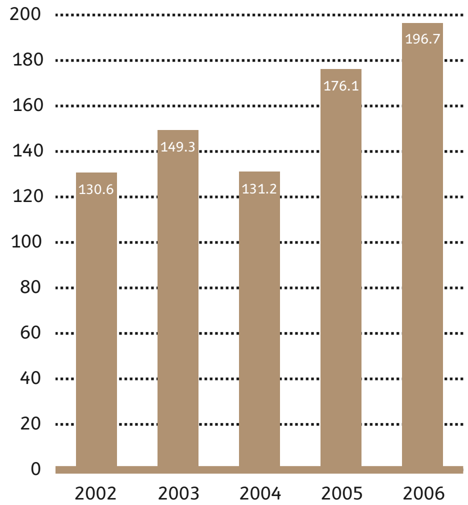
Depreciation 2002-2006
(EUR million)

The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS)

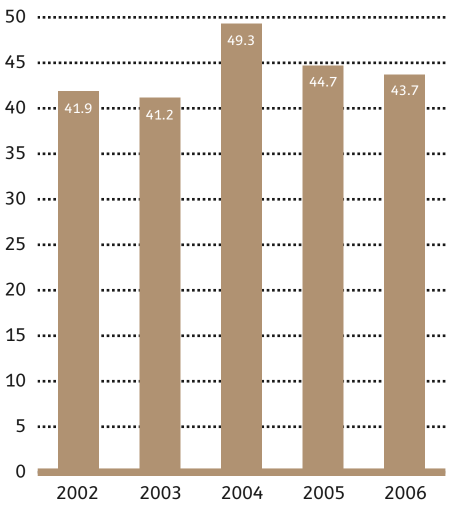


Interest-bearing liabilities 2002-2006
(EUR million)

Includes capital loan.



Equity ratio 2002-2006
(%)



shares. The company may, in public trading or in a public bid, acquire a maximum of 3 446 319 A Shares.

The authorisations are valid until the next Annual General Meeting of Shareholders, however no longer than until 21 April 2007. The Board has exercised neither authorisation (1) nor (2).

(3) On 22 December 2006, an Extraordinary Meeting of Shareholders authorised the Board to decide on the directed issue pertaining to the acquisition of Swedish Meats and its terms and conditions. A maximum of 4 843 000 A Shares may be issued. The authorisation is valid until 30 June 2007. The Board decided on 29 January 2007 to exercise the authorisation.

EMPLOYEES

HK Ruokatalo Group employed an average of 4 418 (4 541) people in Finland and the Baltics during the year. At 31 December 2006, the group had a total of 4 165 employees in Finland and the Baltics, compared to the figure of 4 309 in the previous year. The Sokolów Group employed an additional 4 968 (5 028) people.

The average number of parent company employees was 14 (11 in 2005).

An analysis of employees by country at 31 December 2006 is as follows: Finland 56.0%, Estonia 37.9%, Latvia 4.3%, Lithuania 1.2% and Russia 0.1%.

INCENTIVE SCHEME FOR KEY PERSONNEL

The Board of Directors has decided to introduce a share incentive scheme for the years 2006-2008. The purpose of the scheme is to foster the commitment of key personnel to the achievement of the company's strategic and financial targets while also making them long-term shareholders in the company. The scheme concerns some ten key employees who have the opportunity of receiving HK Ruokatalo Group's A Shares as a reward for achievement of set targets.

The incentive scheme consists of three earning periods of one calendar year each: the years 2006, 2007 and 2008. The Board decides on the key personnel included in the scheme for each earning period and on the maximum incentive payable to them.

Any incentives under the scheme are tied to group net sales and return on capital employed. The incentives will be paid after the end of each earning period partly in shares and partly in cash. The cash element is used to cover any taxes and fiscal charges arising from the shares. The persons shall hold on to the shares earned for at least three years from the end of the earning period.

The element to be paid as shares for the first earning period comes to a total of 96,000 A Shares in HK Ruokatalo Group. The maximum numbers of shares and criteria for other earning periods shall be decided by the Board at a later date. The Board will take a separate decision on the acquisition of treasury shares for the incentive scheme.

RISKS, UNCERTAINTY FACTORS AND THE ENVIRONMENT

HK Ruokatalo Group and its business units in Finland, Sweden, the Baltics and Poland constantly assess the risks relating to its business at both the operative and owner administration levels. Assessment also takes into account whether or not the risk management means are appropriate in terms of quality and scope.

The monitoring and analysis of any factors of uncertainty is part of the normal operations of HK Ruokatalo Group's management system. In the meat industry, factors of uncertainty may arise from fluctuations in the price and availability of raw meat material and, in the long term, changes in the EU's common agricultural policy (CAP) and decisions by the WTO in world trade issues. Changes in consumer preferences may also constitute a factor of uncertainty if not identified in time. Changes in retail structure and internationalisation are set to continue and will amplify competition in the meat industry in our main markets.

As concerns the environment, the group operates on the principle of causing minimum environmental impact during production. This principle is put into practice in Finland, Sweden, the Baltics and Poland, taking into account existing regulations and certification processes at the local and EU level. Operative management in each principal market area is responsible for ensuring the appropriate organisation of environmental management.

EVENTS TAKING PLACE AFTER 31 DECEMBER 2006

The transaction between HK Ruokatalo Group and Swedish Meats was completed on 29 January 2007 when the entire capital stock of Scan AB was transferred to HK Ruokatalo Group and Scan AB officially launched operations as the Swedish subsidiary of HK Ruokatalo Group. The Board of HK Ruokatalo Group simultaneously exercised the authorisation granted to it by the Extraordinary Meeting of Shareholders on 22 December 2006 and effected the directed issue of 4 843 000 Series A Shares to Swedish Meats. 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. The increase was entered in the Trade Register on 5 February 2007. The new shares are first entitled to full dividend for the 2007 financial year.

Magnus Lagergren was appointed managing director of Scan AB as of 29 January 2007. He previously served as the managing director of Swedish Meats. Executive vice president of the company's meat business Esa Mäki was appointed managing director of HK Ruokatalo Oy effective 1 March 2007.

As of 1 March 2007, the Group Management Team of parent company HK Ruokatalo Group consists of CEO Kai Seikku, CFO Matti Perkonoja, CMO Antti Lauslahti, managing director of HK Ruokatalo Oy Esa Mäki, managing director of Scan AB Magnus Lagergren and Olli Antniemi, executive vice president, the Baltics. Senior vice president Risto Siivonen serves as Secretary to the Management Team. In addition to the Group Management Team, each subsidiary has an operative management team.

On 8 February 2007 Danish Crown announced that its holding in HK Ruokatalo Group was diluted to 8.89 percent of shares and 2.46 percent of votes as a consequence of the increase of HK Ruokatalo Group's share capital.

Swedish Meats ek. för. announced on 15 February 2007 that the conditional agreement notified by it on 13 November 2006 had been completed. Swedish Meats' holding in HK Ruokatalo Group was thus confirmed at 12.32 percent of shares and 3.41 percent of votes.

THE FUTURE

The group's operating profit is expected to improve in Finland, Sweden and Poland during 2007, excluding in Poland, however, costs relating to the start-up of Pozmeat.

In Finland, the savings reaped from restructuring as well as optimisation of the product range will gradually be reflected in earnings.

Restructuring to improve the poor profitability of operations, possibly resulting in non-recurring charges, may lie ahead in Sweden.

Earnings improvements in Poland are hindered by non-recurring items relating to the start-up of Pozmeat operations. These will be reported separately for each quarter. Additionally, competition in Poland remains challenging as reported above, which adds to uncertainty especially in the early part of the year.

In the Baltics, where costs are spiralling, we aim to maintain earnings at the good level enjoyed in 2006.

DIVIDEND RECOMMENDATION

The parent company's distributable equity is EUR 11.4 million. The Board of Directors recommends that the company pays a 2006 dividend of EUR 0.27 per share, in other words a total of EUR 9.3 million.

Key indicators

Financial indicators

	2006	2005	2004	2003*	2002*
Revenue, EUR million	934.3	883.3	680.4	647.4	633.4
Operating profit/loss, EUR million	40.4	24.1	35.7	27.5	32.7
- % of net sales	4.3	2.7	5.2	4.2	5.2
Profit/loss before tax, EUR million	33.6	20.3	32.6	22.2	26.5
- % of net sales	3.6	2.3	4.8	3.4	4.2
Return on equity (ROE), %	11.9	7.7	14.6	10.7	15.3
Return on investment (ROI), %	10.1	7.4	12.3	9.8	12.6
Equity ratio, %	43.7	44.7	49.3	41.2	41.9
Gross investments, EUR million	82.6	59.2	52.3	64.7	33.4
- % of net sales	8.8	6.7	7.7	10.0	5.3
R&D expenses, EUR million	8.5	8.0	6.4	6.1	5.2
- % of net sales	0.9	0.9	0.9	0.9	0.8
Employees, average	4 418	4 541	4 713	5 034	4 882

Per share data

	2006	2005	2004	2003*	2002*
Earnings per share, EUR					
Earnings per share (EPS), undiluted, EUR	0.79	0.46	0.76	0.55	0.75
Earnings per share (EPS), diluted, EUR	0.79	0.46	0.76	0.54	0.66
Equity per share, EUR	6.86	6.36	6.09	5.43	5.23
Dividends					
Dividend paid per share, EUR	0.27 1)	0.27	0.29	0.28	0.27
Dividend per share, EUR	0.27 1)	0.27	0.29	0.25	0.24
Dividend of undiluted earnings, %	34.2 1)	58.2	38.4	45.4	32.3
Dividend payout ratio, diluted, %	34.2 1)	58.2	38.4	46.5	36.4
Effective dividend yield, %	1.9 1)	2.7	3.9	4.3	4.5
Price/earnings ratio (P/E)					
- undiluted	18.4	21.2	9.7	10.5	7.1
- diluted	18.4	21.2	9.7	10.8	8.0
Highest trading price, EUR	15.19	10.05	7.40	6.07	5.45
Lowest trading price, EUR	8.35	7.23	5.53	4.60	2.86
Middle price during the financial period, EUR	11.02	9.17	6.28	5.48	4.57
Market capitalisation, EUR million	499.7	339.8	253.6	164.1	137.2
Trading volume (1000 shares)	21 389	11 395	10 359	7 074	4 578
Trading volume, %	73.6	39.2	43.1	31.4	22.8
Weighted middle value of adjusted number of shares during the financial period (1000)	34 463	34 463	29 428	27 928	25 480
Adjusted number of shares at end of financial period, (1000)	34 463	34 463	34 463	28 300	25 869

* The figures for 2002-2003 are shown in accordance with Finnish Accounting Standards (FAS).

1) Board of Directors' recommendation

Formulae for financial indicators

Return on equity (%)	$\dfrac{\text{Profit/loss before extraordinary items, provisions and taxes - taxes}}{\text{Shareholders' equity + minority interests (average)}}$	x 100
Return on investment (%)	$\dfrac{\text{Profit/loss before extraordinary items, provisions and taxes + interest and other financial expenses}}{\text{Balance sheet total - zero interest debts (average)}}$	x 100
Equity ratio (%)	$\dfrac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}}$	x 100
Earnings per share	$\dfrac{\text{Result before extraordinary items, provisions and taxes - Taxes +/- minority interests}}{\text{Average number of shares during the financial period}}$	
Equity per share	$\dfrac{\text{Shareholders' equity}}{\text{Adjusted number of shares at balance sheet date}}$	
Dividend per share	$\dfrac{\text{Dividend per share}}{\text{Coefficient of share issues after the financial year}}$	
Dividend payout ratio (%)	$\dfrac{\text{Adjusted dividend per share}}{\text{Earnings per share}}$	x 100
Effective dividend yield (%)	$\dfrac{\text{Dividend per share}}{\text{Adjusted closing price on the last trading day of the financial year}}$	x 100
P/E ratio	$\dfrac{\text{Adjusted closing price on the last trading day of the financial year}}{\text{Earnings per share}}$	
Market capitalisation	The number of outside shares at the end of the financial period multiplied by the adjusted closing price on the last trading day of the financial period	

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

	Note	2006	2005
Net sales	1	**934,3**	**883,3**
Change in inventories of finished goods			
and work in progress		-1.4	0.5
Work performed for own use and capitalised		0.6	0.1
Other operating income	2	8.5	4.1
Materials and services	3	-617.6	-587.9
Employee benefits expenses	4	-150.1	-145.3
Depreciation and amortisation	5	-29.0	-26.1
Adjustments	5	-1.5	-2.6
Other operating expenses	6	-103.3	-102.0
Operating profit		**40.4**	**24.1**
Financial income	7	1.9	2.7
Financial expenses	7	-8.7	-7.2
Share of associates' results		0.0	0.7
Profit/loss before tax		**33.6**	**20.3**
Income taxes	8	-5.8	-3.3
Profit/loss for the financial year		**27.8**	**17.0**
Net profit attributable:			
Equity holders of the parent		27.2	16.0
Minority interests		0.6	1.0
Total		27.8	17.0
Earnings per share calculated on profit attributable to equity holders of the parent			
EPS, undiluted, continuing operations, EUR/share		0.79	0.46
EPS, diluted, continuing operations, EUR/share		0.79	0.46

Consolidated balance sheet at 31 December (EUR million)

	Note	2006	2005
Assets			
Non-current assets			
Intangible assets	9	4.0	4.0
Goodwill	10	53.9	46.8
Property, plant and equipment	11	294.5	266.3
Shares in associates	12	5.5	5.1
Trade and other receivables	13	4.1	3.8
Available-for-sale investments	13	0.3	0.4
Deferred tax asset	14	2.2	2.2
Total non-current assets		**364.4**	**328.6**
Current assets			
Inventories	15	58.4	65.4
Trade and other receivables	16	112.1	106.5
Income tax receivable	16	2.5	1.0
Cash and bank	17	12.1	12.8
Total current assets		**185.1**	**185.7**
Total assets		**549.5**	**514.3**
Equity and liabilities			
Share capital	18	58.6	58.6
Share premium reserve	18	72.9	72.9
Fair value reserve and other reserves	18	9.0	9.6
Translation differences	18	5.4	4.8
Retained earnings	18	90.5	73.2
Equity attributable to equity holders of the parent		236.4	219.1
Minority interests		0.6	10.8
Total shareholders' equity		**237.1**	**229.9**
Non-current liabilities			
Deferred tax liability	14	12.2	12.2
Interest-bearing liabilities	21.22	87.1	84.2
Pension obligations	19	5.2	4.5
Provisions	20	0.0	0.0
Total non-current liabilities		**104.4**	**100.9**
Interest-bearing liabilities	21.22	109.6	91.9
Trade payables and other liabilities	21	96.7	91.0
Income tax liability	21	0.9	0.2
Provisions	20	0.6	0.4
Total current liabilities		**208.0**	**183.5**
Total equity and liabilities		**549.5**	**514.3**

Consolidated cash flow statement (EUR million)

	2006	2005
Operating activities		
Operating profit	40.4	24.1
Adjustments to operating profit	-0.5	-0.2
Depreciation and amortisation	30.5	28.6
Change in working capital	6.3	-15.9
Financial income and expenses	-6.8	-4.5
Taxes	-5.5	-3.3
Net cash inflow/outflow from operating activities	64.4	28.8
Investing activities		
Net PPE investments	-76.2	-59.2
Net cash flow from investing activities	-76.2	-59.2
Cash inflow/outflow before financing activities	-11.8	-30.4
Financing activities		
Change in loans	20.4	30.9
Dividends paid	-9.3	-10.0
Net cash flow from financing activities	11.1	20.9
Change in assets	-0.7	-9.5
Assets at 1 January	12.8	22.3
Assets at 31 December	12.1	12.8

Statement of changes in consolidated shareholders' equity

	Share capital	Share premium	Hedging reserve	Other reserves	Translation differences	Retained earnings	Total
Shareholders' equity 1 Jan 2006	58.6	72.9	1.0	8.6	4.8	73.2	219.1
Cash flow hedging							
- Amount transferred to shareholders' equity during the period	-	-	-	-	-	-	0.0
Reclassifications between items	0.0	0.0	0.0	0.0	0.6	0.0	0.6
Other changes	0.0	0.0	-0.9	0.3	0.0	-0.6	-1.2
Net profit/loss recognised directly in shareholders' equity	0.0	0.0	-0.9	0.3	0.6	-0.6	-0.6
Profit for the period	-	-	-	-	-	27.2	27.2
Total profits and losses	0.0	0.0	-0.9	0.3	0.6	26.6	26.6
Dividend distribution	-	-	-	-	-	-9.3	-9.3
Shareholders' equity total 31 Dec 2006	58.6	72.9	0.1	8.9	5.4	90.5	236.4

	Share capital	Share premium	Hedging reserve	Other reserves	Translation differences	Retained earnings	Total
Shareholders' equity 1 Jan 2005	58.6	72.9	0.0	8.4	2.6	67.5	210.0
Cash flow hedging							
- Amount transferred to shareholders' equity during the period	-	-	1.0	-	-	-	1.0
Reclassifications between items	0.0	0.0	0.0	0.0	2.2	0.0	2.2
Other changes	0.0	0.0	0.0	0.2	0.0	-0.3	-0.1
Net profit/loss recognised directly in shareholders' equity	0.0	0.0	1.0	0.2	2.2	-0.3	3.1
Profit for the period	-	-	-	-	-	16.0	16.0
Total profits and losses	0.0	0.0	1.0	0.2	2.2	15.7	19.1
Dividend distribution	-	-	-	-	-	-10.0	-10.0
Shareholders' equity total 31 Dec 2005	58.6	72.9	1.0	8.6	4.8	73.2	219.1

Notes to the consolidated financial statements for 2006

Basic information about the company

HK Ruokatalo Group Oyj is a Finnish public limited company established under the law of Finland. The company's registered office is in Turku.

HK Ruokatalo Group and its subsidiaries (which are jointly referred to as the concern) produce, sell and market meat, poultry meat, processed meats and convenience foods to retail, HoReCa, industrial and export customers.

The group has business activities in Finland, Estonia, Latvia, Lithuania and Poland.

HK Ruokatalo Group Oyj's A Share has been quoted on the OMX Helsinki Exchanges since 1997.

HK Ruokatalo Group Oyj 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 HK Ruokatalo Group Oyj approved the publication of these financial statements at its meeting of 26 February 2007. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting is also entitled to modify the financial statements.

A copy of the HK Ruokatalo Group concern's consolidated financial statements can be viewed on the company's website at www.hkruokatalo.fi under Company/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

These 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 valid at 31 December 2006. 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 comply with Finnish accounting and corporate legislation.

The group adopted IFRS during the comparison year of 2005 and in this context applied the IFRS 1 first-time adoption standard. The transition date to IFRS was 1 January 2004 except for standard IAS 39, "Financial instruments: Recognition and Measurement", in respect of which the transition date was 1 January 2005.

The differences arising from the adoption of IFRS are shown in reconciliation calculations, which can be found on the company's website at www.hkruokatalo.fi.

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 have 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 Baltic subgroup of Rakvere Lihakombinaat Group complied with IFRS standards before these were adopted by the parent company.

The group's joint venture Sokolów Group has been a listed company in Poland and as such has prepared IFRS-compliant financial statements since those for 2005.

The preparation of the financial statements in accordance with IFRS standards requires management to make estimates and judgments in applying the accounting policies. Information about these judgments is shown under "Accounting policies requiring management judgments and factors of estimation uncertainty".

Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros (EURm)

ESTIMATE OF FUTURE IMPACT OF NEW STANDARDS

The concern has not prematurely adopted standard IFRS 7, "Financial Instruments: Disclosures," effective 1 January 2007, nor the amendments to standard IAS 1. The standard gives rise to new disclosure requirements regarding financial instruments. Adoption will expand the concern's reporting of risks.

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.

COMPARABILITY WITH PREVIOUS YEARS

There are no material structural differences affecting comparison of the figures for the financial year to those of the previous year.

Accounting policies for consolidated financial statements

SUBSIDIARIES

The consolidated financial statements include the accounts of the parent company HK Ruokatalo Group Oyj 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.

The consolidated financial statements include the accounts of the parent company HK Ruokatalo Group Oyj 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. In connection with the corporate restructure taking place in the comparison year (31 March 2005), HK Ruokatalo Group Oyj's wholly-owned subsidiaries Broilertalo Oy, Food Kuljetus Oy, Koiviston Teurastamo Oy and Pouttu Foods Oy merged with and into HK Ruokatalo Group Oyj (formerly HK Ruokatalo Oyj). Under the restructure, the group's Finnish industrial operations, sales, marketing, logistics and transportation were assigned as a business transfer to a subsidiary known as HK Ruokatalo Oy. The transfer of business operations from HK Ruokatalo Group Oyj to HK Ruokatalo Oy took place so that HK Ruokatalo Oy assumed responsibility for the operations from 1 April 2005.

The consolidated financial statements also include the accounts of the AS Rakvere Lihakombinaat subgroup (Estonia, Latvia and Lithuania) and of AS Tallegg (Estonia). AS Tallegg's subsidiary AS Baltic Poultry merged with AS Tallegg in the comparison year, on 10 June 2005.

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. All intragroup transactions, receivables and liabilities are eliminated upon consolidation. Intragroup distribution of profit has also been eliminated.

Distribution of profit for the financial period to owners of the parent company and to minority interests is shown in the income statement and the share of equity attributable to minority interests is shown as a separate item in the balance sheet under shareholders' equity. The share of minority interests of accumulated losses is recognised up to a maximum of the investment in the consolidated accounts.

ASSOCIATES

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 carrying value, the investment is recognised as having no value and, unless the group is committed to meeting the obligations of associates, no losses exceeding the carrying value are combined. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The accounts of the following associates have been consolidated: Pakastamo Oy, Honkajoki Oy, Envor Biotech Oy (formerly Etelä-Suomen Multaravinne Oy), Lihateollisuuden Tutkimuskeskus LTK osuuskunta group, Best-In Oy, Finnpig Oy and Länsi-Kalkkuna Oy.

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, HK Ruokatalo Group concern's joint venture Saturn Nordic Holding Group has been consolidated proportionately as a joint venture line by line.

More detailed information about group companies and holdings in associates is shown below under "Inner circle 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 shown in euros, which is the operational and presentational currency of the group's parent company.

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the average 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 recognised under equity. The translation differences arising in eliminating the acquisition cost of foreign subsidiaries and the joint venture are recognised in translation differences in the group's equity. Translation differences arising before 1 January 2004 have been recognised in retained earnings as allowed by IFRS 1. Translation differences arising after the transition date are shown as a separate item of equity.

THE FOLLOWING EXCHANGE RATES HAVE BEEN USED IN CONSOLIDATION

	Income statement *)	Balance sheet
EEK	15.6466	15.6466
SEK	9.2530	9.0404
PLN	3.8946	3.8310

*) calculatory value of monthly average rates

Group companies recognise transactions in foreign currencies at the rate on the day the transaction took place. Trade receivables, trade payables and loans receivable denoted in foreign currencies and foreign currency bank accounts have been translated into the operational currency at the exchange rates quoted at the balance sheet date. Profits and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognised in financial income and expenses in the income statement.

Non-current assets

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	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 recognised as an expense when they occur. Major refurbishment and improvement investments are capitalised and depreciated over the remaining useful life of the main asset to which they relate.

BORROWING COSTS

Borrowing costs are recognised as an expense during the period in which they are incurred.

GOVERNMENT GRANTS

Government grants received are recognised as expense adjustments to earnings during the financial period, except for investments when they reduce the cost.

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 value 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. Most of the consolidated goodwill arising from business mergers took place prior to 1 January 2004. Goodwill increased during the financial year as a result of the buyout of the minority shareholders in Sokolów and Rakvere.

Goodwill (and other intangible items that have an unlimited period of financial impact) is no longer subject to regular depreciation but is 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. Impairments recognised in respect of goodwill are not cancelled. See "Impairment" and "Impairment testing".

RESEARCH AND DEVELOPMENT COSTS

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

OTHER INTANGIBLE ASSETS

An intangible asset is recognised in the balance sheet only if its acquisition cost can be reliably determined and it is likely that the expected economic benefit of the asset turns out to be for the good of the company. Intangible rights include trademarks and patents while items such as software licences are included in other intangible assets. These are recognised in the balance sheet at historical cost and are carried as expenses based straight-line depreciation during the impact period, which varies from five to ten years.

INVENTORIES

Inventories are measured at the acquisition cost or probable net realisable value, whichever is the lower. The acquisition cost is determined using the weighted average price method. The acquisition cost of finished and unfinished products is calculated to include the cost of raw materials, 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 realisable value is the estimated sales price obtainable in the course of ordinary business less the costs of completion and selling expenses.

BIOLOGICAL ASSETS

Biological assets, which mean living animals in the case of the HK Ruokatalo Group concern, are recognised 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 fair value caused by ageing.

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 recognised 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 financial impact of the asset or the lease period, whichever is the shorter. Lease payments are divided into finance expenses and debt amortisation during the lease period. Leasing commitments are included in interest-bearing liabilities. It is mostly companies in the Baltics that have finance leasing agreements.

Leases where the lessor assumes a substantial part of the risks and benefit of ownership are treated as other leases. These payments are recognised 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 or not there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised if the carrying value of the asset exceeds the recoverable amount for the asset. The recoverable amount of goodwill is estimated each year, regardless of whether there are any 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. See "Accounting policies requiring management judgments and factors of estimation uncertainty".

Goodwill was tested for impairment applying IAS 36 as required by the transition standard on 1 January 2004, the transition date to IFRS. Subsequently testing was carried out on 31 December 2004, 31 December 2005 and 31 December 2006. Testing showed 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 like most of the Finnish employment pension scheme (TEL), pension plan contributions are recognised in the income statement during the financial period in which they are incurred. All pension cost calculations are based on actuarial valuations prepared annually by the local authorities or authorised actuaries.

The group has no defined benefit plans apart from the pension liability for the former CEO of the parent company. Under his service agreement, CEO Simo Palokangas, who retired on 31 March

2006, could have retired at the age of 60 in October 2004. His pension is determined as 60% of his total salary before retirement between 1 April 2005 and 31 March 2006. The pension granted is integrated with old-age pension under the Employees' Pension Act when Mr Palokangas begins to receive old-age pension on 1 November 2007. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.3 million at 31 December 2006.

The work disability component of the Finnish TEL system is also treated as a defined benefit plan in the IFRS opening balance sheet dated 1 January 2004. At the end of 2004, the Finnish TEL scheme was amended so that the arrangements dealt with by insurance companies are henceforth considered as defined contribution plans. Based on actuarial calculations, the group booked the liabilities recognised on 1 January 2004 so that EUR 2.9 million was booked during Q4 of 2004 and the remainder of the said liabilities, around EUR 1.0 million, during Q4 of 2005. Following outsourcing of the pension foundations, the insurance company invoices future index-linked pension increases each year.

The pension obligations in the balance sheet mostly comprise the pension commitment in respect of the parent company's former CEO and of provisions for changes in the disability pension business.

SHARE-BASED PAYMENTS

The Board of Directors of HK Ruokatalo Group Oyj decided on 21 December 2006 to introduce a share incentive scheme. The share incentive scheme offers its target group an opportunity of receiving HK Ruokatalo Group's A Shares as a reward for achievement of set targets during three earning periods of one calendar year each.

The earning periods are the calendar years 2006, 2007 and 2008. The award payable under the scheme is tied to group operating profit (EBIT, 70% weight) and return on capital employed (ROCE, 30% weight). The award payable under the share incentive scheme is paid after the end of each earning period as a combination of shares and cash. The maximum award for the first earning period is set at 96 000 A Shares in HK Ruokatalo and cash not to exceed the value of the shares. The proportion of the maximum award paid to key employees is determined on how well the targets set for the earning period are met. The maximum numbers of shares and criteria for other earning periods shall be decided by the Board at a later date.

No award is paid if employment ends prior to payment of the award. In addition, the person shall hold on to the shares earned for at least three years from the end of the earning period.

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

SHARE-BASED PAYMENTS IN 2006

Date of issue	21 Dec 2006
Instrument	Share incentive award
Maximum number of incentive shares *	96 000
Trading price of share upon grant	EUR 14.75
Fair value of share upon grant **	EUR 14.48
Trading price at end of financial year	EUR 14.50
Earning period begins, date	1 Jan 2006
Earning period ends, date	31 Dec 2006
Earning criteria	EBIT and ROCE
Pay-out assumption of earning criteria	83%
Vesting date of shares	1 Jan 2010
Share ownership obligation, years	3.0
Remaining binding period, years	3.0
Persons (31 December 2006)	7

	Numbers at 1 Jan 2006	Change in financial year	Numbers at 31 Dec 2006
Share incentive awards distributed	0	96 000	96 000
Share incentive awards returned	0	0	0
Shares granted	0	79 968	79 968
Share incentive awards forfeited	0	16 032	16 032
Total share incentive awards	0	79 968	79 968

*) The numbers of incentive shares presented in the table describe the numbers of shares to be distributed on the basis of the share incentive scheme. In addition, the company has undertaken to pay a cash contribution not to exceed the value of the shares (share of tax).

**) Anticipated dividend of EUR 0.27, forfeited by recipients, has been deducted from the trading price of share upon grant.

FAIR VALUE MEASURING

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 IFRS 2, "Equity-settled and cash-settled transactions." Equity-settled transactions are recognised under shareholders' equity and cash-settled transactions under liabilities. The fair value of the equity-settled award upon granting was the market trading price of HK Ruokatalo Group's A Share less dividends to be distributed prior to payment of the award. The fair value thus arrived at was EUR 14.48 per share. Comparably, the fair value of the cash-settled award is re-assessed at each reporting date until the shares are granted and the fair value of the liability thus reflects changes in the price of the A Share. The fair value of the cash-settled award at the end of the financial year was EUR 14.50 per share. The fair value of share incentive awards granted during the period came to a total of EUR 2.3 million. In the 2006 financial year, share inventive awards had an impact of EUR 0.6 million (2005: EUR 0) on the result of HK Ruokatalo Group.

CALCULATION OF FAIR VALUE OF SHARE INCENTIVE AWARD

Share incentive awards distributed	96 000
Share trading price upon granting (EUR)	14.75
Fair value (equity-settled award, EUR)	14.48
Share trading price at 31 Dec 2006 (cash-settled award, EUR)	14.50
Pay-out assumption of earning criteria	83%
Estimate of share incentive awards to be returned	10%
Fair value of share incentive award at 31 Dec 2006	2 259 576

PROVISIONS

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

INCOME TAXES

The taxes in the income statement include the taxes based on the taxable profit of group companies for the financial period calculated in accordance with the relevant legislation in each company's domicile, taxes debited and refunded for previous financial periods and the change in deferred taxes.

Deferred tax asset 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. Temporary differences arise as a result of depreciation, provisions and defined benefit pension plans.

The deferred tax liability relating to the retained earnings of foreign group companies has not been recognised, 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 39.9 million.

Recognition policies

GOODS SOLD AND SERVICES PROVIDED

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer. Revenue is shown as a net value, with value added tax, discounts and other sales adjustments subtracted from sales income. Revenue from service provision is recognised in the financial year in which the service is performed.

FINANCIAL ASSETS AND LIABILITIES

Depending on their nature, the group's financial assets are classified on acquisition into the following categories: 1) financial assets held for trading, 2) loans and other receivables and 3) available-for-sale financial assets. The group recognises financial assets and liabilities in the balance sheet when it becomes party to the contract terms of the instrument. Derivatives that do not satisfy hedge accounting are classified as held for trading. The items in the category are measured at fair value. Profits and losses arising from changes in fair value, whether realised or unrealised, are recognised in the income statement in the financial year in which they arise. The majority of the group's financial assets consist of loans and other receivables in non-current assets. Loans receivable are recognised in the balance sheet at the acquisition cost and are regularly and systematically assessed in relation to the security available. 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 bank comprises cash in hand and at bank. This consists of cash, money in bank accounts and other current liquid financial assets with a maturity date of less than three months. The credit lines used are included in current interest-bearing liabilities in the balance sheet.

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

TRADE RECEIVABLES

Trade receivables are recognised in accordance with the original amount invoiced. All credit losses on trade receivables have been recognised as a charge when there is objective evidence that the receivable is impaired.

Derivatives and hedge accounting

Profits 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. Derivatives excluded from hedge accounting as defined in IAS 39 are recognised in the income statement. Derivatives treated as hedge accounting instruments and which are effective are shown congruently with the hedged item.

HEDGE ACCOUNTING

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. During the year under review, cash flow hedge accounting was in use to hedge against forecast changes in the spot market price of electricity. The group has used electricity futures as the hedging instrument. Changes in the fair value of the effective part of hedging instruments are recognised in equity in the hedging reserve and changes in the ineffective part in the income statement. The cumulative gains or losses accumulating in the hedging reserve are recognised in the income statement under financial income and expenses when the hedged business operation takes place. When a hedging instrument matures, is sold, the hedging relationship is noted as being ineffective or is closed, the cumulative gain or loss on the hedging instrument earlier recognised in equity when the hedge was effective remains separate recognised in equity until the transaction forecast occurs.

The cumulative gain or loss is recognised immediately in the income statement if the transaction forecast is no longer expected to occur. The ineffective part of the hedging relationship is recognised in the income statement under financial income and expenses. The fair values of derivatives are shown in the balance sheet as current assets and liabilities.

Despite the fact that some hedging relationships satisfy the group's risk management hedging criteria, they do not satisfy hedge accounting as defined in IAS 39 or the group does not apply hedge accounting to them. These include currency futures that the group uses to hedge net currency positions.

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. Since the parent company has no option or other programmes that would cause dilution, the fully diluted number of shares is the same.

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.

Notes to the financial statements

1. Segment information

The division of segments is based on the group's organisation and Board of Directors and management reporting. The management of HK Ruokatalo Group concern tracks the profitability of business operations by market area. The group's primary reporting segments are geographical segments: Finland, the Baltics and Poland. The Polish market has been shown as a separate segment since 1 January 2005. HK Ruokatalo Group concern has one business segment: meat processing. 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 zero-interest liabilities. Unallocated items include financial and tax items and items common to the entire group.

Primary segment 2006 (EUR million)

	Finnish operations	Baltic operations	Polish operations	Eliminations	Unallocated	Group total
Income statement information						
External sales	605.5	126.2	202.6	0.0	-	934.3
Internal sales	2.5	4.6	1.0	-8.2	-	0.0
Net sales	608.0	130.8	203.6	-8.2	-	934.3
Segment operating profit	21.8	12.6	6.0	0.0	-	40.4
Unallocated items	-	-	-	-	-	-
Operating profit	21.8	12.6	6.0	0.0	-	40.4
Financial income and expenses	-	-	-	-	-6.8	-6.8
Share of associates' results	0.0	-	-	-	-	0.0
Income taxes	-	-	-	-	-5.8	-5.8
Result for the financial year from continuing operations	11.9	12.1	3.8	-	-	27.8
Result for the financial year	11.9	12.1	3.8	-	-	27.8
Balance sheet information						
Segment assets	319.7	84.9	105.6	14.1	-	524.4
Shares in associates	5.5	-	-	-	-	5.5
Unallocated assets	-	-	-	-	19.6	19.6
Total assets	325.3	84.9	105.6	14.1	19.6	549.5
Segment liabilities	68.2	13.3	20.8	-0.9	-	101.5
Unallocated liabilities	-	-	-	-	210.9	210.9
Total liabilities	68.2	13.3	20.8	-0.9	210.9	312.4
Other information						
Sales, goods	605.3	126.1	192.4	0.0	0.0	923.3
Sales, services	0.2	0.1	10.7	0.0	0.0	11.0
Investing activities	59.8	9.7	13.1	0.0	0.0	82.6
Depreciation and amortisation	-17.1	-6.4	-5.6	0.0	0.0	-29.0
Adjustments	-1.5	0.0	0.0	0.0	0.0	-1.5
Goodwill	12.7	19.0	22.2	0.0	0.0	53.9

Primary segment 2005 (EUR million)

	Finnish operations	Baltic operations	Polish operations	Elimi- nations	Un- allocated	Group Total
Income statement information						
External sales	586.3	109.5	187.5	0.0	-	883.3
Internal sales	2.5	4.3	0.7	-7.5	-	0.0
Net sales	588.8	113.8	188.2	-7.5	-	883.3
Segment operating profit	13.9	6.5	3.7	0.0	-	24.1
Unallocated items	-	-	-	-	0.0	0.0
Operating profit	13.9	6.5	3.7	0.0	0.0	24.1
Financial income and expenses	-	-	-	-	-4.5	-4.5
Share of associates' results	0.7	0.0	0.0	0.0	-	0.7
Income taxes	-	-	-	-	-3.3	-3.3
Result for the financial year from continuing operations	8.4	5.9	2.7	0.0	0.0	17.0
Result for the financial year	8.4	5.9	2.7	0.0	0.0	17.0
Balance sheet information						
Segment assets	297.0	82.0	96.3	12.3	-	487.6
Shares in associates	5.1	0.0	0.0	0.0	-	5.1
Unallocated assets	-	-	-	-	21.6	21.6
Total assets	302.1	82.0	96.3	12.3	21.6	514.3
Segment liabilities	65.7	10.1	19.9	-0.5	-	95.2
Unallocated liabilities	-	-	-	-	189.2	189.2
Total liabilities	65.7	10.1	19.9	-0.5	189.2	284.4
Other information						
Sales, goods	586.2	109.3	187.5	0.0	0.0	883.0
Sales, services	0.1	0.2	0.0	0.0	0.0	0.3
Investing activities	42.5	8.9	7.8	0.0	0.0	59.2
Depreciation and amortisation	-14.6	-6.3	-5.2	0.0	0.0	-26.0
Adjustments	-2.6	0.0	0.0	0.0	0.0	-2.6
Goodwill	12.7	16.6	17.5	0.0	0.0	46.8

2. Other operating income	**2006**	**2005**
Rental income	0.8	0.7
Other operating income	3.2	3.1
Gain on disposal of non-current assets	4.5	0.3
Other operating income	8.5	4.1

3. Materials and services		
Purchases during the financial year	-530.0	-517.2
Increase/decrease in inventories	-4.1	6.2
Materials and supplies	-534.1	-511.0
External services	-83.5	-76.9
Materials and services	-617.6	-587.9

4. Employee benefits expenses		
Salaries and fees	-128.8	-123.7
Pension expenses, defined contribution plans	-14.3	-13.7
Pension expenses, defined benefit plans	-0.6	-2.1
Total pension expenses	-14.9	-15.8
Other social security costs	-6.4	-5.8
Other social security costs	-6.4	-5.8
Employee benefits expenses	-150.1	-145.3
Managing directors and vice presidents	1.5	1.1
Board members	0.5	0.1
Management salaries, fees and benefits	2.0	1.2
Average number of employees during the financial year		
White-collar staff	938	841
Blue-collar staff	3 480	3 700
Total	4 418	4 541

Additionally, the Sokolów Group in Poland employed an average of 4 917 persons in 2006.

5. Depreciation and impairment		
Depreciation according to plan	-29.0	-26.1
Depreciation and amortisation	-29.0	-26.1
Impairment charge for non-current assets	-2.0	-2.6
Impairment charge reversals for non-current assets	0.5	
Impairment	-1.5	-2.6
Total	-30.5	-28.7

6. Other operating expenses		
Rents/leases	-5.5	-4.2
Loss on disposal of non-current assets	-0.2	-0.1
Audit fees	-0.3	-0.3
Audit fees, other expert services	-0.1	-0.1
Audit fees	-0.4	-0.4
R&D costs	-8.5	-8.0
Non-statutory staff costs	-4.2	-3.9
Energy	-19.9	-14.8
Maintenance	-20.0	-19.2
Advertising, marketing and entertainment costs	-32.1	-25.7
Service, information management and office costs	-9.7	-8.8
Other costs	-2.8	-16.9
Total other operating expenses	-103.3	-102.0

Audit fees

The group's audit fees paid to PricewaterhouseCoopers, the 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).

7. Financial income and expenses	**2006**	**2005**
Other interest and financial income from others	1.4	1.7
Other financial income	1.4	1.7
Foreign exchange gains	0.4	1.0
Unrealised gains on fair value measurement	0.1	
Total financial income	1.9	2.7
Other interest and financial expenses to parent company	-0.2	-0.1
Other interest and financial expenses	-7.9	-6.4
Total other interest and financial expenses	-8.1	-6.5
Foreign exchange losses	-0.6	-0.7
Total financial expenses	-8.7	-7.2
Financial income and charges, total	-6.8	-4.5

8. Income taxes

Cumulative tax rate reconciliation

	12 / 2006	12 / 2005
Income taxes		
Income tax on ordinary operations	-5.5	-2.6
Tax for previous financial years	-0.4	0.0
Change in deferred tax liabilities and assets	0.0	-0.7
Other direct taxes	0.0	0.0
Income tax on ordinary operations	-5.8	-3.3

	12 / 2006	12 / 2005
Accounting profit/loss before taxes	33.6	20.3
Deferred tax at parent company's tax rate	-8.7	-5.3
Effect of different tax rates applied to foreign subsidiaries	3.5	1.8
Tax-free income	0.0	0.0
Non-deductible expenses	-0.2	0.2
Tax for previous financial years	-0.4	0.0
Tax difference	0.0	0.0
Tax expense in the income statement	-5.8	-3.3

Notes to the balance sheet

9. Intangible assets 2006	Intangible rights
Acquisition cost at 1 January	10.1
Increase	0.3
Decrease	0.0
Transfers between items	1.6
Acquisition cost at 31 December	12.0
Accumulated depreciation at 1 January	-6.1
Accumulated depreciation on disposals and reclassifications	-0.8
Depreciation for the financial year	-1.2
Accumulated depreciation at 31 December	-8.1
Carrying value at 31 December 2006	4.0

Intangible assets 2005	Intangible rights
Acquisition cost at 1 January	10.7
Increase	0.7
Decrease	-1.6
Transfers between items	0.3
Acquisition cost at 31 December	10.1
Accumulated depreciation at 1 January	-6.7
Accumulated depreciation on disposals and reclassifications	1.5
Depreciation for the financial year	-0.9
Accumulated depreciation at 31 December	-6.1
Carrying value at 31 December 2005	4.0

10. Goodwill 2006	
Acquisition cost at 1 January	59.9
Translation differences	0.1
Increase	7.0
Decrease	0.0
Acquisition cost at 31 December	67.0
Accumulated depreciation at 1 January	-13.1
Accumulated depreciation at 31 December	-13.1
Carrying value at 31 December 2006	53.9

Specification of goodwill 2006	
Finnish red meat	12.7
Baltic white meat	5.5
Baltic red meat	13.5
Business in Poland	22.2
Total	53.9

Goodwill 2005	
Acquisition cost at 1 January	42.0
Joint venture combination at 1 January	17.8
Increase	0.4
Decrease	-0.3
Acquisition cost at 31 December	59.9
Accumulated depreciation at 1 January	-13.1
Accumulated depreciation at 31 December	-13.1
Carrying value at 31 December 2005	46.8

Specification of goodwill 2005	
Finnish red meat	12.7
Baltic white meat	5.5
Baltic red meat	11.1
Business in Poland	17.5
Total	46.8

Impairment testing

The sums recoverable have been estimated for all cash generating units. Cash flow estimates are based on management expectations as to development in each market area over the next five years. The cash flow after the forecast period has been extrapolated using cautious growth factors (1%-2.5%). The growth factors of cash generating units have been defined at a level lower than historical growth.

Interest rates have been defined excluding the tax effect and 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. The interest rates used are 7.5% for Finland, 8.8% for the Baltics and 10.4% for Poland.

As far as management is aware, reasonable changes in assumptions used do not necessitate impairment for the goodwill of any cash-generating unit. Sudden 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 falling cash flows. Recognition of an impairment loss is likely in such situations.

11. Tangible assets 2006

	Land and water	Buildings	Machinery and equipment	Other PPE	Payments on account and unfinished constr. projects	Total
Acquisition cost at 1 January	5.2	255.6	247.3	13.0	17.5	538.6
Translation differences	0.0	0.3	0.3	0.0	0.0	0.6
Increase	0.9	2.0	3.6	0.3	57.3	64.1
Decrease	-0.1	-18.2	-10.0	-1.0	0.0	-29.3
Transfers between items	0.1	25.5	29.5	0.3	-57.7	-2.3
Acquisition cost at 31 December	6.1	265.2	270.7	12.6	17.1	571.7
Accumulated depreciation at 1 January	0.0	-95.8	-166.3	-10.2	-	-272.3
Translation differences	0.0	-0.2	-0.2	0.0	-	-0.4
Accumulated depreciation on disposals and reclassifications	-0.1	13.1	10.2	1.4	-	24.6
Depreciation for the financial year	0.0	-8.9	-18.2	-0.8	-	-27.9
Impairment	0.0	-0.5	-0.9	0.0	-	-1.4
Accumulated depreciation at 31 December	-0.1	-92.3	-175.4	-9.6	0.0	-277.4
Carrying value at 31 December 2006	6.0	173.0	95.3	3.0	17.1	294.5

Tangible assets 2005

	Land and water	Buildings	Machinery and equipment	Other PPE	Payments on account and unfinished constr. projects	Total
Acquisition cost at 1 January	3.2	204.4	192.0	9.3	8.7	417.6
Joint venture combination at 1 January	1.3	38.2	43.1	3.1	2.5	88.2
Increase	0.1	3.9	10.0	1.0	40.8	55.8
Decrease	0.0	-3.9	-16.5	-0.4	-0.2	-21.0
Transfers between items	0.6	13.0	18.7	0.0	-34.3	-2.0
Acquisition cost at 31 December	5.2	255.6	247.3	13.0	17.5	538.6
Accumulated depreciation at 1 January	0.0	-75.7	-133.6	-7.9	-	-217.2
Joint venture combination	0.0	-12.1	-31.2	-1.8	-	-45.1
Accumulated depreciation on disposals and reclassifications	0.0	2.3	15.1	0.3	-	17.7
Depreciation for the financial year	0.0	-8.6	-15.7	-0.8	-	-25.1
Impairment	0.0	-1.7	-0.9	0.0	-	-2.6
Accumulated depreciation at 31 December	0.0	-95.8	-166.3	-10.2	0.0	-272.3
Carrying value at 31 December 2005	5.2	159.8	81.0	2.8	17.5	266.3

12. Investments in associates

Investments in associates 2006	
Acquisition cost at 1 January	5.1
Translation differences	
Increase	0.6
Decrease	-0.2
Acquisition cost at 31 December	5.5
Share of associates' results	0.0
Carrying value at 31 December 2006	5.5

Investments in associates 2005	
Acquisition cost at 1 January	4.1
Translation differences	
Increase	0.5
Decrease	-0.2
Acquisition cost at 31 December	4.4
Share of associates' results	0.7
Carrying value at 31 December 2005	5.1

A list of associates and their combined assets, liabilities, net sales and profit/loss (EUR million) appears below. The figures given are gross and not proportional to group ownership.

	2006	2005
Pakastamo Oy		
Ownership (%)	50	50
Assets	11.0	11.9
Liabilities	10.7	10.9
Net sales	9.0	8.7
Profit/loss	-0.6	0.1
Honkajoki Oy		
Ownership (%)	38.33	38.33
Assets	10.8	9.8
Liabilities	8.3	7.6
Net sales	13.2	16.2
Profit/loss	0.2	0.9
Best-In Oy		
Ownership (%)	50	50
Assets	1.1	1.1
Liabilities	0.5	0.5
Net sales	4.8	5.0
Profit/loss	0.1	0.2
Finnpig Oy		
Ownership (%)	50	50
Assets	1.0	0.2
Liabilities	0.3	0.2
Net sales	1.3	0.7
Profit/loss	0.0	0.0
LTK group		
Ownership (%)	44.8	44.8
Assets	8.9	8.6
Liabilities	2.3	2.2
Net sales	20.5	20.6
Profit/loss	0.6	0.7
Länsi-Kalkkuna Oy		
Ownership (%)	50	-
Assets	0.5	-
Liabilities	0.1	-
Net sales	0.0	-
Profit/loss	-0.1	-
Envor Biotech Oy		
(formerly Etelä-Suomen Multaravinne Oy)		
Ownership (%)	24.62	24.62
Assets	1.7	1.7
Liabilities	1.1	1.3
Net sales	1.6	1.4
Profit/loss	0.2	0.1

13. Long-term receivables

Long-term loan receivables	4.0	3.7
Other long-term receivables	0.1	0.1
Long-term loan and other receivables	4.1	3.8
Other long-term investments	0.3	0.4
Deferred tax asset	2.2	2.2
Total long-term receivables	6.6	6.4

14. Deferred tax assets and liabilities

Specification of deferred tax assets

	1 Jan 2006	Translation difference	Recognised in income statement	Companies acquired/sold	31 Dec 2006
Pension benefits	1.0	0.0	0.2	0.0	1.2
Impairment of PPE	0.0	0.0	0.1	0.0	0.1
Other matching differences	0.0	0.0	0.1	0.0	0.1
From combinations	1.2	0.0	-0.4	0.0	0.8
Total	2.2	0.0	0.0	0.0	2.2

Specification of deferred tax liabilities

	1 Jan 2006	Translation difference	Recognised in income statement	Companies acquired/sold	31 Dec 2006
Depreciation difference and voluntary provisions	9.8	0.0	-0.3	0.0	9.5
Other matching differences	0.9	0.0	0.3	0.0	1.2
From combinations	1.1	0.0	0.0	0.0	1.1
Direct recognition in retained earnings	0.4	0.0	0.0	0.0	0.4
Total	12.2	0.0	0.0	0.0	12.2

Specification of deferred tax assets

	1 Jan 2005	Translation difference	Recognised in income statement	Companies acquired/sold	31 Dec 2005
Pension benefits	0.6	0.0	0.4	0.0	1.0
From combinations	0.0	0.0	0.0	1.2	1.2
Total	0.6	0.0	0.4	1.2	2.2

Specification of deferred tax liabilities

	1 Jan 2005	Translation difference	Recognised in income statement	Companies acquired/sold	31 Dec 2005
Depreciation difference and voluntary provisions	8.9	0.0	0.9	0.0	9.8
Other matching differences	0.9	0.0	0.0	0.0	0.9
From combinations	0.0	0.0	0.0	1.1	1.1
Direct recognition in retained earnings	0.2	0.0	0.2	0.0	0.4
Total	10.0	0.0	1.1	1.1	12.2

15. Inventories

	31 Dec 2006	31 Dec 2005
Materials and supplies	39.0	53.6
Unfinished products	4.3	3.3
Finished products	12.7	6.0
Goods	0.1	0.6
Other inventories	1.7	1.5
Prepayments for inventories	0.5	0.4
Total inventories	58.4	65.4

16. Trade and other short-term receivables

	31 Dec 2006	31 Dec 2005
Trade receivables from associates	0.2	0.1
Loan receivables from associates	0.0	0.0
Short-term receivables from associates	0.2	0.1
Trade receivables	105.4	100.2
Other receivables	1.8	1.3
Short-term receivables from others	107.2	101.5
Commodity derivatives, hedge accounting	0.2	1.0
Short-term derivative receivables	0.2	1.0
Interest receivables	0.4	0.4
Matched staff costs, short-term receivables	1.6	0.8
Other prepayments and accrued income	2.6	2.7
Short-term prepayments and accrued income	4.5	3.9
Tax receivables (income tax)	2.5	1.0
Income tax receivable	2.5	1.0
Total short-term receivables	114.7	107.5

17. Cash and bank

	31 Dec 2006	31 Dec 2005
Cash and bank	10.1	10.0
Short-term money market investments	2.0	2.8
Total cash and bank	12.1	12.8

Cash and bank based on the cash flow statement are as follows:

	31 Dec 2006	31 Dec 2005
Cash and bank	10.1	10.0
Short-term money market investments	2.0	2.8
Total cash and bank	12.1	12.8

18. Notes relating to equity

	Number of shares (1 000)	Share capital EUR million	Share premium reserve EUR million	Total EUR million
1 January 2005	34 463	58.6	72.9	131.5
31 December 2005	34 463	58.6	72.9	131.5
31 December 2006	34 463	58.6	72.9	131.5

The maximum number of shares is 48 000 000. The shares have a nominal value of EUR 1.70 each and the maximum authorised share capital of HK Ruokatalo Group Oyj is EUR 81 600 000. All issued shares have been paid up in full. Of the total number of shares in the company, at most 8 000 000 are K Shares and at most 40 000 000 A Shares. Each share gives equal entitlement to a dividend. Under the Articles of Association, each K Share conveys 20 votes and each A Share conveys one vote.

19. Pension obligations

	31 Dec 2006	31 Dec 2005
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	5.2	4.5
Pension liability (+)/ receivable (-) in balance sheet	5.2	4.5
Defined benefit pension expense in income statement		
Pension obligations	-0.6	-2.1
Defined benefit pension expense in income statement (IFRS)	-0.6	-2.1
Movement in liabilities /receivables arising from benefits		
Balance at 1 January	4.5	2.0
Defined benefit pension expense in income statement (IFRS)	0.6	2.1
Other change	0.1	0.4
Liabilities/receivables at end of financial year	5.2	4.5

20. Provisions

	1 Jan 2006	Increase in provisions	Exercised during financial year	31 Dec 2006
Non-current provisions	0.0	0.0	0.0	0.0
Current provisions	0.4	0.3	-0.1	0.6
Total	0.4	0.3	-0.1	0.6

	1 Jan 2005	Increase in provisions	Exercised during financial year	31 Dec 2005
Non-current provisions	0.4	0.0	-0.4	0.0
Current provisions	0.0	0.4	0.0	0.4
Total	0.4	0.4	-0.4	0.4

21. Liabilities

	31 Dec 2006	31 Dec 2005
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	83.8	80.4
Other liabilities	3.3	3.8
Equity loans	0.0	0.0
Long-term interest-bearing liabilities	87.1	84.2
Non-current provisions	0.0	0.0
Deferred tax liability	12.2	12.2
Pension obligations	5.2	4.5
Non-current liabilities	104.4	100.9
Current liabilities		
Interest-bearing		
Loans from financial institutions	108.9	87.1
Other liabilities	0.8	4.9
Current interest-bearing liabilities	109.6	91.9
Trade payables and other liabilities		
Advances received	7.1	0.2
Trade payables	62.7	57.8
Accruals and deferred income		
- Short-term interest liabilities	1.1	0.7
- Matched staff costs	19.4	20.0
- Other short-term accruals and deferred income	4.4	4.2
Other liabilities	2.1	8.1
Trade payables and other liabilities	96.7	91.0
Income tax liability	0.9	0.2
Current provisions	0.6	0.4
Current liabilities	208.0	183.5
Liabilities	312.4	284.4

Structure of the group's interest-bearing finance liabilities
(EUR million)

	31 Dec 2006			Maturity of credit type				
Credit type	Drawn	Undrawn	2007	2008	2009	2010	2011	>2011
Bonds	95.7	0.0	25.0	26.2	13.7	17.6	6.7	6.5
Credit facilities	57.0	67.4	10.5	0.3	16.5	10.0	10.0	9.7
Leasing and factoring	3.7	0.0	2.4	0.4	0.4	0.2	0.2	0.2
Commercial paper programme	36.9	43.1	36.9	0.0	0.0	0.0	0.0	0.0
Other borrowings	3.5	0.0	1.6	0.3	0.3	0.3	0.3	0.7
Total	196.7	110.6	76.3	27.2	30.8	28.2	17.2	17.1

	31 Dec 2005			Maturity of credit type				
Credit type	Drawn	Undrawn	2006	2007	2008	2009	2010	>2010
Bonds	92.4	0.0	26.3	19.7	18.4	7.3	11.8	8.8
Credit facilities	44.9	57.9	32.2	0.0	8.0	0.0	0.0	4.7
Leasing and factoring	10.2	0.0	3.0	0.9	0.9	0.9	0.9	3.7
Commercial paper programme	24.0	26.0	24.0	0.0	0.0	0.0	0.0	0.0
Other borrowings	4.6	0.0	3.9	0.2	0.2	0.2	0.2	0.0
Total	176.1	83.9	89.4	20.8	27.5	8.3	12.9	17.2

	31 Dec 2006			Maturity				
Credit type	Drawn	Undrawn	2007	2008	2009	2010	2011	>2011
EUR	178.7	109.5	63.8	24.1	29.7	27.8	16.9	16.4
PLN	13.3	1.1	9.8	2.7	0.7	0.1	0.0	0.0
EEK	4.6	0.0	2.7	0.4	0.4	0.3	0.3	7.0
LVL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	196.7	110.6	76.3	27.2	30.8	28.2	17.2	17.1

	31 Dec 2005			Maturity				
Credit type	Drawn	Undrawn	2006	2007	2008	2009	2010	>2010
EUR	147.1	83.9	75.8	16.1	21.6	7.5	12.1	14.0
PLN	11.8	0.0	7.1	3.8	0.5	0.2	0.2	0.0
EEK	11.3	0.0	5.4	0.8	0.6	0.6	0.6	3.2
LVL	5.9	0.0	1.2	0.0	4.7	0.0	0.0	0.0
Total	176.1	83.9	89.4	20.8	27.5	8.3	12.9	17.2

22. Finance lease liabilities

	31 Dec 2006	31 Dec 2005
Long-term interest-bearing finance lease liabilities	1.4	2.6
Short-term interest-bearing finance lease liabilities	0.6	1.0
Total finance lease liabilities	2.1	3.6

23. Financial risk management

Group financing within the HK Ruokatalo Group concern is tasked with ensuring cost–effective funding and financial risk management for group companies and also attends to relations with financial backers. The finance 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 futures, options and interest or currency swaps. Derivatives are used for the sole purpose of hedging, not speculation. As a rule, group funding is obtained through the parent company while funding to subsidiaries is arranged by group financing through intra-group loans in the local currency of each subsidiary. Funding of the group is centralised to a finance unit operating under the CFO.

Refinancing and liquidity risk

The group must maintain adequate liquidity under all circumstances to cover its business 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 and the short-term Finnish commercial paper programme. The aim is to balance the borrowing portfolio maturity schedule and to maintain sufficiently long maturity for long-term borrowings.

Counterparty risk

A counterparty risk is defined as the risk that a counterparty will be unable to fulfil its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Only financial institutions and other actors with sound creditability are used as counterparties. Cash is invested only in bank deposits and certificates of deposit.

Foreign exchange risk

The HK Ruokatalo Group concern has productive activities in Finland and the Baltics and, through a joint venture in Sweden, in Poland. Group companies also engage in foreign trade. Owing to income and expenses denominated in foreign currencies and 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. Currency futures, options and swaps can be used to hedge foreign exchange risks. The basic guideline is that an average of 50% of the anticipated net currency flow is hedged. The largest equities of group companies are in Swedish crowns and Estonian crowns. The group does not hedge balance sheet risks.

Interest rate risk

Financial assets and liabilities at fixed interest rates are exposed to price risks caused by movements in interest rates. Financial assets and liabilities at variable interest rates are subject to movements in market interest rates and thus exposed to cash flow risks caused by interest rates.

To manage interest rate risks, group borrowings are spread across fixed and variable interest instruments. The company may borrow at either fixed interest rates or variable interest rates and use interest swaps to achieve a result in keeping with the finance policy. Around 32% of group borrowings were at fixed interest rates at the balance sheet date. No separate hedging instruments were used to manage interest risks during the period under review.

Credit risk relating to trade receivables

The group's trade receivables are spread across a broad customer base. Almost all customers have credit limits that are systematically monitored. Most customers are insured through credit insurance. Additionally, financial security, bank guarantees, confirmed letters of credit and advance payments are used.

24. Derivative instruments

Nominal values of derivative instruments	31 Dec 2006	31 Dec 2005
Foreign exchange derivatives		
- forward foreign-exchange contracts	4.2	3.5
Commodity derivatives		
- forward electricity contracts	6.5	4.3
Total	10.7	7.8

Fair values of derivative instruments	2006 Fair value positive	2006 Fair value negative	2006 Fair value net	2005 Fair value net
Foreign exchange derivatives				
- forward foreign-exchange contracts	0.0	-	0.0	0.0
Commodity derivatives				
- forward electricity contracts	0.2	-	0.2	1.0
Total	0.2	-	0.2	1.0

Derivative instruments included in hedge accounting	2006 Nominal value	2006 Fair value effective part	2005 Nominal value	2005 Fair value effective part
Commodity derivatives				
- forward electricity contracts	6.5	0.1	4.3	1.0

25. Contingent liabilities

	31 Dec 2006	31 Dec 2005
Debts secured by mortgages and shares		
Loans from financial institutions	50.4	70.0
Total	50.4	70.0
Real estate mortgages	47.9	51.5
Pledged securities	13.5	12.0
Floating charges	10.6	11.9
Total	72.0	75.4
Security for debts of participating interests		
Guarantees	3.6	4.0
Total	3.6	4.0

	31 Dec 2006	31 Dec 2005
Security for debts of others		
Guarantees and pledges	8.3	6.2
Total	8.3	6.2
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	0.3	0.2
Lease liabilities maturing in 1–5 years	0.8	0.2
Rent/lease liabilities	2.7	0.0
Total other contingencies	3.8	0.4

26. Inner circle transactions

Parties are considered as belonging to each other's inner circle 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 inner circle includes the parent entity, subsidiaries, associates and joint ventures. The inner circle also includes 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.

HK Ruokatalo Group Oyj's principal owner, LSO Osuuskunta, is a cooperative comprising around 5 000 Finnish meat producers. The cooperative is tasked with fostering its members' meat production and marketing by exercising its power of ownership in HK Ruokatalo. Today, LSO Osuuskunta has no actual business, but receives an income in the form of dividend paid by HK Ruokatalo and to a lesser extent, income in the form of rent and other financial assets. The HK Ruokatalo Group concern 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 5.4 million in 2006 (EUR 4.6m in 2005). Animal purchases from the group by the persons in question totalled EUR 2.2 million in 2006 (EUR 1.4m in 2005).

Otherwise inner circle members are not in a material business relationship with the company.

Shares in subsidiaries

	Number of shares	Carrying value (EUR 1000)	Holding %
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
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
Total		77 694	
Owned by LSO Foods Oy			
Lounaisfarmi Oy, Turku	8 000	8	40.00
Total		8	
Owned by AS Rakvere Lihakombinaat *			
AS Ekseko, Estonia	8 466	272	100.00
AS Rigas Miesnieks, Latvia	57 974	12 228	94.86
UAB Klaipedos Maisto Mesos Produktai, Lithuania	135 644	2 010	100.00
Total		14 510	

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

Joint ventures

	Number of shares	Carrying value (EUR 1000)	Holding %
Owned by the group's parent company			
Saturn Nordic Holding Ab, Sweden	59 283 399	64 435	50.00

The assets, liabilities, income and expenses of the Saturn Nordic Holding AB group included in the consolidated balance sheet and income statement were as follows (EUR million):

	2006	2005
Non-current assets	74.3	62.1
Current assets	36.7	39.0
Long-term liabilities	-4.8	-6.1
Short-term liabilities	-30.3	-28.3
Net sales and other operating income	204.5	189.2
Operating expenses	-198.5	-185.4

Shares and holdings in associates

	Number of shares	Carrying value (EUR 1000)	Holding %
Owned by the group's parent company			
Honkajoki Oy, Honkajoki	690	708	38.33
Envor Biotech Oy (formerly Etelä-Suomen Multaravinne 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

The group carries on business with associates by engaging in the production and sale of pet food, by trading in spices and by using leasing, waste disposal and research services. All commercial agreements are negotiated on market terms.

The following transactions were carried out with the inner circle

	2006	2005
Product sales		
- Associates	1.8	1.6
Product purchases		
- Associates	8.5	8.1

Open balances at 31 December

	2006	2005
Trade receivables		
- Associates	0.2	0.1
Trade payables		
- Associates	0.4	0.4

27. Events taking place after the balance sheet date

On 29 January 2007, the company announced that the deal between HK Ruokatalo Group and Swedish Meats for the former to acquire the entire business of the latter had been executed. In this context, the Board of HK Ruokatalo Group exercised the authorisation granted to it by the Extraordinary Meeting of Shareholders on 22 December 2006 to decide on the directed share issue to Swedish Meats and its terms and conditions. The 4 843 000 A Shares in HK Ruokatalo Group offered to Swedish Meats as part of the purchase price have been subscribed.

The new A Shares now issued entitle to the same shareholder rights as existing A Shares with the exception of right to dividend: the new A Shares are first entitled to dividend only after the payment of dividend for 2006, if any, to be decided by the company's next Annual General Meeting of Shareholders.

The number of shares issued in the directed issue is equal to ca. 12.3 percent of the share capital of HK Ruokatalo Group and ca. 3.4 percent of votes subsequent to the share issue. Subsequent to the share issue and the stock swap to be executed with LSO Osuuskunta, communicated in the release of 13 December 2006, Swedish Meats' holding in HK Ruokatalo Group will consist of 4 178 000 A Shares and 665 000 K Shares, equal to 12.32 percent of the company's shares and votes. The directed issue to Swedish Meats results in the share capital of HK Ruokatalo Group rising from the current EUR 58 587 428.10 to EUR 66 820 528.10. The increase in share capital was entered in the Trade Register on 5 February 2007. The company will seek to have the directed issue admitted to the Helsinki Exchanges for trading to commence as a distinct book-entry series as soon as possible in spring 2007. The issue will be combined with the company's existing shares and traded together with them when the difference in dividend between the shares no longer applies.

In addition to the share consideration, the purchase price also consisted of a cash consideration of approximately EUR 76 million (SEK 692 million). A further element of the deal was HK Ruokatalo Group assuming liability for Swedish Meats' debt amounting to a net value of some EUR 171 million or SEK 1.6 billion. The rise in cash consideration from the figure stated when the deal was announced on 10 November 2006 (SEK 557 million) is largely due to a reduction in the amount of debt assumed from Swedish Meats. The sum of some EUR 7 million (ca. SEK 66 million) will be paid over the next five years in additional purchase price, conditional however on the repayment to Scan AB of certain Swedish Meats' membership loans of equivalent value. The enterprise value of the deal according to share prices and currency exchange rates at the time of execution thus comes to roughly EUR 329 million.

Goodwill before the balance sheet to be acquired has been measured at fair values amounts to some EUR 50 million. The current view is that purchase price will be allocated to intangible assets under brands. The company will announce the final allocation of purchase price at a later date.

Parent company income statement for 1 January to 31 December (EUR 1000)

	Note	2006	2005
Net sales	1	**21 738.5**	**126 294.3**
Change in inventories of finished goods and work in progress		0.0	996.4
Work performed for own use and capitalised		0.0	1.5
Other operating income	2	4 743.9	2 785.4
Materials and services	3	-0.0	-86 751.0
Staff costs	4	-3 647.0	-20 025.6
Depreciation and impairment	5	-16 084.8	-14 210.9
Other operating expenses	6	-2 892.0	-22 032.8
Operating profit		**3 858.4**	**-12 969.8**
Financial income and expenses	7	-4 822.9	-3 115.8
Profit/loss before extraordinary items		**-964.4**	**-16 085.6**
Extraordinary items	8	16 120.0	11 020.0
Profit/loss after extraordinary items		**15 155.6**	**-5 065.6**
Appropriations	9	703.5	-764.2
Income taxes	10	-4 079.3	-1 112.9
Profit/loss for the financial year		**11 779.8**	**-6 942.7**

Parent company balance sheet at 31 December (EUR 1000)

	Note	2006	2005
ASSETS			
Non-current assets	11		
Intangible assets		2 318.8	2 409.2
Property, plant and equipment		187 448.8	170 665.7
Financial assets		143 975.1	126 036.9
Non-current assets, total		**333 742.7**	**299 111.7**
Current assets			
Long-term receivables	12	44 193.9	43 973.8
Deferred tax asset	12	985.0	691.9
Short-term receivables	13	17 744.8	3 471.9
Cash and bank		5 820.3	6 674.1
Current assets		**68 744.0**	**54 811.7**
TOTAL ASSETS		**402 486.7**	**353 923.5**
EQUITY AND LIABILITIES			
Shareholders' equity	14		
Share capital		58 587.4	58 587.4
Share premium reserve		73 420.4	73 420.4
Revaluation reserve		3 363.8	3 363.8
Other reserves		4 420.5	4 410.1
Retained earnings		-562.7	16 279.9
Profit/loss for the financial year		11 779.8	-6 942.7
Total shareholders' equity		151 009.1	149 118.8
Accumulated appropriations	15	35 817.0	36 520.5
Provisions	16	3 288.4	2 661.1
Liabilities			
Long-term interest-bearing liabilities	17	71 581.7	66 250.5
Current interest-bearing liabilities	18	136 428.3	97 641.4
Current zero-interest liabilities	18	4 362.2	1 731.1
Total liabilities		212 372.2	165 623.0
EQUITY AND LIABILITIES, TOTAL		**402 486.7**	**353 923.5**

Parent company cash flow statement (EUR 1000)

	2006	2005
Operating activities		
Operating profit	3 858	-12 970
Adjustments to operating profit	13 236	26 831
Change in working capital	2 645	-1 154
Interest	-5 057	-3 370
Dividends received	234	255
Taxes	-4 079	-1 113
Cash inflow/outflow from operating activities	10 837	8 479
Investing activities		
Purchase of shares	-17 960	-12 596
Purchase of other fixed assets	-37 699	-38 599
Disposal of other fixed assets	7 845	696
Other change	0	784
Cash inflow/outflow from investing activities	-47 814	-49 715
Cash flow before financing activities	-36 977	-41 236
Financing activities		
Non-current borrowings raised	40 000	30 500
Non-current borrowings repaid	-34 669	-32 667
Increase/decrease in non-current receivables	-220	-441
Increase/decrease in current financing	38 797	50 601
Dividends paid	-9 305	-9 994
Other change	0	11
Share issue	0	0
Group contributions received	1 520	0
Financing activities	36 123	38 010
Change in liquid assets	-854	-3 226
Assets at 1 January	6 674	9 900
Assets at 31 December	5 820	6 674
Change in working capital:		
Increase (-)/decrease (+) in inventories	0	-8 190
Increase (-)/decrease (+) in current operating receivables	34	8 639
Increase (-)/decrease (+) in current zero-interest liabilities	2 611	-1 603
	2 645	-1 154

Notes to the parent company financial statements

Basic information about the company

HK Ruokatalo Group Oyj is a Finnish public limited company established under the law of Finland. The company's registered office is in Turku.

Until 31 March 2005, HK Ruokatalo Group Oyj engaged in production and sales activities. In connection with the corporate restructure taking place in the comparison year 2005 (31 March 2005), HK Ruokatalo Group Oyj's wholly-owned subsidiaries Broilertalo Oy, Food Kuljetus Oy, Koiviston Teurastamo Oy and Pouttu Foods Oy merged with and into HK Ruokatalo Group Oyj (formerly HK Ruokatalo Oyj). Under the restructure, the group's Finnish industrial operations, sales, marketing, logistics and transportation were assigned as a business transfer to a subsidiary known as HK Ruokatalo Oy. The transfer of business operations from HK Ruokatalo Group Oyj to HK Ruokatalo Oy took place so that HK Ruokatalo Oy assumed responsibility for the operations from 1 April 2005. HK Ruokatalo Group Oyj retained responsibility for group management, finance and administration.

HK Ruokatalo Group Oyj's A Share has been quoted on the OMX Helsinki Exchanges since 1997.

HK Ruokatalo Group Oyj is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta's registered office is in Turku.

Copies of HK Ruokatalo Group Oyj'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). HK Ruokatalo Group 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 2006.

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 euros unless otherwise stated.

COMPARABILITY WITH PREVIOUS YEARS

The mergers and business transfers in the comparison year reported above mean that the figures for 2006 are not comparable to those of 2005.

TRANSACTIONS IN FOREIGN CURRENCY

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

DERIVATIVE INSTRUMENTS

Open derivatives in foreign currencies are valued at the exchange rates quoted at the balance sheet date. Changes in the value of currency futures are recognised in financial income and expenses in the income statement.

PENSION PLANS

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

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

The Board of Directors appoints the parent company's CEO and also decides his salary and other benefits. Under his service agreement, CEO Simo Palokangas, who retired on 31 March 2006, could have retired at the age of 60 in October 2004. His pension is determined as 60% of his total salary before retirement between 1 April 2005 and 31 March 2006. The pension granted is integrated with old-age pension under the Employees' Pension Act (TEL) when Mr Palokangas begins to receive old-age pension on 1 November 2007. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.3 million at 31 December 2006.

CEO Kai Seikku will retire at the age of 60. His pension is 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 his employment. The pension arrangement of the CEO's deputy is in harmony with that of the CEO.

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

In 2006, Simo Palokangas was paid EUR 237 600 and received other benefits worth EUR 3 720. Kai Seikku was paid EUR 444 330 and received other benefits worth EUR 12 409. The CEO will be granted a maximum of 19 992 A Shares in the company on the basis of the actual results in the 2006 earning period of the share incentive scheme.

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

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

Notes to the parent company financial statements (EUR 1000)

	2006	2005
1. Division of sales		
Sales in Finland	21 738	112 309
Sales in the Baltics		**3 409**
Sales in Poland		**179**
Sales in the rest of EU		4 297
Sales outside EU		6 100
Total sales	21 738	126 294
2. Total other operating income		
Rental income	797	689
Other operating income	1 058	2 001
Gain on disposal of non-current assets	2 889	68
Total other operating income	4 744	2 758
3. Materials and services		
Purchases during the financial year		-82 528
Increase/decrease in inventories		7 194
Materials and supplies		-75 334
External services		-11 417
Materials and services		-86 751
Employees, average		
1 Jan – 31 Mar 2005		1 702
1 Jan – 31 Dec 2006/1 Apr – 31 Dec 2005	14	11
4. Staff costs		
Salaries and fees	-2 048	-13 742
Pension expenses	-1 430	-4 168
Other social security costs	-169	-2 116
Staff costs	-3 647	-20 026
Management salaries, fees and benefits		
Managing directors and vice presidents	827	606
Board members	115	78
Total	942	684
Inner circle information		
Inner circle loans	0	0

5. Depreciation and impairment		
Depreciation according to plan	-14 637	-11 612
Depreciation according to plan on non-current assets and goodwill	-14 637	-11 612
Impairment charge for non-current assets	-1 448	-2 599
Exceptional impairment and reversal of impairment on non-current assets	-1 448	-2 599
Total depreciation and impairment	-16 085	-14 211
6. Other operating expenses		
Rents/leases	-744	-1 293
Loss on disposal of non-current assets, total	-8	-45
Loss on disposal of non-current assets	-8	-45
Loss on merger, internal	0	-10 404
Audit fees	-122	-113
Audit fees, other expert services	-75	-40
Audit fees	-197	-153
R&D costs (in income statement)	0	0
Non-statutory staff costs	-160	-545
Energy	0	-1 824
Maintenance	-3	-1 834
Advertising, marketing and entertainment costs	-81	-3 129
Service, information management and office costs	-1 141	-1 946
Other costs	-1 507	-860
Total other operating expenses	-2 892	-22 033

7. Financial income and expenses

Financial income		
Dividends from group companies	11	0
Dividends from participating interests	214	248
Dividends from others	9	6
Income from units	234	254
Interest income on non-current financial assets		
from participating interests	101	16
Interest income from other non-current financial assets	101	16
Other interest and financial income from group companies	3 926	1 706
Other interest and financial income from others	519	898
Other financial income	4 445	2 604
Total financial income	4 780	2 874
Financial expenses		
Other interest and financial expenses		
payable to group companies	-2 984	-855
Other interest and financial expenses		
payable to participating interests	-4	-3
Other interest payable and financial expenses to others	-6 615	-5 141
Other financial expenses	0	9
Total other interest and financial expenses	-9 603	-5 990
Total financial expenses	-9 603	-5 990
Total financial income and expenses	-4 823	-3 116
Foreign exchange gains	311	698
Foreign exchange losses	-302	-458
Total foreign exchange gains and losses	9	240

8. Extraordinary items

Extraordinary income	16 120	11 020
Total extraordinary items	16 120	11 020

9. Appropriations

Increase (-) or decrease (+) in depreciation difference	704	-764
Total appropriations	704	-764

10. Direct taxes

Income tax on ordinary operations	226	1 164
Income tax on extraordinary items	-4 191	-2 865
Tax for previous financial years	-407	12
Change in deferred tax liabilities and assets	293	576
Income tax on ordinary operations	-4 079	-1 113

Notes to the balance sheet

11. Non-current assets

Intangible assets 2006

	Intangible rights	Goodwill	Total
Acquisition cost at 1 January	2 803	1 023	3 826
Increase	145	0	145
Decrease	0	0	0
Transfers between items	0	0	0
Acquisition cost at 31 December	2 948	1 023	3 971
Accumulated depreciation at 1 January	-738	-679	- 1 417
Accumulated depreciation			
on disposals and reclassifications	0	0	0
Depreciation for the financial year	-166	-70	-236
Impairment	0	0	0
Accumulated depreciation at 31 December	-904	-749	-1 652
Book value at 31 December	2 045	274	2 319

Property plant and equipment 2006

	Land and water	Buildings	Machinery and equipment	Other PPE	Payments on account and unfinished constr. projects	Total
Acquisition cost at 1 January	3 147	176 402	138 404	3 058	11 985	332 996
Increase	-	528	537	-	36 489	37 554
Decrease	-	-17 073	-5 841	-81	-	-22 995
Transfers between items	-	19 781	17 915	-	-37 675	21
Acquisition cost at 31 December	3 147	179 637	151 015	2 977	10 799	347 575
Accumulated depreciation at 1 January	-	-68 917	-90 737	-2 676	-	-162 330
Accumulated depreciation on disposals and reclassifications	-	12 402	5 571	80	-	18 052
Depreciation for the financial year	-	-5 529	-8 766	-105	-	-14 400
Impairment	-	-534	-914	-	-	-1 448
Accumulated depreciation at 31 December	0	-62 578	-94 847	-2 702	0	-160 126
Book value at 31 December	3 147	117 059	56 168	276	0	187 449
Revaluations included in acquisition cost						
Revaluations at 1 January	-	3 364	-	-	-	3 364
Increase	-	-	-	-	-	0
Decrease	-	-	-	-	-	0
Revaluations at 31 December	0	3 364	0	0	0	3 364

Financial assets 2006

	Shares in group companies	Shares in associates	Amounts owed by associates	Other shares and holdings	Total
Acquisition cost at 1 January	73 022	52 766	47	202	126 037
Increase	4 694	13 263	-	2	17 959
Decrease	-21		-	-	-21
Transfers between items	64 435	-64 435	-	-	-
Acquisition cost at 31 December	142 130	1 594	47	204	143 975
Book value at 31 December	142 130	1 594	47	204	143 975

	31 Dec 2006	31 Dec 2005
Non-current assets		
Intangible assets		
Intangible rights	2 045	2 065
Goodwill	274	344
Intangible assets	2 319	2 409
Property, plant and equipment		
Land and water	3 147	3 147
Buildings	117 059	107 485
Machinery and equipment	56 168	47 667
Other tangible assets	276	382
Payments on account and tangible assets		
in the course of construction	10 799	11 985
Property, plant and equipment	187 449	170 666
Financial assets		
Shares in group companies	142 130	73 022
Shares in associates	1 594	52 766
Amounts owed by participating interests	47	47
Other investments	204	202
Financial assets	143 975	126 037
Non-current assets, total	333 743	299 112

12. Long-term receivables

Long-term loan receivables	3 913	3 554
Deferred tax assets	985	692
Total	4 898	4 246
Amounts owed by group companies		
Long-term group loan receivables	40 270	40 420
Other	11	0
Long-term receivables from group companies	40 281	40 420
Total long-term receivables	45 179	44 666

13. Short-term receivables

Trade receivables	6	0
Short-term prepayments and accrued income (from others)	1 474	1 346
Total	1 480	1 346
Amounts owed by group companies:		
Trade receivables	29	12
Loan receivables	100	588
Other receivables	16 133	1 524
Total	16 262	2 124
Amounts owed by participating interests:		
Other receivables	2	2
Short-term receivables from participating interests	2	2
Total short-term receivables	17 745	3 472
Main items included in prepayments and accrued income		
Matched financial items	37	26
Matched staff costs	0	163
Matched taxes	0	740
VAT receivable	321	411
Other prepayments and accrued income	1 116	6
Total	1 474	1 346

14. Shareholders' equity

Shareholders' equity 2006

	Share capital	Share premium reserve	Revaluation reserve	Other reserves	Retained earnings	Total
Shareholders' equity at 1 Jan	58 587	73 420	3 364	4 411	9 337	149 119
Increase	-	-	-	10	-	10
Dividend distribution	-	-	-	-	-9 305	-9 305
Direct recognition in retained earnings	-	-	-	-	-595	-595
Other changes	-	-	-	-	-	-
Profit for the financial year	-	-	-	-	11 780	11 780
Shareholders' equity at 31 Dec 2006	58 587	73 420	3 364	4 421	11 217	151 009

Shareholders' equity 2005

	Share capital	Share premium reserve	Revaluation reserve	Other reserves	Retained earnings	Total
Shareholders' equity at 1 Jan	58 587	73 420	-	4 399	26 274	162 680
Rights issue	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
Increase	-	-	3 364	12	-	3 376
Dividend distribution	-	-	-	-	- 9 994	-9 994
Profit for the financial year	-	-	-	-	- 6 943	-6 943
Shareholders' equity at 31 Dec 2005	58 587	73 420	3 364	4 411	9 337	149 119

Distributable assets	31 Dec 2006	31 Dec 2005
Contingency fund	142	131
Retained earnings	-563	16 280
Profit/loss for the financial year	11 780	-6 943
Distributable assets	11 359	9 468

15. Accumulated appropriations

Depreciation difference	35 817	36 521
Total appropriations	35 817	36 521

The unrecognised deferred tax liability on depreciation difference is EUR 9 312 thousand.

16. Provisions

Provisions for pensions	3 288	2 661
Total provisions	3 288	2 661

17. Non-current liabilities

Loans from financial institutions	69 715	64 080
Other liabilities	1 867	2 170
Total	71 582	66 250
Total non-current liabilities	71 582	66 250

Non-current liabilities		
Interest-bearing		
Amounts owed to others	71 582	66 250
Long-term interest-bearing liabilities	71 582	66 250
Total non-current liabilities	71 582	66 250

18. Current liabilities

Loans from financial institutions	93 235	74 078
Trade payables	1 007	58
Accruals and deferred income	2 978	1 438
Other liabilities	278	226
Total	97 497	75 800

Amounts owed to group companies		
Trade payables	98	0
Other liabilities	43 043	23 426
Total	43 141	23 426
Amounts owed to participating interests		
Trade payables	0	6
Other liabilities	152	140
Total	152	146
Total current liabilities	140 790	99 372

Current liabilities

Interest-bearing		
Current amounts owed to group companies	43 043	23 415
Current amounts owed to participating interests	150	140
Amounts owed to others	93 235	74 086
Current interest-bearing liabilities	136 428	97 641
Zero-interest		
Current amounts owed to group companies	98	11
Current amounts owed to participating interests	2	6
Amounts owed to others	4 262	1 714
Current zero-interest liabilities	4 362	1 731
Total current liabilities	140 790	99 372

Main items (non-current and current) included in accruals and deferred income		
Matched staff costs	870	278
Matched interest costs	1010	718
Matched income taxes	913	182
Other accruals and deferred income	185	260
Total	2 978	1438
Liabilities due in five years or more		
Loans from financial institutions	5 626	7 920
Other long-term liabilities	656	959
Liabilities due in five years or more	6 282	8 879

19. Contingent liabilities

	31 Dec 2006	31 Dec 2005
Debts secured by mortgages and shares		
Loans from financial institutions	27 723	43 327
Total	27 723	43 327
Real estate mortgages	38 771	42 971
Floating charges	7 568	7 568
Securities pledged	-	-
Total	46 339	50 539
Security for debts of subsidiary and other group companies		
Guarantees	6 867	9 735
Total	6 867	9 735
Security for debts of participating interests		
Guarantees	3 565	3 985
Total	3 565	3 985
Security for debts of others		
Guarantees	3 545	3 764
Total	3 545	3 764
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	8	0
Lease liabilities maturing in 1–5 years	13	0
Rent/lease liabilities	2 748	0
Total other contingencies	2 769	0

20. Derivative instruments

Nominal values of derivative instruments	31 Dec 2006	31 Dec 2005
Foreign exchange derivatives		
- forward foreign-exchange contracts	0.5	1.2
Commodity derivatives		
- forward electricity contracts	6.5	4.3
	7.0	5.5

Fair values of derivative instruments

	2006 Fair value positive	2006 Fair value negative	2006 Fair value net	2005 Fair value net
Foreign exchange derivatives				
- forward foreign-exchange contracts	0.0	-	0.0	0.0
Commodity derivatives				
- forward electricity contracts	0.2	-	0.2	1.0
	0.2	-	1.0	1.0

Signatures of the Board of Directors and CEO

Vantaa, 26 February 2007

Marcus H. Borgström   Markku Aalto   Kjeld Johannesen

Heikki Kauppinen   Tiina Varho-Lankinen   Kai Seikku

Auditors' report

TO THE SHAREHOLDERS OF HK RUOKATALO GROUP OYJ

We have audited the accounting records, financial statements, the report of the Board of Directors and administration of HK Ruokatalo Group Oyj for the period 1 January – 31 December 2006. The Board of Directors and the CEO have prepared the report of the Board of Directors and the consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the EU and have prepared the parent company's financial statements – which comprise the parent company's balance sheet, income statement, funds statement and notes to the financial statement – in accordance with the prevailing regulations in Finland. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements, the report of the Board of Directors and administration.

We have conducted the audit in compliance with Finnish Standards on Auditing. Those standards require us to perform the audit to ensure reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting policies used and significant estimates made by management as well as overall evaluation of the financial statement presentation. The purpose of our audit of administration is to examine that members of the Board of Directors and the CEO of the parent company have legally complied with the rules of the Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated result of operations as well as of the financial position.

PARENT COMPANY FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion, the parent company's financial statements have been prepared in compliance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a fair and true view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position.

The report of the Board of Directors has been prepared in compliance with the Finnish Accounting Act and other rules and regulations governing the preparation of such reports in Finland. The report of the Board of Directors is consistent with the financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the consolidated and parent company's result of operations as well as of the financial position.

The consolidated and parent company's financial statements can be adopted and the members of the Board of Directors and the CEO can be discharged from liability for the period audited by us. The proposal by the Board of Directors for the disposal of distributable funds is in compliance with the Companies Act.

Vantaa, 8 March 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Petri Palmroth
APA

Shares and shareholders

SHARE CAPITAL

HK Ruokatalo Group Oyj's registered and fully paid share capital at the balance sheet date was EUR 58 587 428.10. There was no increase in share capital during the year.

At the balance sheet date, the share capital was divided into 29 063 193 A Shares and 5 400 000 K Shares. Each share has a nominal value of EUR 1.70 and gives equal entitlement to a dividend. Under the company's Articles of Association, each A Share conveys one vote and each K Share 20 votes. All the K Shares are owned by LSO Osuuskunta.

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

At the balance sheet date, the company had 8 214 shareholders.

STOCK EXCHANGE LISTINGS

HK Ruokatalo Group's A Share has been quoted on the Helsinki Exchanges since 6 February 1997. During the year under review, 21 388 820 of the company's shares were traded for a total of EUR 236 148 251.

The highest price quoted was EUR 15.19 and the lowest EUR 8.35. The middle price was EUR 11.02 and the year-end closing price was EUR 14.50. The share price rose by 47.1 percent on the year. HK Ruokatalo's market capitalisation (A and K Shares) at the balance sheet date increased from EUR 339.8 million in the previous year to EUR 499.7 million.

HK Ruokatalo Group has in place a market making agreement with FIM Pankkiiriliike Oy which meets the requirements of the Helsinki Exchanges' Liquidity Providing (LP) operation.

NOTICES OF CHANGES IN OWNERSHIP

On 16 June 2006, Osuuspankkikeskus (Osk) announced that its stake in HK Ruokatalo Group Oyj had decreased to 4.997% of the share capital and 1.257% of the votes. This includes not only the holdings of Osuuspankkikeskus, but also those of its subsidiaries and the mutual funds managed by OP and Pohjola Treasury companies.

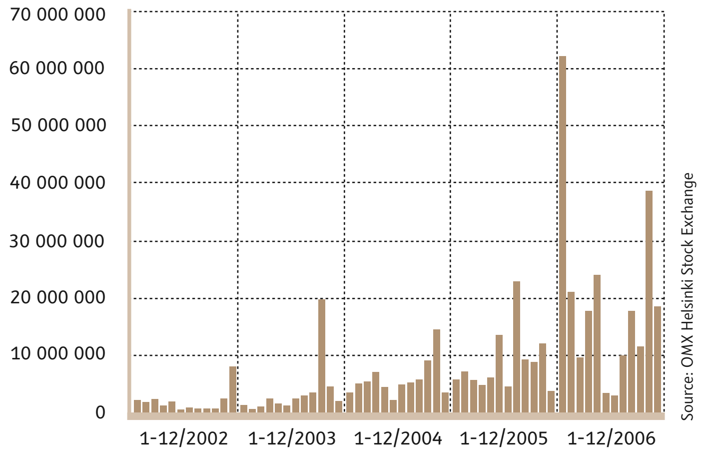
On 13 July 2006, Julius Baer Investment Management LLC (New York, USA) announced that its shareholding in HK Ruokatalo Group Oyj had on 17 January 2006 risen to 5.13% of the share capital and 1.29% of the votes.

Swedish Meats ekonomisk förening (Sweden) announced on 13 November 2006 that it had concluded an agreement which when executed would increase its holding in HK Ruokatalo Group to 12.32% of the shares and 3.41% of the votes. As part of the agreement, HK Ruokatalo will direct an issue of 4 843 000 A Shares to Swedish Meats.

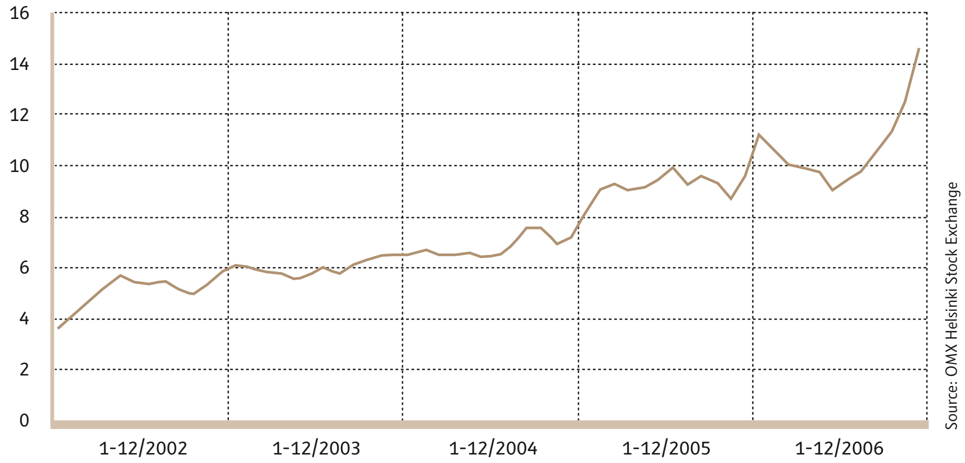
Julius Baer International Equity Fund announced on 8 December 2006 that its shareholding in HK Ruokatalo Group Oyj had risen to 5.43% of the share capital and 1.37% of the votes. Taking into account the stake held by its parent company Julius Baer Investment Management, the Julius Baer Group's holding in HK Ruokatalo Group increased to a total of 13.62% of the share capital and 3.42% of the votes.

Swedish Meats ekonomisk förening (Sweden) announced on 15 December 2006 a conditional agreement which when executed would increase its holding in HK Ruokatalo Group Oyj. LSO Osuuskunta and Swedish Meats had agreed on a share swap that would result in the share of votes in HK Ruokatalo Group held by Swedish Meats rising from the 3.41 percent notified on 13 November 2006 to 12.32 percent. The share swap is subject to the consent of the Board of Directors of HK Ruokatalo Group.

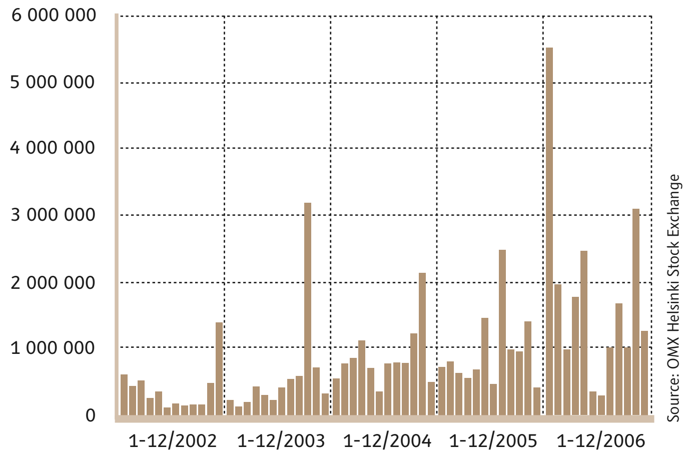
Shares traded 2002-2006
(value of shares in million euros traded per month)



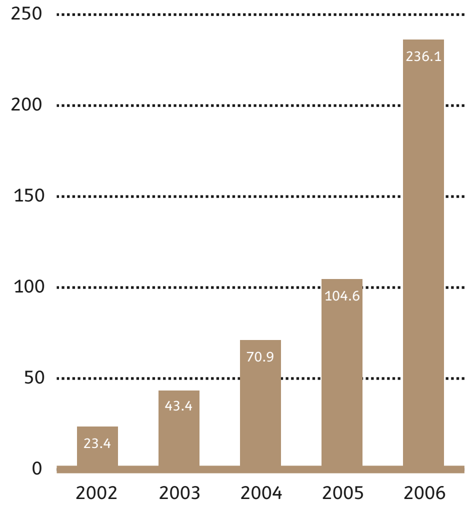
Share performance 2002-2006
(middle price in euros each month)



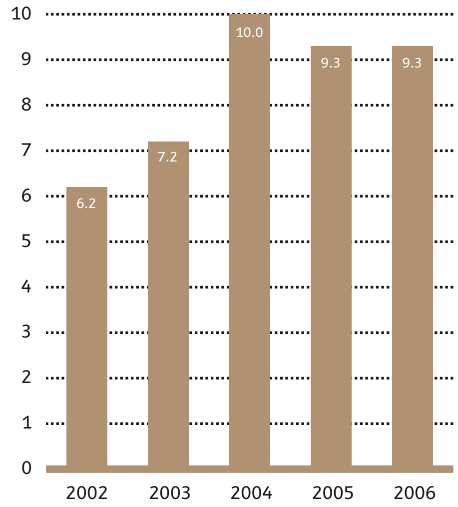
Shares traded 2002-2006
(number of shares traded per month)



Total shares traded 2002-2006 on Helsinki Exchanges (EUR million)



Total dividends paid 2002-2006
(EUR million)



Analysis of shareholders as at 31 December 2006

Number of shares	shareholders	%	Number of shares	%	Number of votes	%
1 – 10	253	3.080	1 828	0.005	1 828	0.001
11 – 100	2 391	29.109	25 607	0.364	125 607	0.092
101 – 500	3 071	37.387	890 471	2.584	890 471	0.650
501 – 1 000	1 118	13.611	867 309	2.517	867 309	0.633
1 001 - 10 000	1 252	15.242	3 150 298	9.141	3 150 298	2.298
10 001 - 100 000	104	1.266	2 587 069	7.507	2 587 069	1.888
100 001 - 500 000	19	0.231	4 367 294	12.672	4 367 294	3.186
500 001 - 1 000 000	2	0.024	1 308 300	3.796	1 308 300	0.955
1 000 001 -	4	0.049	21 011 697	60.969	123 611 697	90.186
Total	8 214	100.000	34 309 873	99.555	136 909 873	99.888
Waiting list			0	0,000	0	0,000
General account			153 320	0.445	153 320	0.112

Shareholder profile as at 31 December 2006

	% of shareholders	% of shares
Corporates	4.32	42.77
Finance and insurance companies	0.73	10.65
Public sector entities	0.22	4.07
Non-profit organisations	1.52	4.00
Households	92.93	13.99
Abroad	0.28	10.94
Waiting list		0.00
General account		0.45

Of the total shares, including nominee registered shares. 24.08% were in foreign ownership. This compares to 18.70% percent a year earlier.

Largest shareholders as at 31 January 2006

	A Shares	K Shares	% of total	% of votes
LSO Osuuskunta	7 906 782	5 400 000	38.61	84.56
Danish Crown	3 494 413	-	10.14	2.55
OP-Suomi Arvo mutual fund	700 000	-	2.03	0.51
Central Union of Agricultural Producers and Forest Owners	608 300	-	1.77	0.44
Varma Pension Insurance Company	450 989	-	1.31	0.33
Tapiola Pension Insurance Company	373 333	-	1.08	0.27
Säästöpankki Kotimaa mutual fund	355 750	-	1.03	0.26
Evli Select mutual fund	330 900	-	0.96	0.24
Nordea Nordic Small Cap mutual fund	326 614	-	0.95	0.24
Veritas Pension Insurance Company Ltd	318 266	-	0.92	0.23
Nordea Fennia mutual fund	234 800	-	0.68	0.17
SR Arvo Finland Value mutual fund	220 000	-	0.64	0.16
Nordea Pro Suomi mutual fund	180 100	-	0.52	0.13
SEB Gyllenberg mutual fund	169 827	-	0.49	0.12
OP-Suomi Pienyhtiöt mutual fund	169 550	-	0.49	0.12
Aktia Capital mutual fund	155 991	-	0.45	0.11
Veritas Life Insurance Company Ltd	150 000	-	0.44	0.11
OP-Pohjola Pienyhtiöt mutual fund	147 000	-	0.43	0.11
Ilmarinen Pension Insurance Company	140 000	-	0.41	0.10
Nominee registered	4 522 945	-	13.12	3.30
Other	8 107 633	-	23.53	5.94
Total	29 063 193	5 400 000	100.00	100.00

Share capital by share series as at 31 December 2006

Share series	Number of shares	% of share capital	% of votes
A Shares	29 063 193	84.33	21.20
K Shares	5 400 000	15.67	78.80
Total	34 463 193	100.00	100.00

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

Annual General Meeting

HK Ruokatalo Group Oyj's Annual General Meeting is to take place in meeting room 208 of the Congress Wing at Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki, starting at 11am on Friday, 20 April 2007. Examination of proxy forms will begin at 10am. Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 4pm Finnish time on 10 April 2007 either in writing to HK Ruokatalo Group Oyj, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland, by telefacsimile +358 2 250 1667, by email to marjukka.hujanen@hkruokatalo.fi or by telephoning +358 10 570 100 / Hujanen.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 10 April 2007 in the share register maintained by the Finnish Central Securities Depository Ltd (APK).

DIVIDEND

The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.27 per share be declared for 2006. 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 25 April 2007. The proposed payment date for the dividend is 3 May 2007. Shareholders whose shares are not registered in the book-entry securities system at the record date, 25 April 2007, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHARE REGISTER

HK Ruokatalo Group Oyj's share register is kept by the Finnish Central Securities Depository Ltd, visiting address Urho Kekkosen katu 5 C, 8th floor, 00100 Helsinki, Finland. The Finnish Central Securities Depository's free phone number for customer account services in Finland is 0800 180 500.

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

FINANCIAL INFORMATION

The company publishes an English translation of the original Finnish annual report in April each year and three interim reports. The interim report for January to March will be published on 27 April 2007, for January to June on 14 August 2007 and for January to September on 2 November 2007. The annual report and interim reports are published in Finnish and English and may be viewed on the company's website at www.hkruokatalo.fi, where the company's stock exchange releases are also published.

Printed versions of the annual report will be posted automatically to all shareholders with at least 500 HK Ruokatalo shares and registered in the company's share register kept by the Finnish Central Securities Depository. The interim reports are published in stock exchange release format and are also available for review on HK Ruokatalo's 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 the company's' website under Company > Feedback or by letter to HK Ruokatalo Group Oyj, Corporate Communications, PO Box 50, FI-20521 Turku, Finland, by telephone +358 10 570 100 / Corporate Communications, by telefacsimile +358 10 570 6102 or by email to hk.viestinta@hkruokatalo.fi

Summary of stock exchange releases in 2006

HK Ruokatalo Group issued 37 stock exchange releases during 2006. These can be read on company's website at www.hkruokatalo.fi / English under > Company > Stock exchange releases.

STOCK EXCHANGE RELEASES

10 Jan 2006	HK Ruokatalo to streamline its Finnish production structure
20 Jan 2006	HK Ruokatalo prepares to recognise restructuring expenses
27 Jan 2006	Plans by HK Ruokatalo and Atria to work together in the turkey business
24 Feb 2006	HK Ruokatalo Group's financial statement bulletin for 2005
24 Mar 2006	Notice of Annual General Meeting of HK Ruokatalo Group
3 Apr 2006	HK Ruokatalo's and Danish Crown's joint venture is planning to de-list Polish meat company Sokolów
21 Apr 2006	HK Ruokatalo Group's Annual General Meeting
28 Apr 2006	HK Ruokatalo Group's interim report for Q1 / 2006
6 May 2006	Public offer by HK Ruokatalo's and Danish Crown's joint venture expired in Poland
23 May 2006	HK Ruokatalo's and Danish Crown's joint venture is to acquire all the shares in Sokolów
16 Jun 2006	Notification under the Securities Markets Act
21 Jun 2006	HK Ruokatalo redeems remaining shares in Rakvere Lihakombinaat
29 Jun 2006	HK Ruokatalo and Atria to establish turkey meat joint-venture
4 Jul 2006	Changes to HK Ruokatalo's management team in Finland
13 Jul 2006	Notification under the Securities Markets Act
7 Aug 2006	HK Ruokatalo Group's interim report for 1 January to 30 June 2006
12 Sep 2006	HK Ruokatalo to rationalise raw material supplies in Finland
8 Nov 2006	HK Ruokatalo Group's interim report for 1 January to 30 September 2006
10 Nov 2006	HK Ruokatalo to acquire business of Swedish Meats - arrangement gives rise to leading Northern European food company
13 Nov 2006	Notification under the Securities Markets Act
27 Nov 2006	Notice of HK Ruokatalo Group's extraordinary general meeting
28 Nov 2006	Corporate arrangement between HK Ruokatalo and Swedish Meats progresses apace
8 Dec 2006	Notification under the Securities Markets Act
13 Dec 2006	Assembly of Swedish Meats accepts HK Ruokatalo's offer
15 Dec 2006	Notification under the Securities Markets Act
21 Dec 2006	Finnish-Swedish food company becoming a reality
22 Dec 2006	Shareholders' meeting authorised the Board of Directors
28 Dec 2006	Turku property to change hands

RELEASES

17 Jan 2006	Jyrki Sukula appointed HK Ruokatalo's Creative Director
5 May 2006	Progress with efficiency and modernisation project at HK Ruokatalo's production facilities at Forssa
20 Jun 2006	Sokolów entirely into Finnish-Danish ownership
24 Jul 2006	The takeover of Rakvere Lihakombinaat's minority shares
29 Aug 2006	Redemption of Rakvere Lihakombinaat's minority shares proceeds
22 Aug 2006	Sokolów to acquire additional capacity in Poland
29 Sep 2006	Quoting of Rakvere Lihakombinaat on the Tallinn Stock Exchange ends
13 Oct 2006	Rationalisation of HK Ruokatalo's raw material supplies proceeds

ANNOUNCEMENTS

7 Dec 2006	Financial information year 2007

Corporate governance

Additional information about corporate governance is available on the company's website www.hkruokatalo.fi under "Company" > "Investor information".

ANNUAL GENERAL MEETING

Ultimate decision-making power at HK Ruokatalo Group Oyj is vested in shareholders at the Annual General Meeting or at Extraordinary Meetings of Shareholders. The Annual General Meeting is held by the end of June each year. The Board of Directors sends a notice to shareholders and draws up the agenda. The Annual General Meeting convenes for the following purposes:

- to receive the accounts
- to decide on the distribution of profit
- to decide the number of members of the Board of Directors
- to appoint members to the Board of Directors and to elect the auditors
- to decide the remuneration of members of the Board of Directors

Likewise changes in the share capital and Articles of Association are also items of business to be considered by the Annual General Meeting or, if necessary, by an Extraordinary General Meeting.

SHARE SERIES

HK Ruokatalo Group has two share series, Series A and Series K. Series A Shares are quoted on the Main List of the Helsinki Exchanges. Series K Shares are unquoted. The series entitle to identical rights except that each A Share conveys one vote and each K Share 20 votes. All the K Shares are owned by LSO Osuuskunta.

SUPERVISORY BOARD

The company has no Supervisory Board.

BOARD OF DIRECTORS

HK Ruokatalo Group Oyj's Board of Directors comprises five members, who represent the company's shareholders and have a considerable breadth and depth of commercial and international experience that is important to the company.

Under the Articles of Association, the Board of Directors comprises between five and seven members. The Annual General Meeting decides the number of Board members, appoints all members for a term of office of one year at a time and also fixes the remuneration they receive. Persons elected to the Board of Directors must be under the age of 62. In accordance with the prevailing practice, producer representatives form a majority on the company's Board of Directors and have a production contract to supply the company with raw meat at the market price. Additionally, one member of the Board is managing director of a company with which HK Ruokatalo Group is involved in strategic co-operation.

The Board of Directors elects a chairman and deputy chairman from among its members. The chairman may not be an employee of the company.

The work of the Board of Directors is based on the Finnish Companies Act, the provisions contained in the Company's Articles of Association and the Board's own rules of procedure. The Board of Directors operates as a collegiate body with all Board members participating in all matters considered by the Board. Temporary working groups or permanent committees may be established if required.

The Board of Directors meets at least five times a year at pre-agreed times. More meetings may be held if required. The chairman of the Board normally sends notices of Board meetings at least one week beforehand. At least half the members must be present for the Board to be quorate.

During 2006, the Board met 17 times. The average attendance rate of Board members was 93.3 percent.

In 2006, members of the Board of Directors received remuneration and other benefits as follows:

Marcus H. Borgström, EUR 31 640
Markku Aalto, EUR 21 610
Kjeld Johannesen, EUR 12 200
Heikki Kauppinen, EUR 15 200
Tiina Varho-Lankinen, EUR 16 370

From 1 April 2005 to 31 May 2006, HK Ruokatalo Group Oyj's Board of Directors also served as the Board of Directors of subsidiary HK Ruokatalo Oy. Board members received no separate fees or compensation for this duty.

CHIEF EXECUTIVE OFFICER AND MANAGEMENT TEAM

The Board of Directors appoints the parent company's CEO and also decides his salary and other benefits. Kai Seikku MSc (Econ. & Bus. Admin.) took over as CEO of HK Ruokatalo Group Oyj on 1 April 2006, when his predecessor Simo Palokangas retired. The Board had chosen Seikku to replace Palokangas on 12 April 2005. Effective 1 March 2007, the company's management team consists of the CEO, CFO, CMO, managing directors of HK Ruokatalo Oy and Scan AB, executive vice president of the Baltic Group and the secretary. The management team convenes 8 to 10 times a year.

In 2006, Kai Seikku was paid EUR 444 300 and received other benefits worth EUR 12 409. Simo Palokangas was paid EUR 237 600 and received other benefits worth EUR 3 720.

Kai Seikku will retire at the age of 60. He will receive a pension of 60% of his pensionable pay calculated on the basis of his total pay received prior to retirement. The CEO's period of notice is six months by either party. If his employment is terminated by the company, the CEO is entitled to severance pay equivalent to 18 months' salary excluding incentive bonuses.

SALARIES AND REMUNERATION

Management salaries and remuneration in 2006 totalled EUR 2.0 million, of which EUR 0.5 million was paid to members of the Board and EUR 1.5 million, including benefits, to managing directors and their deputies.

The company has in place a share incentive scheme for the years 2006–2008. The purpose of the scheme is to foster the commitment of key personnel to the achievement of the company's strategic and financial targets while also making them long-term shareholders in the company. The scheme concerns some ten employees. who have the opportunity of receiving HK Ruokatalo Group's A Shares as a reward for achievement of set targets.

The incentive scheme consists of three earning periods of one calendar year each: the years 2006, 2007 and 2008. The Board decides on the key personnel included in the scheme for each earning period and on the maximum incentive payable to them.

Any incentives under the scheme are tied to group net sales and return on capital employed. The incentives will be paid after the end of each earning period partly in shares and partly in cash. The cash element is used to cover any taxes and fiscal charges arising from the shares. The persons shall hold on to the shares earned for at least three years from the end of the earning period.

The element to be paid as shares for the first earning period comes to a total of 96 000 A Shares in HK Ruokatalo Group. The maximum numbers of shares and criteria for other earning periods shall be decided by the Board at a later date.

AUDITORS

Under its Articles of Association, HK Ruokatalo Group 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 authorised by the Central Chamber of Commerce. 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.

Auditors from authorised public accountants PricewaterhouseCoopers Oy served as the company's independent auditors. In 2006, the auditors' fees for the statutory audit in were EUR 0.3 million. An additional EUR 0.1 million was paid for expert services unrelated to the audit. These services included tax consulting and advisory services in corporate arrangements. The figures also include the audit fees in Poland (BDO Poland).

RISK MANAGEMENT

The aim of risk management within the HK Ruokatalo Group concern is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. HK Ruokatalo's risks are by nature strategic, operative, financial and risk of loss, damage or injury.

Risk management constitutes a key part of the group's management system, which is based on quality and process management. Quality and environmental management as well as in-house control are integrated into our certified management system, which is regularly audited by external auditors. The system ensures and harmonises continual improvement in the quality of operations and products and reduces adverse environmental impacts.

The Board of Directors and CEO have responsibility for the risk management strategy and principles within the group and for managing risks that threaten achievement of the group's strategic intents. Business process managers are responsible for operative risks. The group CFO is responsible for managing financial risks and risks to persons and property.

INTERNAL SUPERVISION AND AUDIT

Under the Finnish Companies Act, the Board of Directors is responsible for ensuring proper supervision of the company's books and asset management. The CEO is responsible for ensuring that the bookkeeping complies with the law and that asset management is arranged in a reliable manner. Complying with generally accepted accounting principles, the responsibility of the auditors is to ensure that the Board of Directors and the CEO have carried out their obligations above.

Internal auditing within HK Ruokatalo Group is a management tool used in performing supervision and is organised around an internal controller. The company's auditors, who constantly perform audits of various operational aspects, also participate in internal auditing.

The aims of the internal audit are integrated into the company's management system, which is based on the principle of continuous improvement. Corrective and preventive actions are key to the function of the entire process.

MANAGEMENT INTERESTS

At year-end 2006, members of the Board of Directors and the company's CEO owned a total of 46 536 A Shares, which corresponded to 0.14 percent of the total number of shares and 0.03 percent of the votes.

SHARE 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.

INSIDER HOLDING

HK Ruokatalo Group has complied with the insider holding guidelines prepared by the Helsinki Exchanges, the Central Chamber of Commerce and the Federation of Finnish Industry and Employers since 1 March 2000. An updated insider holding guideline entered into force on 1 January 2006.

Effective from 17 October 2005, HK Ruokatalo Group's insider holdings have been split into a public register and a company-specific 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 insider holdings also includes members of the Management Team and the principal owner's Board of Directors and the chairpersons of the principal owner's Supervisory Board.

By corporate decision, certain members of financial and accounting clerical staff, communications officers, management secretaries, etc. have been included in the company-specific (non-public) register of permanent insiders.

HK Ruokatalo Group's insiders may trade during 30 days following the disclosure of an interim report and financial statement bulletin.

HK Ruokatalo ensures compliance with insider holding guidelines by reminding insiders in advance of a forthcoming ban on trading and by checking the Finnish Central Securities Depository register 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.

HK Ruokatalo's Group's group administration maintains and manages the register of insider holdings. The actual register is kept in the Finnish Central Securities Depository's SIRE system. The information in the register is available to the public in the NetSIRE online service provided by the Finnish Central Securities Depository.

Board of Directors

Appointed on 21 April 2006

Auditors for the 2006 financial year

AUDITORS
Authorised public accountants PricewaterhouseCoopers Oy, with Johan Kronberg MSc (Econ. & Bus. Admin.), APA of Parainen as the principal auditor
Petri Palmroth, MSc (Econ. & Bus. Adm.), Authorised Public Accountant, Turku

DEPUTY AUDITORS
Mika Kaarisalo, MSc (Econ. & Bus. Adm.), Authorised Public Accountant, Turku
Pasi Pietarinen, MSc (Econ. & Bus. Adm.), Authorised Public Accountant, Turku

The Annual General Meeting was held on 21 April 2006 in Helsinki and an Extraordinary General Meeting on 22 December 2006 in Turku.

MARCUS H. BORGSTRÖM (BORN 1946)
Chairman of the Board since 1997, member since 1995
MSc (Agriculture and Forestry), Agricultural Counsellor (Hon)

Mr Borgström is a pork producer in Sipoo, Itä-Uusimaa. He is a member of the Board of Directors of Veritas Non-Life Insurance Company Ltd, chairman of the Supervisory Board of Itä-Uudenmaan Osuuspankki bank, OKO Bank Group Pension Fund and Osuuskauppa Varuboden and a member of the Supervisory Board of SOK Corporation. He is also a member of the Board of Directors of LSO Osuuskunta. He served as chairman of Oy Gustav Paulig Ab and Paulig Oy's Board of Directors from 1983 to 1991 and 1991 to 1997 respectively.
Current elected positions: Chairman of the Board of Pellervo-Seura and Finlands Svenska Andelsförbund (the Confederation of Swedish-Speaking Cooperatives in Finland), member of the Board of

MARKKU AALTO (BORN 1950)
Deputy chairman of the Board since 2003, member since 1994

Pork producer in Jämijärvi, Satakunta. Chairman of the Board of Directors of LSO Osuuskunta, member of the Boards of LSO Foods Oy and Finnpig Oy
Shares: 1 300

Directors of the General Committee for Agricultural Co-operation in the European Community (COGECA) and President of the International Federation of Agricultural Producers (IFAP) Committee on Agricultural Cooperatives.
Shares: 20 334

KJELD JOHANNESEN (BORN 1953)
Member of the Board since 2004, MSc (Econ. & Bus. Admin.)

CEO of Danish Crown. Deputy chairman of the Board of Directors of DAT-Schaub, Tulip Food Company and Sokolów S.A. and a Board member of the following companies: Vest-Wood A/S, DBC Ltd (UK), The Danish Bacon and Meat Council, Plumrose USA, Inc and Tulip Ltd. (UK). Previously managing director of Wenbo slaughterhouse 1988–1990 and production director at Steff-Houlberg slaughterers 1983–1988.
Shares: -

TIINA VARHO-LANKINEN (BORN 1962)
Member of the Board since 2003, MSc (Econ. & Bus. Admin.)

Beef and broiler meat producer, farm entrepreneur in Oripää, Varsinais-Suomi. Deputy chairman of the Board of Directors of LSO Osuuskunta and chairman of Suomen Broileryhdistys (Finnish Broiler Association).
Shares: 671

HEIKKI KAUPPINEN (BORN 1947)
Member of the Board since 2003, MSc (Econ. & Bus. Admin.)

An expert on the international marketing of branded goods, has served as managing director of Suomen Unilever Oy from 1994 to 2002. Member of the Board of Directors of Oy Halva Ab and Laatusuhde Suomi Oy and chairman of the Board of Directors of the Finnish Orienteering Association.
Shares: 2 011

SIMO PALOKANGAS (BORN 1944)
Member of the Board until 21 April 2006, MSc (Agriculture)

CEO of HK Ruokatalo Group Oyj and managing director of LSO Osuuskunta 1994–2006. Previously managing director of Munakunta 1979–1987 and Lännen Tehtaat Oy 1987–1994.

From left: Management Team Secretary Risto Siivonen with Management Team members Antti Lauslahti, Esa Mäki, Kai Seikku, Magnus Lagergren, Matti Perkonoja and Olli Antniemi.

Group Management Team

From 1 March 2007

KAI SEIKKU (BORN 1965)

CEO, MSc (Econ. & Bus. Admin.)

CEO of HK Ruokatalo Group Oyj from 1 April 2006. Managing director of HK Ruokatalo Oy from 1 September 2005 to 28 February 2007, managing director of LSO Osuuskunta from 1 April 2006.

Mr Seikku is chairman of the Supervisory Board of AS Rakvere Lihakombinaat and AS Tallegg and deputy chairman of the Board of Directors of Sokolów S.A. He also sits on the Boards of Scan AB, the Finnish Food and Drink Industries' Federation (ETL), Trainers' House and Alma Media Corporation.

Mr Seikku was CEO of advertising agency Hasan & Partners Oy 1999–2005 and Country Chairman of advertising agency McCann-Erickson 2002–2005. Prior to this he served as a business management consultant with the Boston Consulting Group in Stockholm and Helsinki 1993–1999 and as a consultant with SIAR-Bossard 1991–1993.

Shares: 20 000

MATTI PERKONOJA (BORN 1949)

CFO and CEO's deputy, commercial college graduate

Mr Perkonoja's remit is finance and administration, information management and group business development, work environment and quality issues. Member of the Board of Directors of AS Rakvere Lihakombinaat, AS Tallegg and Sokolów S.A. In Finland, he is a member of the supervisory board of Tapiola Corporate Life Insurance Ltd.

Mr Perkonoja joined the group as managing director of Broilertalo Oy in 1993 before being made director of commerce. He assumed his present position in 2000.

Shares: 7 000

ANTTI LAUSLAHTI (BORN 1966)

CMO and Executive vice president, Commercial and Marketing Operations in Finland, MSc (Econ. & Bus. Admin.)

Antti Lauslahti is executive vice president Commercial Operations since 1 January 2006 and CMO since 1 March 2007. Mr Lauslahti's remit is the coordination of consumer marketing in HK Ruokatalo Group's various market areas, along with Finnish retail and horeca sales, marketing, product development and exports, logistics and distribution terminals. He joined HK Ruokatalo at the beginning of 2006 from LU Suomi Oy, part of Danone Group, where he was commercial director. Prior to this, he served L'Oréal in Finland, the UK, Russia and China, and has also worked for Suomen Unilever.

Shares: 1 700

ESA MÄKI (BORN 1966)

Managing Director of HK Ruokatalo Oy and Executive vice president, Finland, MSc (Agriculture and Forestry)

Appointed managing director of HK Ruokatalo effective 1 March 2007, Mr Mäki was formerly executive vice president of the company's meat business encompassing the handling and value added processing of pork and beef. He joined HK Ruokatalo in 2003 as executive vice president of the Poultry Group. Prior to this he was meat line director and most recently director of control and logistics at Atria Group plc.

Shares: -

MAGNUS LAGERGREN (BORN 1960)

Managing Director of Scan AB and Executive vice president, Sweden, MSc (Agriculture)

Mr Lagergren was appointed managing director of Scan AB effective 29 January 2007. Prior to this he was with Swedish Meats, in management since January 2005 and most recently group CEO as of August 2006. Mr Lagergren was managing director of Skövde Slakteri AB 2002–2005 and prior to this he was with Svenska Avelspoolen AB. He is a member of the Board of Directors of the Swedish Meat Industry Association KCF and Sokolów S.A.

Shares: 1 000 nominee registered

OLLI ANTNIEMI (BORN 1959)

Executive vice president, Baltic Group, MSc (Econ. & Bus. Admin.)

Since 2003, Mr Antniemi has been in charge of the HK Ruokatalo Group concern's Baltic operations. Prior to this, he served as the company's marketing director. Mr Antniemi joined the concern in 1996 as export director from the position of marketing director at Suomen Trikoo (Sara Lee Group). Prior to this he served the Huhtamäki Group, including a spell with Leaf in the United Kingdom.

Shares: -

Senior vice president Risto Siivonen serves as Secretary to the Group Management Team.

Market analysts

Banks and stockbrokers in Finland analysing HK Ruokatalo Group as an investment.

HK Ruokatalo Group Oyj is not liable for any evaluations presented in the analyses.

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