HKScan

ANNUAL REPORT 2007

HKScan Corporation Annual Report 2007

Contents

04 HKScan
07 Headlines in 2007
08 Review by the CEO
10 Market area: Finland
14 Market area: Sweden
18 Market area: Baltics
20 Market area: Poland
22 Corporate responsibility
24 Report of the Board of Directors
30 Financial indicators
31 Formulae for financial indicators
32 IFRS Consolidated income statement
33 IFRS Consolidated balance sheet
34 IFRS Consolidated cash flow statement
35 Statement of changes in shareholders' equity
36 IFRS Notes to the consolidated financial statements
42 Notes to the consolidated income statement
46 Notes to the consolidated balance sheet
58 FAS Parent company income statement
59 FAS Parent company balance sheet
60 FAS Parent company cash flow statement
61 FAS Notes to the parent company financial statements
62 Notes to the parent company income statement
63 Notes to the parent company balance sheet
69 Signatures of the Board of Directors and CEO
69 Auditors' report
71 Shares and shareholders
74 Annual General Meeting
75 Summary of stock exchange releases in 2007
76 Corporate governance
78 Board of Directors
80 Group Management Team
82 Market analysts
83 Addresses

HKScan – a leading northern European food company

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 production facilities in six countries and employs a workforce of some ten thousand 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 driven 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.

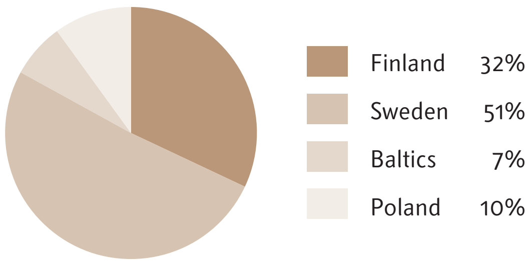
The Group's vision is to be a leading multidomestic food company which holds a strong position in its northern European domestic markets.

The strategic intents of HKScan are

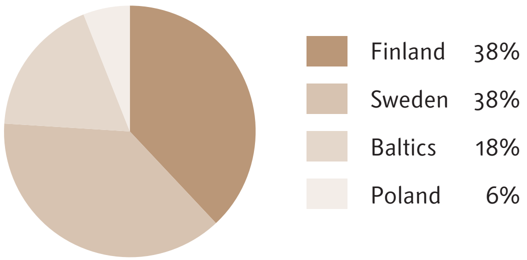
- to meet the diverse food requirements and preferences of consumers at different points in their lives
- to have the most satisfied customers in its sector, won through competitive products, dependability and innovation
- to be among the most profitable companies in its sector
- to be among the most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

HKScan
Breakdown of net sales and EBIT in 2007

Net sales EUR 2 107.3 million



EBIT EUR 55.3 million



Key Financial Targets

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

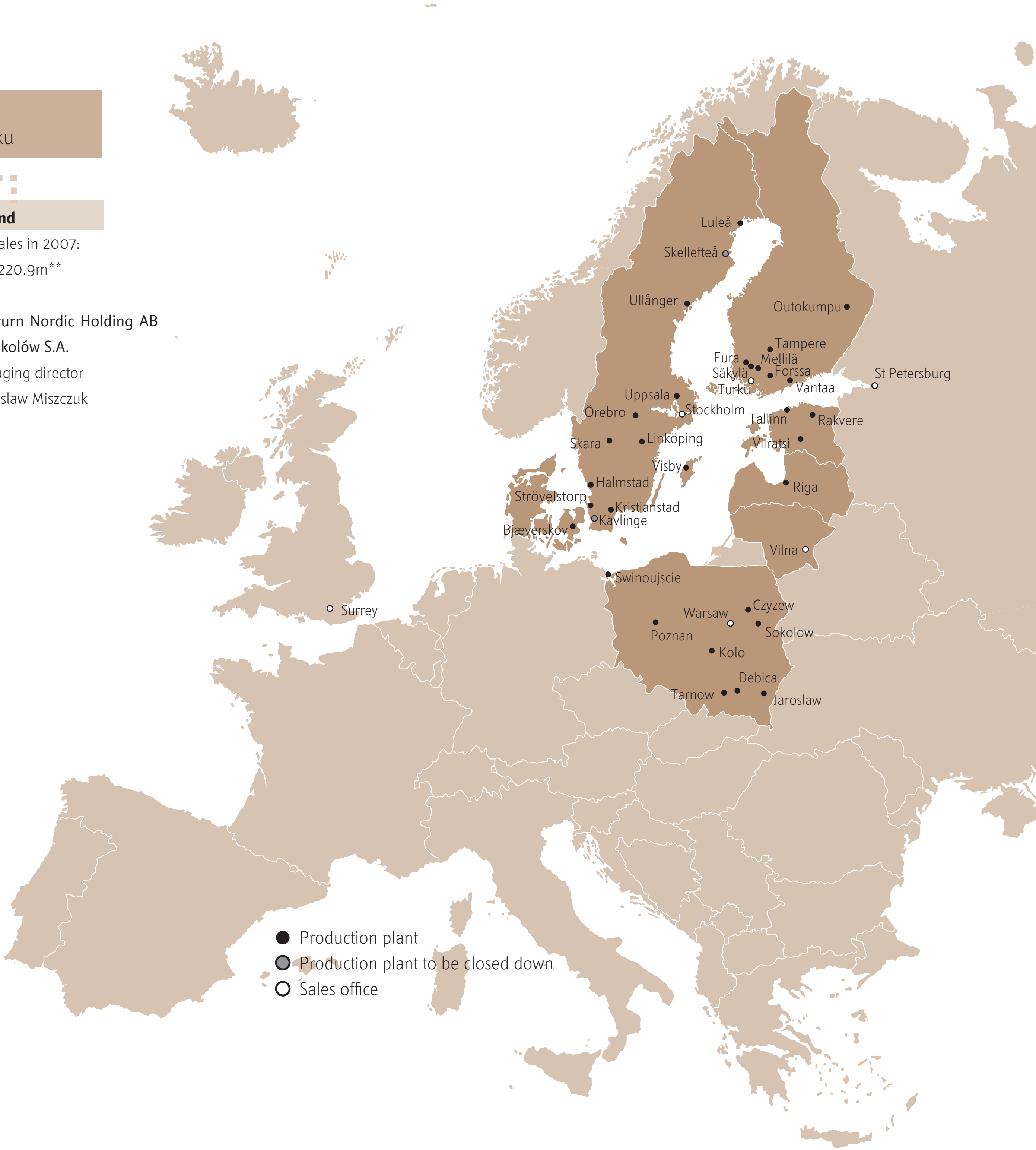
HKScan
Financial highlights 2007

- net sales: EUR 2 107.3 million
- EBIT: EUR 55.3 million
- EBIT margin, %: 2.6
- employees 10 000

HKScan Corporation
Net sales in 2007: EUR 2 107.3 million, CEO Kai Seikku

Finland	Sweden	The Baltics	Poland
Net sales in 2007: EUR 674.3m	Net sales in 2007: EUR 1 111.9m	Net sales in 2007: EUR 145.3m	Net sales in 2007: EUR 220.9m**
Managing director Jari Leija • HK Ruokatalo Oy	Managing director Magnus Lagergren • Scan AB	Executive VP, Baltic Group Olli Antniemi • AS Rakvere Lihakombinaat • AS Tallegg	• Saturn Nordic Holding AB -> Sokolów S.A. Managing director Boguslaw Miszczuk

* Between segments EUR –45 million
** Saturn Nordic Holding, a joint venture owned 50/50 by HKScan and Danish Crown, is the sole shareholder in Sokolów. In 2007, half of Sokolów's net sales, i.e. EUR 220.9 million, were accounted for in HKScan 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 HKScan 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 2007

HKScan's first year of operations with the new Group structure in place

The challenges of the integration of the Swedish business and industrial restructuring in Finland were joined by a historically sharp and rapid global rise in the price of feed grain in the latter half of the year. This resulted in a violent increase in the costs of producing meat raw material, which could not fully be passed on to prices at the same rate.

Group net sales came to EUR 2 107.3 million (EUR 934.3 million in 2006).

EBIT from operations exclusive of non-recurring items came to EUR 65.2 million (EUR 41.8 million in 2006).

Reported EBIT inclusive of non-recurring items of a substantial EUR 9.9 million and mostly concerning Finland stood at EUR 55.3 million (EUR 40.4 million).

The Board of Directors recommends a dividend of EUR 0.27 per share.

High investment in Finland

The consolidation of the Finnish business took place in the latter half of the year, resulting in planned as well as unplanned expenditure in the run-up to the busy Christmas season. The logistical issues and inadequate delivery dependability experienced throughout the year in the Finnish business were moreover negatively reflected in the development of our market standing in many key product groups. This long-running problem will be fully resolved in the first quarter of 2008.

Management changes were implemented in December 2007 in the Finnish business to accelerate the completion of the industrial restructuring.

Operations streamlined in Sweden

The company acquired the entire capital stock of Sweden's largest meat business Scan AB in January 2007.

Business in Sweden developed in line with plans in 2007, although profitability still remains far short of longer-term targets. The consolidation programme initiated by Swedish Meats in 2006 was followed by a significant efficiency programme announced in May 2007. Scan's business structure was also clarified through the spin-off of the meat and processed meat and convenience food businesses.

Divided year in the Baltics and Poland

Targets were reached in the Baltics despite a slowdown towards the end of the year.

Earnings development in Poland was depressed by the slower than anticipated start-up of 2006 acquisition Pozmeat and the costs of ramping up operations.

New product launches area of emphasis

Several new products were given a massive roll-out in 2007. Though the year saw both hits and misses, the new launches on the whole reached the desired level of margin. We will take these experiences to heart and retain our focus on launching new products, as these are essential with regard to our long-term targets.

Key indicators

	2007	2006
Net sales, EUR million	2 107.3	934.3
EBIT, EUR million	55.3	40.4
- % of net sales	2.6	4.3
Profit before tax, EUR million	36.3	33.6
- % of net sales	1.7	3.6
Return on equity, %	9.2	11.9
Return on investment, %	7.2	10.1
Equity ratio, %	29.3	43.7
Gross investments, EUR million	129.3	82.6
Earnings per share, EUR	0.72	0.79
Dividend per share, EUR	0.27	0.27
Employees	7 840	4 418

Review by the CEO

The financial year now ended was the newly re-named company's first with its revised Group structure in place. The year under review was informed by the integration of Scan AB, the arduous and investment-heavy second year of industrial restructuring in Finland, and the rapid deterioration in the outlook for the international meat market towards the end of the year.

HKScan has diverse operations in the food markets of the Baltic Rim. On the whole, the company enjoys strong and solid market standing in all its major customer segments. Focused internationalisation over the past decade has made HKScan a force to be reckoned with, also in respect of any potential future restructuring of the food market in northern Europe.

How did the year under review appear from the perspective of management? The company's earnings development fell short of expectation in the latter half of 2007. This deviation in performance was mostly attributable to business in Finland. The ramp-up of production lines transferred from Turku to Vantaa in the run-up to the important Christmas season resulted in anticipated as well as unanticipated non-recurring expenditure.

Business in Finland was moreover plagued with delivery reliability issues almost throughout the year, reflected not only as high logistical costs but also as market share loss in certain product groups vital to the company. Reclaiming market position and winning back consumer trust are among the key challenges facing the company now that the new distribution centre has been brought online and the reliability of deliveries has been restored to a competitive level.

Business in Finland may have fallen short of expectations, but all targets were hit spot-on in Sweden. A two-year efficiency programme was launched in the year under review and the meat and convenience food businesses at Scan were spun off into separate units. Despite positive developments, we remain quite far from longer-term performance targets in Sweden, however, and thus still have our work cut out for us.

Growth and earnings targets were reached in the Baltics as well. However, earnings development was eroded by the global rise in the prices of feed grains in the last few months of the year. The aim in the Baltics is to further solidify the company's position as market leader through selected investment to complement existing production structure.

Joint venture Sokolów in Poland falling clearly short of the targets set in early 2007 was already anticipated by mid-year. The greatest individual reason underlying poor development was the late 2006 acquisition Pozmeat, where the lags in start-up were significantly longer than anticipated. In addition, the primary pig production making up part of the business in Poland suffered, as in the Baltics, from the sharp rise in feed grain. Sokolów's older units, however, met their targets.

The year 2007 saw a much higher number of new product launches than earlier years. Overall, the product launches reached their targets in terms of production margins, yet the year had both its commercial hits and misses. Reshaping the product offering remains a key priority as the company evolves from a meat company to an increasingly diversified food company.

The year under review was thus a challenging one for management as well as investors. In 2008, the difficult market situation in the international pork market in particular will be reflected in a number of ways in HKScan's home markets. The lacklustre outlook for the market in the first half of the current year will at least temporarily mask the sustained development efforts taken in the company's markets over the past years.

Industrial restructuring is a long and laborious undertaking, especially for employees who, in addition to their regular daily duties, have to bear the brunt of implementing the changes. Nonetheless, it is obvious that a company of HKScan's size and market standing has a duty to constantly streamline its processes.

Wide-ranging and tough measures are thus necessary to safeguard the company's competitiveness in the long run. Production in Finland is now poised for greater efficiency and as the new structure comes into place, the major challenges will now shift to the commercial side of operations. Industrial restructuring in Sweden will continue through 2008 and 2009.

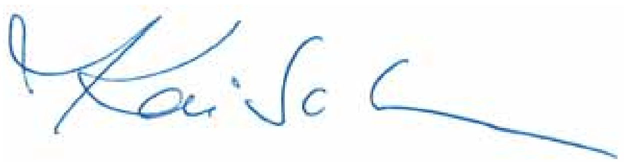
In the longer term, a company's competitiveness is determined by the attractiveness and market standing of its products and brands. The challenge for an industrial company is to define and maintain a consumer and customer orientation in its business processes. If we are to overcome the great challenges facing us in this respect, the entire organisation must exhibit humility and a genuine desire to learn.

It is becoming increasingly important to monitor and understand changes in eating habits and the appreciation of food. Food was the topic of much debate among consumers in our home markets in the year under review. Issues of concern included domestic animal production, locally sourced food and food inflation as well as the tastiness, freshness, safety and healthfulness of food.

The near future is likely to see a rise in demands and information needs relating to the ethicality, traceability, healthfulness, wholesomeness and e.g. carbon footprint of food. The company must be better equipped to take part in this dialogue and respond to the new challenges it will present. The global rise in grain prices, if sustained, may even quite rapidly alter long-term consumer perceptions of the inexpensiveness of food, which may indirectly influence consumption habits.

The food chain faces a multitude of challenges which also offer interesting potential for growth and development. These challenges can only be met with seamless cooperation among all operators in the long value chain. My thanks for the past year go to those who are truly responsible for our performance: our skilled employees in all our markets. I would also like to express my gratitude to our partners and customers, consumers with a preference for our products, our suppliers and other key stakeholders.

Vantaa, April 2008



Kai Seikku

Two-year restructuring programme in Finland hits home stretch

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

Finland	2007	%	2006	%
Net sales	674.3	31.3	608.0	64.5
EBIT	22.8	37.8	25.4	57.9
EBIT %	3.4		4.2	
Employees	2 236	30.5	2 328	56.0

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

In 2008, the company intends to successfully ramp up the new logistics centre and leverage its revised industrial structure to achieve functional benefits.

Meat business

HK Ruokatalo's meat business is responsible for the procurement and meatpacking of pork and beef and for meat flow control. The meat business is also responsible for the sales and marketing of products. The company has pork packing plants in Forssa and Mellilä and a beef packing plant in Outokumpu. The value added processing of fresh meat takes place in Forssa and Vantaa.

The restructuring of production in HK Ruokatalo entailed the transfer of whole meat production from the Forssa plant to Vantaa, to be replaced in Forssa by the value added processing department for consumer packaged meats transferring in turn from Tampere in spring 2008. The transfers will streamline whole meat processing and allow a greater focus on product commercialisation. Meat will also need to be transported less between production plants.

The year under review in the meat business was marked by the higher capacity and optimal utilisation of the modernised meatpacking plant in Forssa, a development vital to competitiveness. Higher automation has improved yields and productivity. The products also keep better and have excellent microbiological quality. In addition, absenteeism due to illness has declined among workers as physically demanding work stages have been automated.

In September, HK Ruokatalo signed a subcontracting agreement with Järvi-Suomen Portti Osuuskunta cooperative. As per the contract, since January 2008 Portti has outsourced its pork and beef slaughter and beef cutting to HK Ruokatalo. The additional volume can be managed without major investments, and Portti's purchases thus increase capacity utilisation rate at HK Ruokatalo's meatpacking plants.

The rapid and sharp rise in the prices of feed grain experienced across the world in autumn 2007 sent the costs of producing meat raw material spiralling up in Finland as well. Higher raw material costs eroded the profitability of the company's meat business towards the end of the year. Sales prices could only be raised in the retail period commencing at the start of 2008.

MEAT RAW MATERIAL PROCUREMENT

Procurement company LSO Foods Oy is in charge of procuring the live pork and beef raw materials required by HK Ruokatalo. It also attends to animal logistics and production advisory services relating to the development of farms. Operations are based on production contracts with producers. At year-end, the company had some 7 000 contract producers.

During the year under review, LSO Foods expanded its operations to take on the procurement of pork and beef and related services for Järvi-Suomen Portti. The relevant subcontracting agreement was concluded in autumn 2006 and the aim of the arrangement was to enhance to cost effectiveness of meat procurement i.a. by merging operations and eliminating the overlaps of two procurement organisations.

LSO Foods' procurement in the year under review increased to 110.5 million kg (99.3 million kg), with a rise seen in both pork and beef. At year-end, the company's market share in pork procurement was 41 percent and 28 percent in beef procurement. The company is the market leader in pork and number two in beef. Over the course of the year, LSO Foods supplied farms with 699 000 piglets and 35 000 calves for rearing.

POULTRY BUSINESS

The poultry business is responsible for poultry meat procurement in HK Ruokatalo and for the manufacture of poultry products at the Eura and Säkylä plants. It is also responsible for the sales and marketing of poultry products..

The poultry business gained momentum from an intense spike in consumption. In chicken, the rise was nearly 15 percent and demand for boneless meats and fillets in particular grew substantially. The Eura plant was prepared for this development and had been increasing its production volumes since late summer. As production volumes grew, the air-cooled refrigeration unit was expanded and modernised and the enhancement of the degree of automation in the various stages of production continued at the Eura production plant.

In all, HK Ruokatalo procured 47.6 million kg of poultry in the year under review (43.5 million kg). The entire volume was sourced from its own contract producers numbering some 140. The aim is to further increase meat volume, and contract producers are currently expanding their production to this end. HK Ruokatalo accounts for 50 percent of all poultry procurement.

HK Ruokatalo carries out the primary production and turkey packing elements of its turkey business in Länsi-Kalkkuna Oy, a joint venture with Atria located in Säkylä. The goal here is to improve the weak profitability of the turkey sector through specialisation. The rising demand for poultry failed to extend to fresh turkey meat, the demand for which has been flatlining in Finland.

PROCESSED MEAT AND CONVENIENCE FOOD BUSINESS

The processed meat and convenience food business in HK Ruokatalo is responsible for the manufacture, sales and marketing of these products. Its production plants are located in Vantaa and Säkylä.

The year was informed by the successful completion of restructuring in production as the restructuring programme launched a year earlier reached the implementation stage. The manufacture of processed meats in Turku was transferred to Vantaa and the Turku plant was closed down in late October as planned. During the year under review, HK Ruokatalo made substantial investments in both production facilities and production line automation in Vantaa. By the end of the year, most of the company's processed meat and convenience food manufacture had been centralised to Vantaa.

The restructuring has been among the most extensive in the company's history and the process has been an arduous one for the entire organisation. Its goal is to simplify the structure of manufacturing and to improve the as yet inadequate profitability of the processed meat and convenience food business.

The implementation of the restructuring fell mainly on the autumn, in the run-up to the busy Christmas season, which resulted in planned as well as unplanned expenditure on temporary arrangements. Occasional issues with logistics and delivery reliability hampered business in Finland throughout the year, which in turn was reflected as lost market share in several key product groups.

Production efficiency at the Vantaa plant has improved since the turn of the year. Together with the new logistics centre coming online in spring 2008, this will again bring the company's delivery reliability and cost-effectiveness in logistics to a competitive level.

COMMERCIAL OPERATIONS

Commercial operations at HK Ruokatalo comprise marketing and product development as well as sales in Finland to various sectors in retail, HoReCa and other industry, and exports. In 2007, retail accounted for 59 percent of the company's sales, HoReCa for 12 percent, industrial sales for 5 percent and exports for 19 percent. As earlier, the aim of safeguarding profitability was highlighted in commercial operations, occasionally even at the expense of volumes.

The company's policy is to launch innovative products that make cooking easier and more enjoyable. The most successful new product launches in 2007 were the Potku product family, new flavours in Kabanossi sausages, innovative Via microwave meals and Kariniemen Kananpojan Minuuttipihvi® Roseepippuri, a chicken minute steak spiced with pink peppercorns. The company's high hopes for the new Ehta range of meat products were not realised in all respects, and the range was therefore revised and augmented with newly developed items.

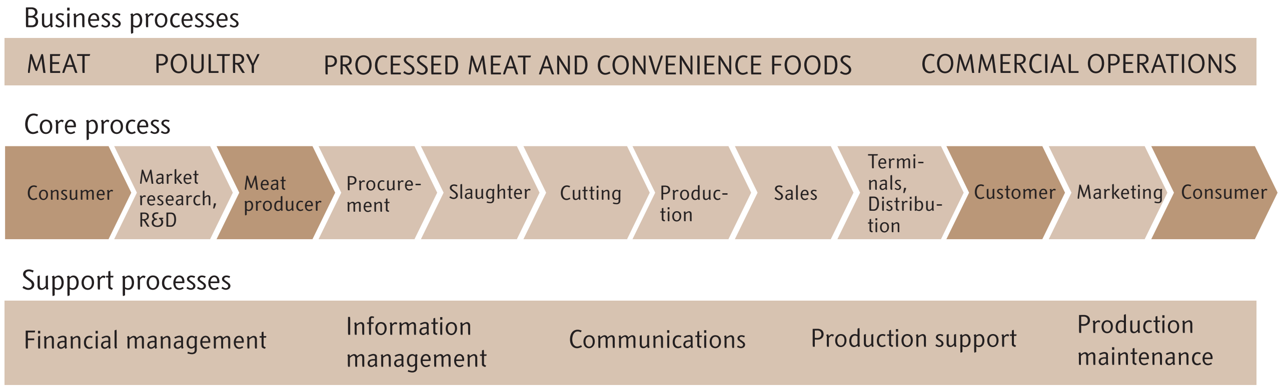
The trend seen in previous years continued: demand is shifting from standard to premium products. In the premium grilling sausages category, Kabanossi fared extremely well while in cold cuts, higher capacity for ultra thin-sliced enabled higher volumes. All in all, processed meat sales measured in kg stood at the previous year's level but the value of the sales increased.

In convenience foods, the strategy introduced a year earlier of divesting certain poorly performing product groups and introducing in their stead innovative products of higher value added was continued. This has also permitted us to increase the value added of our manufacture.

EXPORTS

HK Ruokatalo successfully increased its exports in terms of both volume and value. The trading of Swedish meat produced by sister company Scan AB to other countries represented a significant addition to the export business. Demand for fresh pork especially in Russia was high. Other major export countries were Japan, the USA, the Baltics and Sweden. The difficult situation in the international pork market and high inventories of meat in the EU kept export prices exceptionally low.

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.

INTEGRATED MANAGEMENT SYSTEM AND PRODUCT SAFETY

HK Ruokatalo has a comprehensive integrated management system comprising quality and environmental management and product safety management. The ISO 9001, 14001 and 22000 standards provide the framework for this system. The company's ISO 9001:2000 and ISO 14000:2004 certificates cover all operations. The product safety management system at the plants in Vantaa, Forssa and Mellilä has furthermore been granted ISO 22000 certification covering meatpacking and the manufacture of raw meat products, meat products and convenience foods. MicVac production in Vantaa also holds BRC certification[1].

Alongside taste, product safety is the most important quality feature of foods. Products must be not only tasty but also safe to use and healthful. They must also comply with all other quality criteria imposed. At HK Ruokatalo, product safety management is based on the identification of hazards in products, raw materials and production processes, the assessment of the risks to which these give rise and the management of such risks. Risk management takes place either through support systems or the HACCP[2] system and it is subject to regular evaluation.

The FINAS accredited laboratories in conjunction with the production facilities in Vantaa, Forssa and Eura also monitor compliance with quality criteria.

1) Product safety certificate proving that the company accepts and observes the BRC Global Standard for Food Safety of the British Retail Consortium.
2) Hazard Analysis Critical Control Point

Business in Sweden integrates smoothly into Group

Since January 2007, HKScan's operations in Sweden have been the responsibility of Scan AB and its subsidiaries. The company's product portfolio includes pork, beef and lamb as well as processed meats and convenience foods. Scan AB's major brands in Sweden are Scan and Pärsons.

Sweden	2007	%	2006	%
Net sales	1 111.9	51.7	-	-
EBIT	23.0	38.1	-	-
EBIT %	2.1		-	
Employees	3 200	43.6	-	-

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

From the HKScan Group's point of view, business in Sweden developed as planned. However, there remains much room for improvement in terms of targets in the longer run.

Plans held despite the historically sharp and rapid global rise in the prices of feed grain experienced in the latter half of the year, which resulted in the costs of producing meat raw material spiralling up in Sweden. Part of the higher costs was successfully passed on to sales prices in late autumn, yet most of the rise could be addressed in prices only after the turn of the year.

MAJOR RESTRUCTURING IN MEAT SECTOR

The meat sector in Sweden saw extensive restructuring in 2007, resulting in a marked change in industry structure expressed as larger company size and more pronounced competition. Another important aspect of the arrangements is that they linked the Swedish meat industry, with its earlier orientation to the national market, into wider international networks. The establishment of Scan AB and its joining the HKScan Group is an integral part of this internationalisation.

Scan AB was officially created on 29 January 2007 when Sweden's largest meat company Swedish Meats, a cooperative made up of some 20 000 meat producers, incorporated its manufacturing and marketing into a separate entity. Scan AB thus carries on the business of Swedish Meats

Swedish Meats itself had come into being eight years earlier in a major consolidation into a single entity of most of Sweden's co-operative meat sector. The aim then was to improve the performance of the cooperative meat sector and to create an environment conducive to growth.

Results failed to live up to expectation, however, and after considering several alternatives Swedish Meats finally opted to spin off its manufacturing and marketing into limited liability company Scan AB. Acquired by the then HK Ruokatalo Group, Scan AB became a subsidiary of HKScan Corporation and part of the northern European HKScan Group in January 2007.

AIMING TO IMPROVE PROFITABILITY

With financial performance inadequate in view of the longer term, a key goal in Scan AB for several years has been to improve profitability. Towards this end, in May 2007 the company announced an extensive efficiency programme extending until 2009 to continue the production consolidation initiated by Swedish Meats in 2006.

Annual savings of EUR 18–22 million are sought with the efficiency programme, which includes substantial investment to upgrade production technologies and working methods. The investments, which come to some EUR 20 million, concern several industrial locations where demand for labour will fall due to the streamlining. All in all, the programme is estimated to affect some 400 jobs.

In addition to the efficiency programme, Scan decided on the establishment of a national logistics centre in Linköping. Ground was broken on the new centre in November 2007. When operating at full capacity in 2010, the centre will allow Scan to increase the efficiency and flexibility of its logistics.

The restructuring of the meat sector in Sweden has also had an impact on the internal structures of the Scan companies. As laid out in the consolidation programme initiated by Swedish Meats back in 2006, the company has already closed down four production plants. Further closures of the plants in Skellefteå and Kävlinge are slated for late 2008.

TOWARDS GREATER MARKET ORIENTATION

In a bid to achieve higher efficiency, in September Scan spun off its business into two units: Meat Business and Food Business. The rationale for the spin-off was to introduce a more customer-driven approach in operations. The marketing and sales organisation was also overhauled to better meet the demands of effective cooperation with the customer base.

Among the most visible elements of the efficiency programme was Scan's overhaul and streamlining of its product concept during the year under review. The brand portfolio was pared down and brands were regrouped to better reflect consumer expectations and wishes. The brand shake-up represents a major step in Scan's transformation into a market-driven food company. Besides redesigned packages, the Scan promotional truck touring stores and consumer events was another of the prominent new launches in the year under review.

Scan expanded its sales to Denmark in 2007 with Scan meatballs naturally spearheading the way. Pärsons for its part expanded its cold cuts offering in Denmark. The Danish market will be a focal area in the current year, with plans underway for new product launches and the establishment of a dedicated sales network.

The internal integration of the HKScan Group also entails closer cooperation between Group companies with the aim of leveraging the existing capacity and industrial know-how in product groups where this is economically and logistically justified. Accordingly, production crossovers were tentatively implemented between Finland and Sweden in the year under review.

PÄRSONS, ANNERSTEDT AND NYHLÉNS & HUGOSONS

A hallmark of Scan's business is that much of it is carried out in subsidiaries and associates. Subsidiaries SLP Pärsons AB and Annerstedt Flodin AB and associate Nyhléns & Hugosons Chark AB are worthy of particular mention in this context.

Meatpacking and deboning activities at the Pärsons plant in Helsingborg were discontinued in the second quarter and transferred to other Scan facilities. The transfers were completed uneventfully and the machinery at the Helsingborg plant was dismantled during the remainder of the year. Production and sales under the Pärsons brand saw favourable development in the year under review and performed in line with targets. With a market share of 25% by sales value, Pärsons is the leading Swedish brand in sliced sandwich meats.

Under its Flodins brand, Annerstedt Flodin AB markets quality meats from South America, New Zealand and European countries to retail and HoReCa customers. The company principally sources its meat from regions where the animals graze freely in natural pastures. Annerstedt Flodin markedly increased its sales volume in 2007, mainly due to South American beef and poultry products.

Nyhléns & Hugosons Chark AB, in which Scan has a 50% holding, is a dynamically evolving meat and processed meat company. Based in Luleå, it operates in a region extending from the northern town of Kiruna to the southern city of Gävle. It holds approximately 13 percent of the market in its area of operations. The company is an important link in Scan's business in northern Sweden and its focus is on further solidifying its position as the leading food company in the Norrland province.

In early 2008, Nyhléns & Hugosons agreed on cooperation with Scan in the area of animal transport in northern Sweden. The agreement will streamline transportation in sparsely populated regions while also ensuring that all Scan meat producers will continue to have reliable access to transportation for their animals.

Talks were initiated between Scan and Swedish Meats in early 2008 on a joint primary production company to strengthen domestic meat production. Planned as a 50/50 joint venture, Svenska Djur AB would attend to animal procurement and supply and also provide advisory services to producers. This would permit Scan to focus wholly on manufacture and marketing.

Clearly divided year in the Baltics

HKScan's Baltic Group is active in Estonia, Latvia and Lithuania. 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.
HKScan'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:

The Baltics	2007	%	2006	%
Net sales	145.3	6.8	130.8	13.9
EBIT	10.7	17.7	12.6	31.2
EBIT %	7.4		9.6	
Employees	1 892	25.8	1 832	44.0

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

Customers are consolidating and expanding their sales networks, which is why HKScan must cultivate its strengths in the Baltics: the best brands, the highest-selling products and economies of scale in all major product groups.

The HKScan Group embarked on the year under review in the Baltics with good performance in 2006 under its belt. Though aware of the business environment growing tighter, the company had every faith it could accomplish the same in 2007. Until September, this held true.

Business in all three Baltic States performed in line with targets and sales grew. A solid basic product range and lucrative seasonal sales, especially in summer, paved the way for commercial success. The traditional main product groups were also seeing good sales in red meat and poultry products alike. Though wages and transportation costs continue to spiral, rising costs were successfully passed on to sales prices and profitability thus remained on target.

AUTUMN BRINGS SHARP TURN

The trend was reversed in the fourth quarter due to the sharp global rise in the price of feed grain. This intensely pushed up the costs of producing pork at a time when meat prices across Europe were falling due to oversupply. In Estonia, feed grain more than doubled in price from the previous year, putting a great burden on Rakvere Lihakombinaat, which itself produces most of the pork it uses. Pushing through the necessary increases in sales prices proved to be problematic.

Higher feed prices were also felt at Tallegg in the form of rising costs in producing chicken products. The end of the year at Tallegg was moreover overshadowed by the discovery of Newcastle disease at one of its shell egg farms. The costs of the mandatory destruction of the fowl were borne by the State of Estonia. Temporary arrangements put in place successfully addressed the interruption in production. The disinfected poultry farm has been stocked with new fowl and egg production at Tallegg has started up again. Full capacity will be reached in August 2008. Egg sales only account for roughly 3.5 percent of the Group's net sales in the Baltics, yet the business is a lucrative one that generates a steady cash flow.

Despite performance in line with targets through most of the year, the weaker than anticipated fourth quarter resulted in earnings not quite equalling the previous year. The Group's EBIT target of five percent was nonetheless exceeded, as EBIT from operations exclusive of non-recurring items stood at 6.9% of net sales.

ENHANCED DELIVERY CAPACITY AND HIGHER QUALITY

Consolidation of the retail sector is ongoing and retail chains are both expanding and tightening their operations. This requires action on the part of HKScan's Baltic Group to meet customer expectations in terms of both delivery volumes and quality. Competition between the chains is fierce, which puts pressure on industry prices.

In the year under review, Rakvere Lihakombinaat replaced its original meatpacking line of 17 years' standing. The introduction of the modern line has enhanced the efficiency of meat handling and improved quality. Rakvere is currently building a new and larger frankfurter department. Tallegg is also investing, as it intends to increase its chicken production. In Latvia, Rigas Miesnieks doubled its pelmeni capacity. Demand is rising in the Baltics and the aim of the investments is to ensure that sufficient delivery capacity is maintained also in respect of large customers.

The consumption of meat and processed meats has been rising steadily for years. A higher overall standard of living has increased demand for higher-end products as well. However, a shift towards less expensive products was seen for the first time in the fourth quarter of 2007. The shift may herald a more permanent phenomenon; although growth remains brisk in the Baltics, the economy is overheated in places and inflation is rising. Inflation forecasts for the current year vary from the 6–7 percent projected for Lithuania to the more than 10 percent foreseen for Latvia.

MARKETS IN THE BALTICS

Market standing in the Baltics remained good. With its 32 percent share, Rakvere Lihakombinaat leads the market in Estonia. In Latvia, Rigas Miesnieks bumped its market share from 18 to 20 percent, which makes it the clear market leader. Klaipedos Maistas is a challenger in the Lithuanian market with its 8 percent share. Tallegg solidified its standing in Estonia, where its share of all fresh poultry meat sales climbed to 70 percent (Source: A.C. Nielsen).

The Estonian meat market is fairly consolidated, with the top five companies accounting for some 75 percent of the market. In Latvia, the top five combined hold a 41 percent of the market while in Lithuania, the top five only account for 21 percent of the market. The meat sector in Lithuania is thus fairly fragmented, with numerous small operators, and maintaining profitability is more of a challenge than in Estonia and Latvia. A number of business mergers and closedowns are accordingly anticipated for Lithuania.

Consumer trends in the Baltics differ little from those in the rest of Europe, and greater overall prosperity is influencing consumer behaviour. The urban and rural populations differ quite vastly, however, mainly due to differences in income. These also explain why cooking at home remains common in the Baltics.

Core business performed well in Poland

The pursuit of wider internationality prompted HKScan to take a minority stake in Polish meat company Sokolów in 2002. Sokolów seemed promising: it was the Polish market leader, had good growth potential and held some of the nation's best known brands.
Owing to the size of the Polish market and to balance the risks involved, in summer 2004 HKScan entered into partnership with Danish Crown. The joint venture Saturn Nordic Holding established to this end started to systematically increase its holding, and by summer 2006 Sokolów was completely in Finnish-Danish hands.

Poland	2007	%	2006	%
Net sales	220.9	10.3	203.6	21.6
EBIT	3.7	6.1	6.0	14.9
EBIT %	1.7		2.9	
Employees	5 419	-	4 968	-

The amounts represent the share (50%) accounted for in HKScan Group figures and are in EUR million. 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.

The retail sector in Poland is seeing intensive consolidation. Sokolów aims to enhance its efficiency and ability to serve the growing international retail chains.

The year 2007 was clearly a divided one for Sokolów in terms of operations. The core business, i.e. the manufacture and sales of meat and processed meats in the Polish market, performed on target, and year-on-year growth stood at some ten percent.

Despite good core business performance, the HKScan Group's market area of Poland on the whole fell short of the previous year, however. The longer than anticipated start-up of subsidiary Pozmeat acquired in 2006 and the resulting expenditure have depressed earnings development. A plan of action to remedy the Pozmeat situation is currently being put into effect.

Earnings development was also eroded by the difficult pork market situation in Europe attributable to the cyclical nature of pig production and the sharp rise in autumn 2007 in the costs of producing meat raw material. Rising costs also eroded the performance of Sokolów, which meets part of its pork demand through in-house production in the same manner as Group companies in Estonia.

COMPETITIVENESS IN RETAIL DISTRIBUTION CHANNELS HINGES ON COST-EFFECTIVENESS

Modern retail with distribution channels in line with its Western European counterparts is currently intensely consolidating its structure in Poland, which presents suppliers with challenges in terms of both volume and price. Historically, Sokolów has a fairly fragmented corporate structure which the company has addressed by increasing the degree of specialisation of its seven production plants in a bid to gain economies of scale and to enhance the efficiency of operations. Slaughter operations, for example, have been centralised to three locations.

During the year under review, Sokolów secured for itself the position of strategic meat supplier in several chains, thus opening up greater potential for future growth. The supply of new products such as pre-tenderised beef in the largest retail chains was also increased. Demand for sliced products as well as consumer packaged meats is rising overall, as many chains no longer cut meat in stores and focus instead on sales only.

Sokolów is the only meat company in Poland with a distribution network spanning the entire nation. The more than 500 of Sokolów's own retail outlets play a key role in this network. In 2007, the outlets accounted for nearly 26 percent of the company's entire sales by value. Chain retailers are growing more important, however, as chains accounted for more than 24 percent of sales by value. The share of exports in net sales held at the 27 percent seen in previous years.

A political solution was finally arrived at in the trade dispute between the EU and Russia which had long halted the export of Polish meat to Russia. Issues of a technical nature still remain to be resolved, however, and these have continued to hamper and for all intents and purposes prevent Polish meat exports from picking up again. The long-running strengthening of the zloty has also been less than favourable to exports.

MARKETS IN TRANSITION

The meat sector in Poland is marked by fragmentation. There are a high number of enterprises in the sector, virtually all of them small. Some 3 000 meat companies are estimated to remain active in the nation, yet only 65 of these had 250 or more employees in the year under review. The number of enterprises in the sector has been cut in half in seven years and the rate of reduction is anticipated to remain high also in years to come. Many small and medium-sized enterprises are now burdened by investments made to bring facilities in line with EU standards.

Measured by net sales, Sokólow is the second largest player in the Polish meat sector. Its market share is estimated at 17 percent in processed meats and nine percent in meat products. Convenience food consumption in Poland remains low and is most closely linked to consumer incomes.

Overall economic development in Poland in 2008 will be informed by the projected slowdown in the rate of GDP growth. The production costs of industry raw materials, especially pork and poultry meat, will remain high. Prices will also be rising for services such as official veterinarian inspections and waste management.

Employees in the HKScan Group

HKScan Group expanded its operations in 2007 to cover nine northern European countries. With the expansion, the Group now has roughly 10 000 employees. The table adjacent presents a breakdown of employees by country.

In Europe, the traditions and customs relating to work vary from country to country due to lengthy historical and cultural development. Executive management in each country at HKScan therefore ensure that Group companies have regard to the legislation and agreements governing employment, remuneration and other terms of employment as well as occupational safety in their respective countries.

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

EMPLOYEES IN FIGURES

During 2007, the Group employed an average 7 840 persons (4 418 in 2006). The number of employees thus increased by 3 422 from the previous year, an increase attributable to the inclusion of Scan AB and its subsidiaries as of the beginning of 2007.

The average number of employees in each market area during the year under review was as follows: Finland 2 517, Sweden 3 449 and the Baltics 1 874. In addition, Sokolów had an average of 5 172 employees.

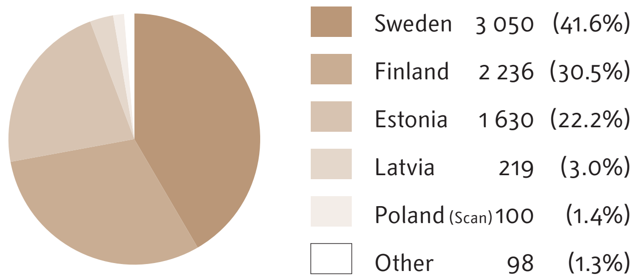
Employees by country at year-end

	2007	%	2006	%	2005	%
Sweden	3 050	41.6	-	-	-	-
Finland	2 236	30.5	2 328	56.0	2 525	58.6
Estonia	1 630	22.2	1 580	37.9	1 550	36.0
Latvia	219	3.0	201	4.3	178	4.1
Poland (Scan)	100	1.4	-	-	-	-
Denmark	45	0.6	-	-	-	-
Lithuania	43	0.6	51	1.2	51	1.2
UK	5	0.1	-	-	-	-
Russia	5	0.1	5	0.1	5	0.1
HKScan total	7 333	100.0	4 165	100.0	4 309	100.0
Sokolów	5 419	-	4 968	-	5 028	-

Employees by company at year-end

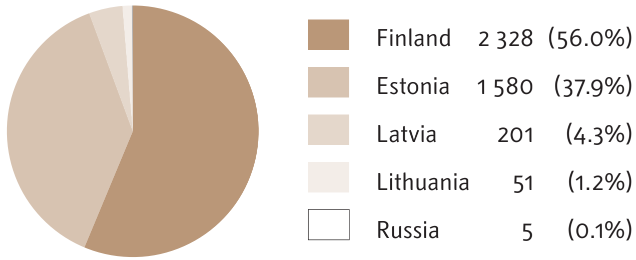
	2007	2006	2005
HKScan Corporation	14	13	11
Scan Group	3 200	-	-
HK Ruokatalo Oy	2 080	2 177	2 396
Rakvere Lihakombinaat Group	1 402	1 346	1 258
AS Tallegg	490	486	521
LSO Foods Oy	75	91	79
Other	72	52	44
HKScan Group total	7 333	4 165	4 309
Sokolów Group	5 419	4 968	5 028

Employees by country at year-end 2007



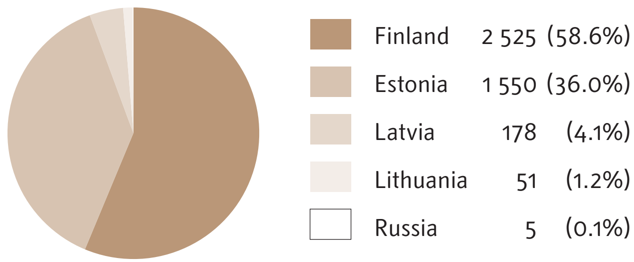
Additionally, the Sokolów Group employed 5 419 persons.

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.

In keeping with sustainable development

As responsible food manufacturers, HKScan and its subsidiaries in all their market areas seek to operate 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.

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

CERTIFICATION IN SUPPORT OF ENVIRONMENTAL EFFORTS

Environmental management is a key component in the Group's enterprise system and environmental concerns are catered for at every stage of operations.

The company has in place an ISO 14001-certifed environmental management system at all HK Ruokatalo production plants in Finland, the Rakvere Lihakombinaat plants in Estonia and six Scan plants in Sweden. Other Scan facilities apply the BAS system, in which environmental efforts are managed by a local steering group responsible for setting environmental targets for plants and monitoring compliance.

Preparations are underway at Tallegg in Estonia for certification under the ISO 14001 standard, which the company estimates it will obtain during 2008.

In Poland, the Sokolów plants operate according to good production practice under the ongoing supervision of the Polish veterinary authority. Sokolów also holds the AQAP 2110 certificate entitling it to supply the NATO forces with meat and meat products.

In addition, all plants in the HKScan Group have in place an ISO 9001-certifed quality management system.

INVESTING IN BETTER TECHNOLOGY

In the food industry, the greatest environmental loading is caused by energy and water consumption, process waste, wastewater and smoke gases from heating plants, which is why these issues receive much attention when deciding on investment. HKScan is furthermore involved in biofuel power plant projects in Finland, Sweden and Estonia, where the organic biowaste from production plants will be used to generate heat and electricity and also to make compost soil and fertilisers.

A prime example of the value of investment to reduce environmental load comes from the Forssa plant, where modernisation of the meatpacking plant reduced water consumption by 10.5 percent and total waste by 35 percent due to i.a. the sludge separation system.

Environmental management is constantly being enhanced at HKScan at the Group level, and environmental indicators and environmental benchmarking are currently being harmonised. The first stage of this effort will concern Sweden and Finland.

Achievement of environmental indicators at HK Ruokatalo locations

	2007	2006	Change, %
Electricity			
- total consumption (MWh)	91 873	90 404	+1.6
- specific consumption (kWh / kg)	0.440	0.462	-4.9
Heat			
- total consumption (MWh)	93 285	91 589	+1.8
- specific consumption (kWh / kg)	0.446	0.468	-4.7
Water			
- total consumption (m³)	1 459 691	1 422 046	+2.6
- specific consumption (l / kg)	6.98	7.27	-4.0
Waste			
- all waste, total (t / pa)	24 862	24 906	-0.2
- amount (g / production kg)	108.6	119.8	-9.4

Specific consumption means energy and water consumption relative to production volume.

Achievement of environmental indicators at Scan locations

	2007	2006	Change, %
Electricity			
- total consumption (MWh)	113 387	115 208	-1.5
- specific consumption (kWh / 1000 productionkg)	0.21	0.22	-4.5
Heat			
- total consumption (MWh)	98 097	101 389	-2.6
- specific consumption (kWh / 1000 productionkg)	0.18	0.19	-5.3
Water			
- total consumption (m³)	2 057 365	2 036 153	+1.0
- specific consumption (l / 1000 productionkg)	3.76	3.96	-5.1
Waste			
- all waste, total (t / pa)	22 982	21 292	+7.9
- amount (g / 1000 productionkg)	42	41.5	+1.2

Specific consumption means energy and water consumption relative to production volume.

Achievement of environmental indicators at Sokolów locations

	2007	2006	Change, %
Electricity			
- total consumption (MWh)	82 777	78 339	+5.67
- specific consumption (kWh / kg)	0.38	0.44	-12.84
Heat			
- total consumption (MWh)	165 305	162 264	+1.87
- specific consumption (kWh / kg)	0.76	0.90	-15.56
Water			
- total consumption (m³)	2 612 149	2 496 653	+4.63
- specific consumption (l / kg)	11.94	13.86	-13.85

Specific consumption means energy and water consumption relative to production volume.

Report of the Board of Directors for the financial year ending 31 December 2007

• The year 2007 was a historic one for the company. The acquisition of Scan AB in January and its integration into the Group more than doubled net sales and expanded the field of operations to include Sweden. The change of business name to HKScan Corporation in spring was a reflection of both the wider market and our major consumer brand names.

• The year was marked by the breaking in of the new Group structure as well as the restructuring of production in Finland and Sweden. These are steps vital for the future if financial performance is to improve to the standard set by the Group.

• The intensive rise in the costs of primary meat production in autumn due to a world-wide hike in the price of feed grain was an exceptional feature of the year under review that caused a sharp rise in the production costs of pork in particular. The simultaneous oversupply of pork and the decommissioning of production capacity in the EU eroded prices in the international market. These circumstances carried on into early 2008, markedly eroding the profitability of the meat business and thus the entire company's performance in all markets, especially in Finland and the Baltics.

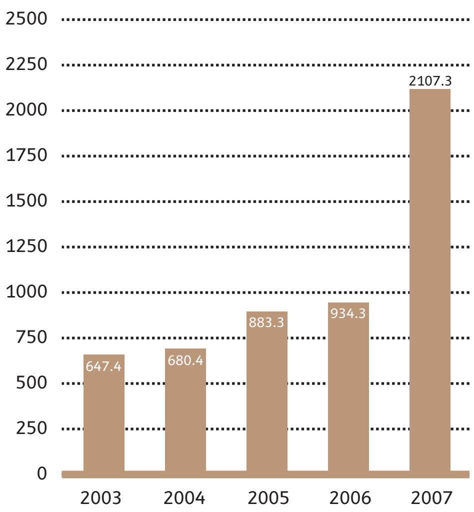
NET SALES AND FINANCIAL PERFORMANCE

The Group's net sales in 2007 were EUR 2 107.3 million (EUR 934.3 million in 2006). EBIT from operations exclusive of non-recurring items came to EUR 65.2 million and reported EBIT to EUR 55.3 million. The corresponding figures a year earlier were EUR 41.8 million and EUR 40.4 million respectively. Earnings per share were EUR 0.72 (EUR 0.79).

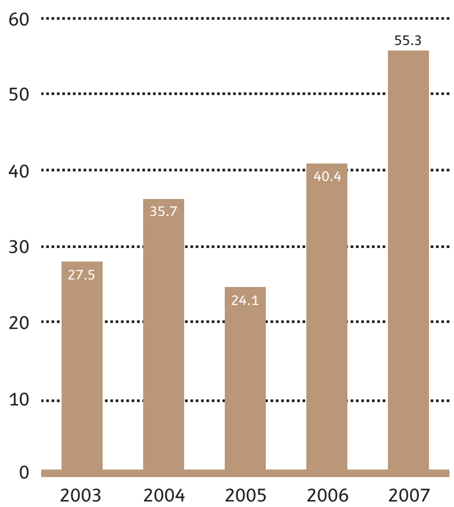
Non-recurring expenses in the net amount of EUR 9.9 million were recognised. These mainly had to do with the restructuring of the Finnish business. Writedowns of EUR 1.5 million in the Baltics and EUR 0.9 million in Poland were taken on biological assets (live animals) due to the difficult situation in the pork market.

The Group's capital expenditure stood at an exceptionally high level due to the bulk of the expenditure on industrial restructuring and the acquisition of Scan AB falling on 2007. In future, capital expenditure will settle at a lower level and our goal is to strengthen

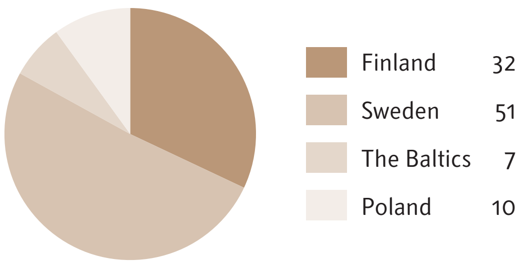
Net sales 2003–2007 (EUR million)
The figure for 2003 is shown in accordance with Finnish Accounting Standards (FAS)



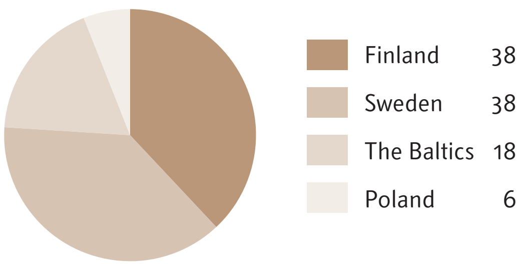
EBIT 2003-2007 (EUR million)
The figure for 2003 is shown in accordance with Finnish Accounting Standards (FAS)



Net sales (%) 2007
EUR 2 107.3 million



EBIT (%) 2007
EUR 55.3 million



Net sales and EBIT in the Group's principal market areas*) for the last quarter and during the entire financial year were as follows:

Net sales and EBIT by segment
(EUR million)

	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Net sales				
-Finland	176.3	162.9	674.3	608.0
-Sweden	295.7	-	1 111.9	-
-The Baltics	37.6	33.2	145.3	130.8
-Poland	54.8	49.5	220.9	203.6
-Between segments	-12.2	-2.8	-45.0	-8.2
Total	552.2	242.8	2 107.3	934.3
EBIT				
-Finland	3.3	10.9	22.8	25.4
-Sweden	7.7	-	23.0	-
-The Baltics	0.9	3.2	10.7	12.6
-Poland	0.1	1.0	3.7	6.0
-Between segments	0.0	0.0	0.0	0.0
-Group administration costs	-0.4	-1.4	-5.0	-3.5
Total	11.5	13.7	55.3	40.4
EBIT from operations				
-Finland	9.3	10.0	33.3	27.4
-Sweden	7.7	-	23.0	-
-The Baltics	0.9	3.2	10.1	11.2
-Poland	0.1	1.0	3.7	6.0
-Between segments	0.0	0.0	0.0	0.0
-Group administration costs	-0.4	-1.4	-5.0	-2.8
Total	17.5	12.8	65.2	41.8

*) The company has reported Group administration costs as a separate item since Q2/2007, thus improving the comparability of market area profitability. Group administration costs consist mainly of salary and pension costs as well as certain notional costs of the management incentive system, among others.

cash flow and improve equity ratio.

The figures reported are derived from Group accounting and contain no pro forma information. The comparison figures are exclusive of Scan AB and its subsidiaries, which have only been consolidated into Group figures since 2007. The allocation of purchase price resulting from the acquisition of the capital stock of Scan AB is discussed in the financial statements.

In Finland, business was influenced by the ongoing restructuring of production, which caused irregularities in production and delivery reliability especially in the latter half of the year. Profitability remained unsatisfactory.

In the Baltics and Poland, the year was much as anticipated. Relative to net sales, the Baltics again outperformed all other markets. Goals were achieved despite a slowdown towards the end of the year. The start-up of Pozmeat in Poland is taking longer than anticipated, which depressed earnings development in the Polish market.

Business in Sweden developing in line with plan stands in the plus column of the financial year, although profitability still remains far short of longer-term targets.

MARKET AREA: FINLAND

Net sales in Finland saw year-on-year growth of EUR 66.3 million attributable to increased trading and outsourcing. Profitability was again unsatisfactory, partly due to the restructuring of production underway. The transfers of production gave rise to higher than anticipated start-up costs. In addition, the extended ramp-up of the production lines transferred to the Vantaa plant resulted in delivery problems and loss of sales in the run-up to the crucial holiday season.

Non-recurring additional labour costs arising from the restructuring came to EUR 2.9 million and non-recurring additional logistical costs to EUR 7.6 million.

Production efficiency at Vantaa has improved in early 2008 and delivery problems will be resolved in full in Q1. The new logistics centre, which comes online in spring, will bring the company's delivery reliability to a competitive level.

The profitability of the meat business was eroded in autumn by the rapid rise in feed raw materials, which markedly increased the costs of primary meat production. The higher costs could only be passed on to sales prices in the retail period commencing at the start of 2008, however.

The processed meat and convenience food business was informed by the restructuring of production in Finland. This restructuring, the most wide-ranging in the history of HK Ruokatalo, involved substantial investment in production facilities and automation in Vantaa. The investments and arrangements will serve to improve the as yet inadequate profitability of the processed meat and convenience food business.

The poultry business gained momentum from an intense spike in consumption. In chicken, the rise was nearly 15 percent and demand for fillets in particular grew substantially. Demand for fresh turkey meat, on the other hand, has been flatlining. Higher production volumes resulted in expansion and modernisation of the carcass quick freezer at the Eura production plant and ongoing enhancement of the degree of automation in the various functions.

The closure of the Tampere facility, set to follow completion of the Vantaa project, is currently slated for April 2008.

As the Group expanded, managing director of HK Ruokatalo Oy Kai Seikku focused on the duties of CEO of HKScan Corporation. Executive vice president of the company's meat business Esa Mäki was appointed managing director of HK Ruokatalo Oy effective 1 March 2007. He was replaced as managing director by executive vice president of the company's poultry business Jari Leija on 7 December 2007.

MARKET AREA: SWEDEN

The mergers and acquisitions in the Swedish meat sector in 2007 spelled a major consolidation of the entire industry. Besides consolidation, the arrangements also resulted in the Swedish meat industry, earlier intensely oriented to the national market, linking into wider networks. Scan AB joining the HKScan Group is also an expression of this internationalisation.

On the whole, business in Sweden developed as planned in 2007, although there still remains much room for improvement in terms of profitability, especially with longer-term targets in mind.

In May, Scan announced that its earlier consolidation efforts would be followed by an efficiency programme extending until 2009, in which annual savings of EUR 18-22 million are sought. Investments of approximately EUR 20 million will be made into modernising production technology and working methods. Restructuring costs and writedowns on PPE in the amount of EUR 23 million resulting from the consolidation and efficiency programme have been taken into account when allocating purchase price. The allocation also involved a remeasurement to fair value of production plants affected by the programme. The revaluation has no impact on the consolidated income statement for 2007.

An extensive revamping of Scan's product concept was launched in early 2007. The number of brands and their concepts were pruned and the brands were re-grouped according to distinct consumer segments.

In September, Scan's meat business and processed meat and convenience food business were spun off into separate units in a bid to increase customer orientation while also reaping the benefits of centralisation. The marketing and sales organisations were also retooled as part of the spinoff process.

Ground was broken on the new logistics centre in Linköping in November. Operating at full capacity in 2010, the national centre will allow greater efficiency and flexibility in logistics for Scan.

Scan AB officially launched operations on 29 January 2007. Former managing director of Swedish Meats Magnus Lagergren was appointed managing director of the company.

MARKET AREA: THE BALTICS

The year 2007 was clearly divided in two in the Baltics. Good performance in the first three quarters of the year turned problematic in Q4 with the rising price of feed grain and the ensuing sharp rise in pork production costs at a time when pork prices were falling across Europe due to oversupply.

Business was on the projected track until September and sales grew in all three Baltic States. Costs continued to climb as before; wages rose by 15 percent and transportation costs by nearly 30 percent, for example. This was anticipated, however, and the rise in costs could be passed on to prices, meaning that margins remained solid and profitability in line with target.

The prices of feed grain more than doubled from the previous year in Estonia in the fourth quarter, which raised the costs of producing pork also in the production chain of Rakvere Lihakombinaat. Pork was in ample supply due to the international market situation and prices remained low. The supply glut has continued into 2008.

The discovery of Newcastle disease at a Tallegg shell egg farm in autumn necessitated the destruction of the farm's egg chickens. The costs were borne by the state of Estonia. The production gap thus arising was bridged with temporary measures and the ensuing financial losses remained minor. Production is estimated to return to normal in summer 2008. Tallegg's egg production accounts for 3.5 percent of the Group's net sales in the Baltics.

All in all, Q4 was weaker than anticipated. A writedown of EUR 1.5 million was moreover taken on biological assets (live animals) due to the difficult situation in the pork market. The full-year result furthermore includes EUR 0.6 million in non-recurring gains on disposal.

Market standing in the Baltics remained good, with even some strengthening in evidence. With its 32% share, Rakvere Lihakombinaat leads the market in Estonia. In Latvia, Rigas Miesnieks bumped its market share from 18 to 20 percent, which makes it the clear market leader. Tallegg's share of all fresh poultry meat sales in Estonia climbed to 70 percent. In Lithuania, Klaipedos Maistas retained its earlier standing as a relatively small market player (Source: A.C. Nielsen).

MARKET AREA: POLAND

The year 2007 was a divided one for Sokolów in terms of operations. The core business, i.e. the manufacture and sales of meat and processed meats in the Polish market, performed on target with year-on-year growth of some ten percent, while subsidiary Pozmeat fell clearly short of targets.

The full-year result in the Polish market fell below that of 2006, as anticipated. This was mainly due to the costs arising from the longer than estimated start-up stage at Pozmeat. HKScan's share of Pozmeat's losses in 2007 came to EUR 3.2 million. These start-up costs are included in full in EBIT from operations. Pozmeat is estimated to break even in the second quarter of 2008.

The difficult market situation due to the international pork cycle necessitated a writedown of EUR 0.9 million on biological assets (live animals) in the last quarter. The writedown is included in full in EBIT.

The historically fragmented business structure of Sokolów was streamlined by increasing the degree of specialisation among the company's seven production plants in a bid to achieve cost benefits and operational efficiency. The move is warranted, as the intense consolidation in modern retail presents suppliers with challenges.

The meat industry in Poland is marked by fragmentation: a large number of mostly small companies. Measured by net sales, Sokolów is the second largest player in the industry. Its market share is estimated at 17 percent in processed meats and nine percent in meat products.

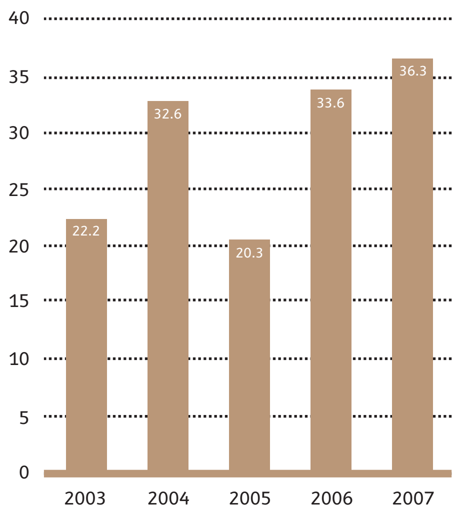
ACQUISITION OF SCAN AB

The company acquired the business of Swedish Meats, the largest meat company in Sweden, by virtue of an agreement executed on 9 November 2006. Under the agreement, Swedish Meats incorporated its business into the limited company Scan AB, whose entire capital stock was acquired by HKScan on 29 January 2007. Scan AB became a wholly owned subsidiary of HKScan Corporation.

The deal was financed through a directed issue of 4 843 000 A Shares to Swedish Meats and payment of a cash consideration of EUR 76 million (SEK 692 million). In addition, HKScan 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

Profit before tax 2003-2007
(EUR million)

The figure for 2003 is shown in accordance with Finnish Accounting Standards (FAS)



(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).

The expansion of operations to Sweden and larger company size will in the long run strengthen competitiveness and standing in the Baltic region. We will now be able to provide even more diverse and efficient service to retail and consumers. The Group is active in nine countries and sells the leading brands in all its major markets.

EFFECT OF SCAN ACQUISITION ON FINANCIAL REPORTING AND INDICATORS

The accounts of Scan AB and its subsidiaries have been consolidated into the Group's figures as of 1 January 2007. In reporting, Sweden was added to the Group's previous principal geographical segments of Finland, the Baltics and Poland.

The consolidation of Scan has significantly altered financial indicators, which must be taken into consideration when making comparisons.

INVESTING ACTIVITIES

The purchase price of the Scan AB shares inclusive of transaction costs came to EUR 161.7 million. The deal was financed with a directed issue to Swedish Meats valued at EUR 75 million and a cash consideration of EUR 76 million.

The Group's production-related gross investments in 2007 totalled EUR 129.3 million (EUR 82.6m). Breakdown of investments by market area: Finland EUR 69.7 million, Sweden EUR 33.2 million and the Baltics EUR 12.9 million. In Poland, HKScan's share of Sokołów investments was EUR 13.5 million. Gross investments in the comparison year included buyouts of minority interests in Sokołów and Rakvere totalling EUR 17.7 million.

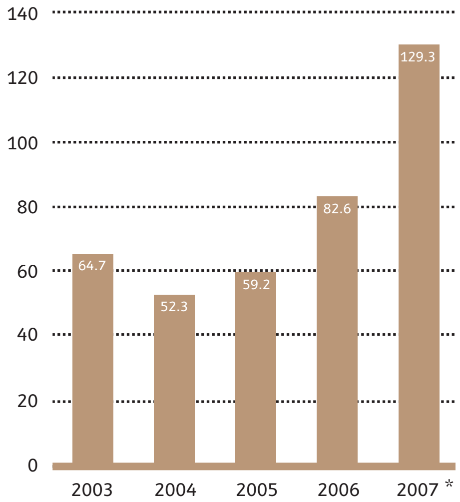
Major production-related investments in Finland included expansion of the Vantaa production facility to enable it to assume the production and logistics functions transferring from Turku and Tampere. In Sweden, the emphasis was on production technologies to boost competitiveness, such as a new pâté line and new slicing lines as well as the deployment of robotics at the Linköping processed meat plant and a Marel line in Skara to optimise beef cutting. In Estonia, a new meatpacking line was completed at the Rakvere Lihakombinaat plant to replace the original line of 17 years' standing. Construction on a new frankfurter department began at Rakvere in October. This largest individual investment ever at Rakvere will be completed in August 2008.

FINANCING ACTIVITIES

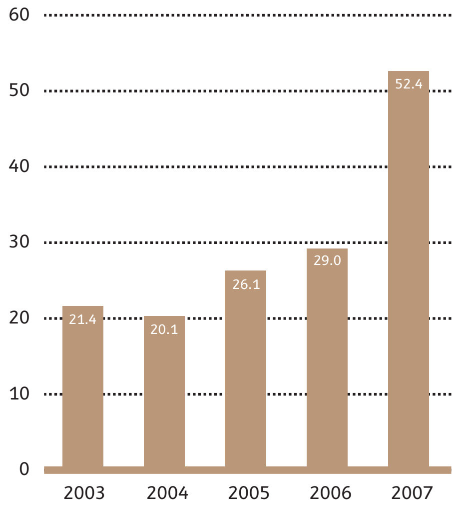
The Group's interest-bearing debt totalled EUR 514.5 million (EUR 196.7m) at the end of the financial year. Interest-bearing debt in the net amount of EUR 171 million transferred to the company along with Scan AB. The cash consideration of EUR 76 million for the deal was financed through a loan of corresponding value. Investments especially in modernising the business structure in Finland have increased the company's gearing.

In June, HKScan signed a EUR 550 million multi-currency fi-

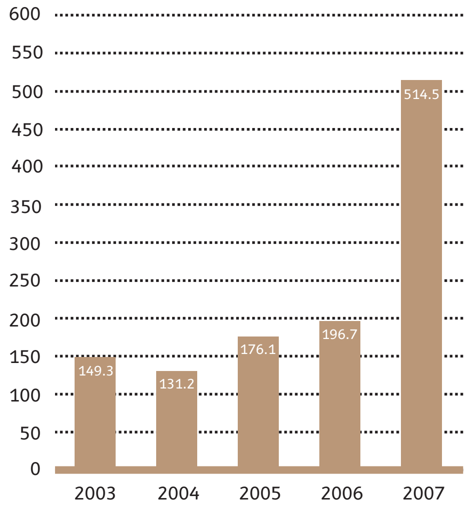
Gross investments 2003-2007
(EUR million)
The figure for 2003 is shown in accordance with Finnish Accounting Standards (FAS)
*) Excluding Scan AB's purchase price in 2007.



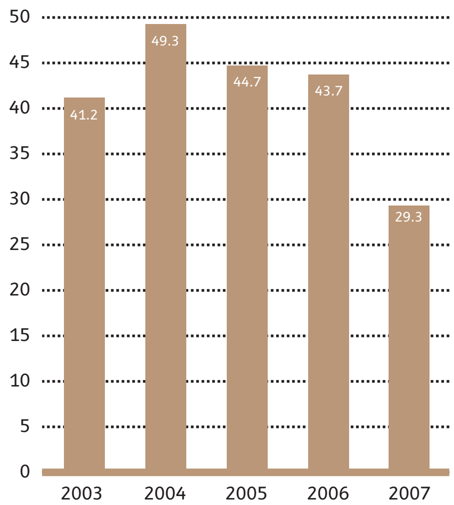
Depreciation 2003-2007
(EUR million)
The figure for 2003 is shown in accordance with Finnish Accounting Standards (FAS)



Interest-bearing liabilities 2003-2007
(EUR million)



Equity ratio 2003-2007
(%)



nancing agreement with an international syndicate of banks. The loan facility comprises a EUR 275 million seven-year amortising term loan and a EUR 275 million five-year credit limit. This arrangement refinanced most of HKScan's loan portfolio and it supports the company's future financing needs. The loan is subject to ordinary covenants. The financial covenants are gearing ratio and ratio of net debt to EBITDA.

In order to reduce the amount of assets tied up as working capital, the company sold trade receivables worth some EUR 25 million in the Finnish business in Q3.

At the end of the period under review, the equity ratio was 29.3 percent (43.7%). Increasing the equity ratio and strengthening cash flow are key tasks for the near future.

RESEARCH AND DEVELOPMENT

Practically all research and development in the HKScan Group concern involves normal product development, meaning the development of new products over a span of one to two years and the updating of products already on the market. A total of EUR 15.6 million (EUR 8.5m) was spent on R&D in 2007.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Annual General Meeting held on 20 April 2007 approved the change in the company's business name from HK Ruokatalo Group Oyj to HKScan Oyj. The name in Swedish is HKScan Abp and in English HKScan Corporation. The re-naming had to do with the substantial expansion of the Group's international business. In addition, the AGM adopted the amendments to the Articles of Association mainly resulting from the new Limited Liability Companies Act, which entered into force on 1 September 2006. The change in business name and the amended Articles of Association entered into force on 30 April 2007.

BOARD OF DIRECTORS' EXISTING AUTHORISATIONS

The Board holds the authorisation granted by the AGM on 20 April 2007 to decide on acquiring a maximum of 3 500 000 Series A shares as treasury shares, equivalent to ca. 8.9% of total registered shares and 10.3% of total A Shares.

Treasury shares may only be acquired using unrestricted shareholders' equity. The company's own shares may be purchased for a price quoted in public trading on the purchase day or for a price otherwise determined by the market. In accordance with the Board decision of 7 May 2007, the company acquired 100 000 of its own A Shares between 14 May and 28 May 2007 in public trading on OMX Nordic Exchange. The authorisation is valid until 30 June 2008.

The Board of Directors also holds an authorisation to resolve on an issue of shares, share options as well as other equity instruments as referred to in Chapter 10, section 1 of the Limited Liability Companies Act. This authorisation concerns a maximum of 5 500 000 A Shares, corresponding to ca. 14.0% of all registered shares in the company.

The Board may resolve upon all the terms and conditions of the issue of shares and other equity instruments. The authorisation to issue shares shall cover the issuing of new shares as well as the transfer of the company's own shares. The issue of shares and other equity instruments may be implemented as a directed issue. The authorisation is valid until 30 June 2008. On 19 December 2007, the Board resolved to assign 59 976 A Shares to key employees in the share incentive scheme as incentive bonus for the 2006 earning period.

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

EMPLOYEES

The Group had an average workforce of 7 840 employees (4 418). The increase is attributable to the inclusion of Scan AB and its subsidiaries as of the beginning of 2007. The average number of employees in each market area during the year under review was as follows: Finland 2 517, Sweden 3 449 and the Baltics 1 874. In addition, Sokołów had an average of 5 172 employees.

The number of employees at the balance sheet date was 7 333, which breaks down by country as follows: Sweden 41.6%, Finland 30.5%, Estonia 22.2%, Latvia 3.0%, Poland (Scan) 1.4%, Denmark 0.6%, Lithuania 0.6%, England 0.1% and Russia 0.1%. The Sokołów Group employed an additional 5 419 persons at 31 December 2007.

INCENTIVE SCHEME FOR KEY EMPLOYEES

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 employees to the achievement of the company's strategic and financial targets while also making them long-term shareholders in the company.

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

Any bonuses under the scheme are tied to Group net sales and return on capital employed. A maximum of 528 000 A Shares and cash in the amount needed to reimburse the key employees for taxes and fiscal charges arising at the time of transfer of the shares will be granted on the basis of the entire scheme. The bonuses 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 share element of the bonus payable to designated key employees for the first earning period (2006) came to 59 976 A Shares in HKScan. These were assigned to their recipients in December 2007. In the 2007 earning period, the scheme concerns 20 key employees and the number of shares shall not exceed 180 000 A Shares in HKScan.

RISKS AND UNCERTAINTY FACTORS

The most significant risks faced by the HKScan Group in the near future involve the development of the price of raw materials and pork in particular in all market areas, the success of the pending transfers of production in Finland and Sweden, increasing the logistical reliability of deliveries in Finland and the success of the business development programme in Sweden. The possibility of animal diseases can also never be fully excluded in the food industry.

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

The monitoring and analysis of any factors of uncertainty is part of the normal operations of the company'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 maintain intense competition in the meat industry in all markets.

HKScan's financial risks comprise foreign exchange risk, interest rate risk, credit risk and liquidity risk, which are hedged against in accordance with the principles defined in the Group's risk management policy.

ENVIRONMENTAL MANAGEMENT

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. Executive management in each market area is responsible for ensuring the appropriate organisation of environmental management.

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

In addition, all plants in the HKScan Group have in place an ISO 9001-certifed quality management system.

Environmental indicators and environmental benchmarking are currently being harmonised at the Group level in order to enhance environmental management. The first stage will concern Sweden and Finland.

THE FUTURE

The deterioration of the international pork market which started in late 2007 continued in early 2008. It will significantly erode the profitability of the meat business and influence the entire company's performance in all markets, especially in Finland and the Baltics. The Group's Q1 EBIT will fall below the 2007 level. Full-year comparable EBIT from operations in line with the previous year is projected, provided that the company's estimate of the pork market evening out in the latter half of the year is realised.

DIVIDEND RECOMMENDATION

The parent company's distributable assets stood at EUR 79.8 million. This sum includes the reserve for invested unrestricted equity (RIUE), which holds EUR 66.7 million. The Board of Directors recommends that the company pays a dividend of EUR 0.27 per share for 2007, i.e. a total of EUR 10.6 million.

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

Key indicators

Financial indicators

	2007	2006	2005	2004	2003*
Net sales, EUR million	2 107.3	934.3	883.3	680.4	647.4
Operating profit/loss (EBIT), EUR million	55.3	40.4	24.1	35.7	27.5
- % of net sales	2.6	4.3	2.7	5.2	4.2
Profit/loss before taxes, EUR million	36.3	33.6	20.3	32.6	22.2
- % of net sales	1.7	3.6	2.3	4.8	3.4
Return on equity (ROE). %	9.2	11.9	7.7	14.6	10.7
Return on investment (ROI), %	7.2	10.1	7.4	12.3	9.8
Equity ratio, %	29.3	43.7	44.7	49.3	41.2
Net gearing ratio, %	137.0	76.2	71.0	55.3	88.2
Gross investments, EUR million	129.3	82.6	59.2	52.3	64.7
- % of net sales	6.1	8.8	6.7	7.7	10.0
R&D expenditure, EUR million	15.6	8.5	8.0	6.4	6.1
- % of net sales	0.7	0.9	0.9	0.9	0.9
Employees, average	7 840	4 418	4 541	4 713	5 034

Per share data

	2007	2006	2005	2004	2003*
Earnings per share, EUR					
Earnings per share (EPS), undiluted, EUR	0.72	0.79	0.46	0.76	0.55
Earnings per share (EPS), diluted, EUR	0.72	0.79	0.46	0.76	0.54
Equity per share, EUR	8.36	6.86	6.36	6.09	5.43
Dividends					
Dividend paid per share, EUR	0.27 [1)]	0.27	0.27	0.29	0.28
Dividend per share, EUR	0.27 [1)]	0.27	0.27	0.29	0.25
Dividend of undiluted earnings, %	37.7 [1)]	34.2	58.2	38.4	45.4
Dividend payout ratio, diluted, %	37.7 [1)]	34.2	58.2	38.4	46.5
Effective dividend yield, %	1.9 [1)]	1.9	2.7	3.9	4.3
Price/earnings ratio (P/E)					
- undiluted	19.6	18.4	21.2	9.7	10.5
- diluted	19.6	18.4	21.2	9.7	10.8
Highest trading price, EUR	21.02	15.19	10.05	7.40	6.07
Lowest trading price, EUR	12.22	8.35	7.23	5.53	4.60
Middle price during the financial period, EUR	16.54	11.02	9.17	6.28	5.48
Market capitalisation, EUR million	551.9	499.7	339.8	253.6	164.1
Trading volume (1000 shares)	17 842	21 389	11 395	10 359	7 074
Trading volume, %	53.4	73.6	39.2	43.1	31.4
Weighted middle value of adjusted number of shares during the financial period (1000)	38 784	34 463	34 463	29 428	27 928
Adjusted number of shares at end of financial period, (1000)	39 306	34 463	34 463	34 463	28 300

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

[1)] Based on the Board of Directors' recommendation

Formulae for financial indicators

Return on equity (%)

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

Return on investment (%)

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total – zero interest debts (average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$$

Net gearing ratio (%)

$$\frac{\text{Net interest–bearing debt – cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$$

Earnings per share

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

Equity per share

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

Dividend per share

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

Dividend payout ratio (%)

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

Effective dividend yield (%)

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

P/E ratio

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

Market capitalisation

The number of outside shares at the end of the financial period multiplied by the closing price on the last trading day of the financial period

Employee numbers

Average of workforce figures calculated at the end of calendar months

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

	Note	2007	2006
Net sales	1	**2 107.3**	**934.3**
Change in inventories of finished goods and work in progress		1.6	-1.4
Work performed for own use and capitalised		1.8	0.6
Other operating income	3	9.7	8.5
Share of associates' results		1.5	0.0
Materials and services	4	-1 461.4	-617.6
Employee benefits expenses	5	-319.0	-150.1
Depreciation and amortisation	6	-52.4	-29.0
Impairment	6	0.8	-1.5
Other operating expenses	7	-234.5	-103.3
EBIT		**55.3**	**40.4**
Financial income	8	9.1	1.9
Financial expenses	8	-28.5	-8.7
Share of associates' results		0.4	0.0
Profit/loss before taxes		**36.3**	**33.6**
Income taxes	9	-6.8	-5.8
Profit/loss for the financial year		**29.5**	**27.8**
Profit attributable to:			
Equity holders of the parent		27.8	27.2
Minority interests		1.7	0.6
Total		29.5	27.8
Earnings per share calculated on profit attributable to equity holders of the parent			
EPS, undiluted, continuing operations, EUR/share		0.72	0.79
EPS, diluted, continuing operations, EUR/share		0.72	0.79

IFRS Consolidated balance sheet at 31 December (EUR million)

	Note	2007	2006
Assets			
Non-current assets			
Intangible assets	10	65.5	4.0
Goodwill	11	85.1	53.9
Property, plant and equipment	12	476.6	294.5
Investments in associates	13	20.3	5.5
Trade and other receivables	14	18.0	4.1
Available-for-sale investments / Other long-term investments	14	11.4	0.3
Deferred tax asset	15	8.3	2.2
Total non-current assets		685.1	364.4
Current assets			
Inventories	16	140.2	58.4
Trade and other receivables	17	244.9	112.1
Income tax receivable	17	2.5	2.5
Other financial assets	18	3.7	-
Cash and cash equivalents	18	53.2	12.1
Total current assets		**444.5**	**185.1**
Total assets		**1 129.6**	**549.5**
Equity and liabilities			
Share capital	19	66.8	58.6
Share premium reserve	19	73.4	72.9
Treasury shares	19	-0.7	-
Revaluation reserve and other reserves	19	80.6	9.0
Translation differences	19	3.0	5.4
Retained earnings	19	105.5	90.5
Equity attributable to equity holders of the parent		328.5	236.4
Minority interest		2.9	0.6
Total shareholders' equity		**331.5**	**237.1**
Non-current liabilities			
Deferred tax liability	15	34.0	12.2
Interest-bearing liabilities	22,23	421.6	87.1
Non-interest bearing liabilities	22	6.9	0.0
Pension obligations	20	4.7	5.2
Provisions	21	0.0	0.0
Total non-current liabilities		**467.2**	**104.4**
Interest-bearing liabilities	22,23	92.9	109.6
Trade payables and other liabilities	22	236.6	96.7
Income tax liability	22	0.1	0.9
Provisions	21	1.3	0.6
Total current liabilities		330.9	208.0
Total equity and liabilities		**1 129.6**	**549.5**

IFRS Consolidated cash flow statement (EUR million)

	2007	2006
Operating activities		
EBIT	55.3	40.4
Adjustments to EBIT	-1.6	-1.4
Depreciation and amortisation	51.6	30.5
Change in provisions	-8.1	0.9
Change in net working capital	50.1	6.3
Financial income and expenses	-19.3	-6.8
Taxes	-6.8	-5.5
Net cash flow from operating activities	**121.2**	**64.4**
Investing activities		
Gross investments in PPE	-131.6	-82.6
Disposals of PPE	15.8	6.4
Investments in subsidiary	-70.1	-
Loans granted	-4.0	-
Repayments of loans receivable	2.1	-
Net cash flow from investing activities	**-187.8**	**-76.2**
Cash flow before financing activities	**-66.6**	**-11.8**
Financing activities		
Current borrowings raised	207.4	-
Current borrowings repaid	-310.0	-
Non-current borrowings raised	522.1	24.2
Non-current borrowings repaid	-297.1	-3.6
Change in long-term debtors	-	-0.2
Dividends paid	-9.3	-9.3
Purchase of treasury shares	-1.8	-
Net cash flow from financing activities	**111.3**	**11.1**
Change in cash and cash equivalents	**44.7**	**-0.7**
Cash and cash equivalents at 1.1.	12.1	12.8
Cash and cash equivalents at 31.12.	**56.8**	**12.1**

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Revaluation reserve	RIUE	Treasury shares	Other reserves	Transl. diff.	Ret. earnings	Tot.
Shareholders' equity 1.1.2007	58.6	72.9	0.1	-	-	8.9	5.4	90.5	236.4
Cash flow hedging									
Gains and losses recognised in equity	-	-	2.9	-	-	-	-	-	2.9
Translation difference	-	-	-	-	-	-	-2.4	-	-2.4
Other changes	-	-	-	-	-	-	-	-0.3	-0.3
Transfers between items	-	-	-	-	-	1.7	-	-1.7	0.0
Net gains and losses									
recognised directly in equity	0.0	0.0	2.9	-	-	1.7	-2.4	-2.0	0.2
Profit for the period				-	-			27.8	27.8
Total gains and losses	0.0	0.0	2.9	-	-	1.7	-2.4	25.8	28.0
Dividend distribution	-	-	-	-	-	-	-	-9.3	-9.3
Share issue	8.2	-	-	66.7	-	-	-	-	74.9
Purchase of treasury shares	-	-	-	-	-1.8	-	-	-	-1.8
Payments made in treasury shares	-	-	-	-	1.1	-	-	-0.8	0.3
Share options exercised	-	0.5	-	-	-	0.2	-	-0.6	0.0
Total shareholders' equity 31.12.2007	66.8	73.4	3.0	66.7	-0.7	10.8	3.0	105.5	328.5

	Share capital	Share premium	Revaluation reserve	RIUE	Treasury shares	Other reserves	Transl. diff.	Ret. earnings	Tot.
Shareholders' equity 1.1.2006	58.6	72.9	1.0	-	-	8.6	4.8	73.2	219.1
Cash flow hedging									
Gains and losses									
recognised in shareholders' equity	-	-	-0.9	-	-	-	-	-	-0.9
Translation difference	-	-	-	-	-	-	0.6	-	0.6
Other changes	-	-	-	-	-	0.3	-	-0.6	-0.3
Transfers between items	-	-	-	-	-	-	-	-	0.0
Net gains and losses									
recognised directly in equity	0.0	0.0	-0.9	-	-	0.3	0.6	-0.6	-0.6
Profit for the period	-	-	-	-	-	-	-	27.2	27.2
Total gains and losses	0.0	0.0	-0.9	-	-	0.3	0.6	26.6	26.6
Dividend distribution	-	-	-	-	-	-	-	-9.3	-9.3
Total shareholders' equity 31.12.2006	58.6	72.9	0.1	-	-	8.9	5.4	90.5	236.4

IFRS Notes to the consolidated financial statements for 2007

Basic information about the company

HKScan Corporation is a Finnish public limited company established under the law of Finland. The company's registered office is in Turku.

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

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

HKScan Corporation's A Share has been quoted on the OMX Nordic Exchange since 1997.

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 25 February 2008. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting is also entitled to modify the financial statements.

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

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS and IFRS standards and SIC and IFRIC interpretations valid at 31 December 2007. International Financial Reporting Standards refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The Group adopted IFRS during 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.hkscan.com.

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

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

As of 1 January 2007, the Group has applied the following new or revised standards and interpretations:

-IFRS 7 Financial Instruments: Disclosures. The standard requires the disclosure of information both about the significance of financial instruments for an entity's financial position and performance and about the nature and extent of risks arising from financial instruments. The standard has increased the scope of the notes to the consolidated financial statements.

-Amendment to IAS 1: Presentation of Financial Statements – Capital Disclosures. The amended standard requires the disclosure of data on the entity's capital and its management in the financial year. The provisions have resulted in expansion of the notes to the consolidated financial statements.

-IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 10 Interim Financial Reporting and Impairment. These interpretations have not affected the consolidated financial statements.

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

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

COMPARABILITY WITH PREVIOUS YEARS

The consolidated figures for Scan AB have been consolidated into the Group as of 1 January 2007. No pro forma figures have been used in the comparison figures for 2006, rendering the years non-comparable. The company released pro forma information in the Offering Circular published on 3 April 2007. The unaudited pro forma consolidated income statement for the financial year ending 31 December 2006 has been prepared with the assumption of the merger taking place on 1 January 2006. The unaudited pro forma consolidated balance sheet at 31 December 2006 has been prepared with the assumption of the merger taking place on 31 December 2006.

ESTIMATE OF FUTURE IMPACT OF NEW STANDARDS

The current IAS 31 permits the proportionate consolidation of the figures for a joint venture (line by line consolidation). The standard will likely be amended to permit the application of the equity method only. The IASB has tentatively announced that mandatory application of the standard would only concern financial years commencing on or after 1 January 2009. The new standard will significantly alter both Group figures and the treatment of the Poland segment.

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.

Accounting policies for consolidated financial statements

SUBSIDIARIES

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

The consolidated financial statements include the accounts of the parent company HKScan Corporation and the following subsidiaries that have or had business operations: HK Ruokatalo Oy, LSO Foods Oy and its subsidiary Lounaisfarmi Oy, Lihatukku Harri Tamminen Oy, Helanderin Teurastamo Oy and HK International Ab.

The consolidated financial statements also include the accounts of the Scan AB subgroup (Sweden) as of 1 January 2007, the AS Rakvere Lihakombinaat subgroup (Estonia, Latvia and Lithuania), and AS Tallegg (Estonia).

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

Distribution of profit for the 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 in the consolidated accounts up to a maximum of the investment.

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's 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 consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 27, "Related party transactions", have been consolidated into the consolidated financial accounts. The share of the profit/loss of associates is presented below EBIT (and financial expenses). However, if the operations taking place via such a unit are significant to the Group, if for example a function important to the Group's business is managed by an associate, the share of the associate's result is presented above EBIT. Of the associates of Scan AB, Siljans Chark AB, Nyhlens & Hugosons Chark AB and Höglandsprodukter AB have been classified as associates of this kind.

JOINT VENTURES

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

More detailed information about Group companies and holdings in associates is presented below under "Related party transactions".

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the 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.

THE FOLLOWING EXCHANGE RATES HAVE BEEN USED IN CONSOLIDATION

	Income statement *)		Balance sheet	
	2007	2006	2007	2006
EEK	15.6466	15.6466	15.6466	15.6466
SEK	9.2521	9.2530	9.4415	9.0404
PLN	3.7831	3.8946	3.5935	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. Gains and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognised in financial income and expenses in the income statement.

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.

CAPITALISATION OF BORROWING COSTS

As a rule, borrowing costs are recognised as an expense during the period in which they are incurred.

GOVERNMENT GRANTS

Government grants, for example grants from the State or the EU relating to PPE acquisitions, have been recognised as deductions in the carrying values of PPE when receipt of the grants and the Group's eligibility for them is reasonably certain. The grants are recognised as income in the form of lower depreciations over the useful life of the item. Grants received in reimbursement of expenses incurred are recognised as income in the income statement at the same time as the costs relating to the object of the grant are recognised as an expense. Grants of this kind are reported under other operating income.

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 consolidation 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 was not adjusted when preparing the opening IFRS balance sheet of 1 January 2004. Most of the business mergers giving rise to consolidated goodwill took place prior to 1 January 2004. Goodwill increased in the year under review due to the acquisition of Scan AB.

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. Impairment losses are recognised in the income statement. 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 RIGHTS AND 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 company will reap the expected economic benefit of the asset. Intangible rights include trademarks and patents while items such as software licences are included in other intangible assets. Patents and software licences are recognised in the balance sheet at cost and are depreciated on a straight-line basis during their useful life, which varies from five to ten years. No depreciation is made on intangible assets with an unlimited useful life. These are, however, subject to annual cash flow-based impairment testing. See under "Impairment" and "Impairment testing".

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

INVENTORIES

Inventories are measured at the acquisition cost or probable net 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 in the case of the HKScan Group mean live animals, 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 use 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 is estimated annually for goodwill and intangible assets with unlimited useful life regardless of whether there are indications of impairment. The need for impairment is reviewed at the level of cash-generating units, in other words the smallest group of assets that includes the asset under review, which is largely independent of other units and has a cash flow that can be separated from other cash flows. See "Accounting policies requiring management judgments and factors of estimation uncertainty" and "Goodwill".

Goodwill was tested for impairment applying IAS 36 as required by the transition standard on 1 January 2004, the transition date to IFRS. Subsequent testing was carried out on 31 December 2004, 31 December 2005, 31 December 2006 and 31 December 2007. 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, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognised in the income statement during the financial year in which they are incurred. All pension cost calculations are based on actuarial valuations prepared annually by the local authorities or authorised actuaries.

The obligations arising from the Group's defined benefit plans are calculated separately for each plan. Pension costs are recognised as an expense over the relevant persons' employment on the basis of calculations performed by authorised actuaries. The Group has no defined benefit plans apart from the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.2 million at 31 December 2007.

Owing to the outsourcing of pension funds, the insurance company invoices the future index-linked increments on pensions 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

Share incentive scheme.

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

A maximum of 528 000 shares and cash in the amount needed to reimburse the key employees for taxes and fiscal charges arising at the time of transfer of the shares will be granted on the basis of the entire scheme. The basic information and events concerning the share incentive scheme appear in the following table:

Basic information at 31 December 2007

	Earning period 2006	**Earning period 2007**
Grant date	1.1.2006	1.1.2007
Nature of award	Shares and cash	Shares and cash
Target group	Key employees	Key employees
Maximum number of incentive shares *	96 000	180 000
Amount of cash corresponding to		
incentive shares (no. of shares) *	113 109	180 000
Trading price at grant date	EUR 14.75	EUR 17.68
Fair value at grant date **	EUR 14.48	EUR 17.41
Trading price at end of financial year	EUR 14.04	EUR 14.04
Earning period begins, date	1.1.2006	1.1.2007
Earning period ends, date	31.12.2006	31.12.2007
Release date of shares	31.12.2009	31.12.2010
Criteria	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)
	Term of employment	Term of employment
Obligation to hold shares, years	3	3
Remaining binding period, years	2	3
Persons (31 December 2007)	6	20

* Cash element of share award expressed in shares

** Trading price at grant date less estimated expected dividend for earning period

Events in 2007

Gross amounts	Earning period 2006 1.1.07	Change in financ. year, no.	31.12.07	Earning period 2007 1.1.07	Change in financ. year, no.	31.12.07	Financial year 2007 tot. 1.1.07	Change in financ. year, no.	31.12.07
Awards granted (share + cash) expressed as shares	209 109	0	209 109	0	360 000	360 000	209 109	360 000	569 109
Shares forfeited	0	24 000	24 000	0	0	0	0	24 000	24 000
Shares paid	0	130 641	130 641	0	0	0	0	130 641	130 641
Shares expired (incl. forfeited shares)	0	78 468	78 468	0	0	0	0	78 468	78 468

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

Parameters used in calculating fair value	Earning period 2006	Earning period 2007
Awards granted (share + cash) expressed as shares	209 109	360 000
Trading price at grant date	EUR 14.75	EUR 17.68
Presumed dividend	EUR 0.27	EUR 0.27
Fair value at grant date **	EUR 14.48	EUR 17.41
Trading price at balance sheet date	EUR 14.04	EUR 14.04
Assumed shares to be forfeited before allocation	12.5%	0.0%
Assumed shares to be forfeited during binding period	0.0%	10.0%
Exercise assumption of criteria ***	71.4%	40.0%
Fair value of share award at grant date, EUR	1 910 756	2 401 128
Fair value of share award at 31 Dec 2007, EUR	1 782 045	2 139 048
Impact on earnings in 2007 financial year, EUR	747 522	1 042 614

** Trading price at grant date less estimated expected dividend for earning period
*** The amount of the award for the earning period is determined by the end of the April following each earning period on the basis of achievement of targets. The table is based on the best possible estimate available to the company at 31 December 2007 of the number of shares it expects to be granted.

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

A total of 360 000 shares concerning the 2007 earning period were granted in the year under review. Share awards valued at 130 641 shares, i.e. 59 976 shares and cash in the amount of EUR 913 593 to cover taxes and fiscal charges arising from the shares at the grant date were paid in the year under review on the basis of the 2006 earning period. The combined earnings impact of the share awards in effect in the year under review came to EUR 1.8 million.

PROVISIONS

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

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

INCOME TAXES

The income tax expense in the income statement consists of tax based on taxable income and deferred tax. The tax impact relating to items recognised directly in shareholders' equity is correspondingly recognised as part of shareholders' equity. Tax based on taxable income in the financial year is calculated from taxable income on the basis of the tax law of the domicile of each company. Taxes are adjusted with any taxes relating to previous financial years.

Deferred tax 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. The most significant temporary differences arise from depreciation on PPE, measurement to fair value of derivative instruments, defined benefit pension plans, unclaimed tax losses and measurements to fair value in connection with acquisitions. No deferred tax is recognised on non-deductible goodwill.

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 49.9 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 cash equivalents comprise cash, demand deposits and other highly liquid short-term investments maturing in less than three months. Current accounts with overdraft facilities 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.

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether there is any objective evidence of the impairment of an individual financial asset item or a group of financial assets. Trade receivables are recognised in accordance with the original amount invoiced. All credit losses on trade receivables have been recognised as an expense when there is objective evidence that the receivable is impaired. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy or debt reorganisation and payment default constitute evidence of the impairment of trade receivables.

DERIVATIVES AND HEDGE ACCOUNTING

Gains and losses arising from the assessment of fair value are treated in the income statement in the manner determined by the purpose of the derivative. 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.

The change in the fair value of the effective portion of derivative instruments that meet cash flow hedging requirements are recognised directly in shareholders' equity in the hedging reserve and in the income statement in respect of the ineffective portion. 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 portion 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.

During the year under review, cash flow hedge accounting was in use to hedge against a forecast change in the spot market price of electricity. The Group has used electricity futures as the hedging instrument. The hedging of the net investment in a foreign unit (Scan AB) is treated in accounting in the same manner as cash flow hedging. Loans denominated in foreign currency are the hedging instrument used in these.

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 and the hedging of the net investment denominated in EEK.

SHARE CAPITAL

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

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.

EBIT

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

Notes to the income statement

1. Segment information

The division of segments is based on the Group's organisation and Board of Directors and Group management reporting. The management of the HKScan Group tracks the profitability of business operations by market area. The Group's primary reporting segments are geographical segments: Finland, Sweden, the Baltics and Poland. The Polish market has been shown as a separate segment since 1 January 2005 and the Swedish market since 1 January 2007.
The HKScan Group 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 non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Primary segment 2007 (EUR million)

	Finnish operations	Baltic operations	Polish operations	Swedish operations	Elimi- nations	Un- allocated	Group total
Income statement information							
External sales	663.6	141.6	219.8	1 082.3	-	-	2 107.3
Internal sales	10.6	3.7	1.1	29.6	-45.0	-	0.0
Net sales	674.3	145.3	220.9	1 111.9	-45.0	-	2 107.3
Segment EBIT	17.8	10.7	3.7	23.0	-	-	55.3
Unallocated items	-	-	-		-	-	
EBIT	17.8	10.7	3.7	23.0	-	-	55.3
Financial income and expenses	-	-	-	-	-	-19.4	-19.4
Share of associates' results	0.3	-	-	0.1	-	-	0.4
Income taxes	-	-	-	-	-	-6.8	-6.8
Result for the financial year from continuing operations	12.7	10.6	1.8	4.3	-	-	29.5
Result for the financial year	12.7	10.6	1.8	4.3	-	-	29.5
Balance sheet information							
Segment assets	342.0	114.2	131.9	430.2	-	-	1 018.3
Shares in associates	5.7	-	-	14.6	-	-	20.3
Unallocated assets	-	-	-		-	91.0	91.0
Total assets	347.7	114.2	131.9	444.8	-	91.0	1 129.6
Segment liabilities	92.6	15.6	27.4	134.7	-21.6	-	248.6
Unallocated liabilities	-	-	-	-	-	549.5	549.5
Total liabilities	92.6	15.6	27.4	134.7	-21.6	549.5	798.1
Other information							
Sales, goods	661.4	141.4	213.4	1 082.3	-	-	2 098.5
Sales, services	2.3	0.2	6.3	0.0	-	-	8.8
Investments	69.7	12.9	13.5	33.2	-	-	129.3
Depreciation and amortisation	-17.8	-6.9	-6.6	-21.1	-	-	-52.4
Impairment	0.8	-	-	-	-	-	0.8
Goodwill	12.7	19.1	22.4	31.0	-	-	85.1

Primary segment 2006 (EUR million)

	Finnish operations	Baltic operations	Polish operations	Swedish operations	Elimi-nations	Un-allocated	Group total
Income statement information							
External sales	605.5	126.2	202.6	-	-	-	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 EBIT	21.8	12.6	6.0	-	-	-	40.4
Unallocated items	-	-	-	-	-	-	
EBIT	21.8	12.6	6.0	-	-	-	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	-	-	-	923.3
Sales, services	0.2	0.1	10.7	-	-	-	11.0
Investments	59.8	9.7	13.1	-	-	-	82.6
Depreciation and amortisation	-17.1	-6.4	-5.6	-	-	-	-29.0
Impairment	-1.5	-	-	-	-	-	-1.5
Goodwill	12.7	19.0	22.2	-	-	-	53.9

2. Businesses acquired

The Group expanded significantly with the early 2007 acquisition by HKScan Corporation of the entire business of Swedish Meats, which was incorporated into Scan AB prior to the sale. The deal was signed on 29 January 2007 but operational responsibility transferred to HKScan Corporation already on 1 January 2007.

The purchase price was paid in part with a directed issue to Swedish Meats: 4 843 000 A Shares in HKScan Corporation. The fair value of the share contribution was EUR 75.3 million. Fair value is based on HKScan Corporation's share price at 29 January 2007 (EUR 15.55). The number of shares issued is equal to ca. 12.3 percent of the share capital of HKScan Corporation 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 HKScan Corporation consists 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 resulted in the share capital of HKScan Corporation rising from 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.

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 HKScan Corporation assuming 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.

Before measurement to fair value of the balance sheet to be acquired, goodwill amounted to some EUR 50 million. At the time the deal was announced, it was stated that purchase price would be allocated to intangible assets under brands. A key rationale for the deal was the acquisition of Sweden's leading meat sector brand. The purchase price allocation process completed at the end of the year involved remeasurement to fair value of Scan AB's assets acquired and debts assumed. In the remeasurement, a value of EUR 46.8 million was allocated to Scan's brands based on the company's own estimates and external evaluations commissioned by the company and the seller. The fair values of the production plants affected by the efficiency programme announced in May 2007 in continuation of the production consolidation programme launched by Swedish Meats in 2006 were measured at EUR 23 million below original carrying values. No material differences between carrying value and fair value were found in respect of the other assets acquired and debts assumed. The remaining goodwill of EUR 31.9 million is based on HKScan's stronger position as one of the leading northern European meat companies and the potential for substantial synergy benefits i.a. in purchasing, production and marketing.

Allocation of purchase price (EUR million)

The following assets and liabilities were recognised on the object of acquisition:

		Fair values recognised on merger HKScan Group 2007	Carrying values prior to merger Scan AB 2007
Intangible assets	1.	61.6	14.8
Goodwill (in Scan group's balance sheet)		16.7	16.7
Property, plant and equipment	2.	122.3	145.3
Deferred tax assets and other receivables	3.	35.2	28.8
Inventories		61.2	61.2
Trade receivables		146.3	146.3
Cash and cash equivalents		16.7	16.7
Total assets		460.0	429.8
Minority interest		2.5	2.5
Provisions		8.9	8.9
Deferred tax liability	4.	17.4	4.3
Non-current liabilities		106.5	106.5
Current liabilities		178.2	178.2
Total liabilities		313.5	300.4
Net assets		146.5	129.4
Purchase price		157.2	157.2
Expenditure on experts		4.5	4.5
Total purchase price		161.7	161.7
Goodwill arising on transaction		15.2	
Goodwill shown on Scan's balance sheet		16.7	
Total goodwill		31.9	
Recognitions:			
1. Remeasurement to fair value of intangible assets		46.8	
2. Remeasurement to fair value of fixed assets		-23.0	
3. Deferred tax asset on remeasurement		6.4	
4. Deferred tax liability on remeasurement		13.1	
Cash consideration paid		76.2	
Cash and cash equivalents of subsidiary acquired		-16.7	
Cash flow effect		59.5	

3. Other operating income	2007	2006
Rental income	2.4	0.8
Gain on disposal of non-current assets	1.7	4.5
Other operating income	5.6	3.2
Other operating income	9.7	8.5

4. Materials and services		
Purchases during the financial year	-1 392.3	-530.0
Increase/decrease in inventories	64.1	-4.1
Materials and supplies	-1 328.2	-534.1
External services	-133.2	-83.5
Materials and services	-1 461.4	-617.6

5. Employee benefits expenses		
Salaries and fees	-249.1	-128.8
Pension expenses, defined contribution plans	-63.4	-14.3
Pension expenses, defined benefit plans	0.1	-0.6
Total pension expenses	-63.3	-14.9
Other social security costs	-6.6	-6.4
Other social security costs	-6.6	-6.4
Employee benefits expenses	-319.0	-150.1
Managing directors and vice presidents	4.3	1.5
Board members	0.7	0.5
Management salaries, fees and benefits	5.0	2.0
Average number of employees during the financial year		
White-collar staff	1 582	938
Blue-collar staff	6 258	3 480
Total	7 840	4 418

Additionally, the Sokolów Group in Poland employed an average of 5 172 persons in 2007.

6. Depreciation and impairment		
Depreciation according to plan	-52.4	-29.0
Depreciation and amortisation	-52.4	-29.0
Impairment charge for non-current assets	-0.2	-2.0
Impairment charge reversals for non-current assets	1.0	0.5
Impairment	0.8	-1.5
Total	-51.4	-30.5

7. Other operating expenses		
Rents/leases	-9.0	-5.5
Loss on disposal of non-current assets	-0.2	-0.2
R&D costs	-15.6	-8.5
Non-statutory staff costs	-4.8	-4.2
Energy	-31.7	-19.9
Maintenance	-33.2	-20.0
Advertising, marketing and entertainment costs	-56.6	-32.1
Service, information management and office costs	-20.9	-9.7
Other costs	-62.5	-3.2
Total other operating expenses	-234.5	-103.3

Audit fees

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

	2007	2006
Audit fees	-0.6	-0.2
Other expert services	-0.6	-0.4
Audit fees, total	-1.2	-0.6

8. Financial income and expenses	2007	2006
Other interest and financial income from others	4.9	1.4
Other financial income	4.9	1.4
Foreign exchange gains	4.3	0.4
Unrealised gains on fair value measurement	-0.1	0.1
Total financial income	9.1	1.9
Other interest and financial expenses to parent entity	-0.1	-0.2
Other interest and financial expenses	-23.8	-7.9
Total other interest and financial expenses	-23.9	-8.1
Foreign exchange losses	-4.6	-0.6
Total financial expenses	-28.5	-8.7
Total financial income and expenses	-19.4	-6.8

9. Income taxes

Cumulative tax rate reconciliation	12 / 2007	12 / 2006
Income taxes		
Income tax on ordinary operations	-2.9	-5.5
Tax for previous financial years	-0.4	-0.4
Change in deferred tax liabilities and assets	-3.5	0.0
Other direct taxes	0.0	0.0
Income tax on ordinary operations	-6.8	-5.8
Accounting profit/loss before taxes	36.3	33.6
Deferred tax at parent company's tax rate	-9.4	-8.7
Effect of different tax rates applied to foreign subsidiaries	2.4	3.5
Tax-free income	0.3	0.0
Non-deductible expenses	0.3	-0.2
Tax for previous financial years	-0.4	-0.4
Tax expense in the income statement	-6.8	-5.8

Notes to the balance sheet

10. Intangible assets 2007

	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost at 1.1.	12.0	-	12.0
Increase	0.6	-	0.6
Increase (acquisitions)	59.8	-	59.8
Decrease	-0.9	-	-0.9
Transfers between items	3.6	0.1	3.7
Acquisition cost at 31.12.	75.1	0.1	75.2
Accumulated depreciation at 1.1.	-8.1	-	-8.1
Accumulated depreciation on disposals and reclassifications	0.6	-	0.6
Accumulated depreciation on acquisitions	-0.4	-	-0.4
Depreciation for the financial year	-1.9	-	-1.9
Accumulated depreciation at 31.12.	-9.8	-	-9.8
Carrying value at 31 Dec 2007	65.4	0.1	65.5

Intangible assets 2006

	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost at 1.1.	10.1	-	10.1
Increase	0.3	-	0.3
Decrease	-	-	0.0
Transfers between items	1.6	-	1.6
Acquisition cost at 31.12.	12.0	-	12.0
Accumulated depreciation at 1.1.	-6.1	-	-6.1
Accumulated depreciation on disposals and reclassifications	-0.8	-	-0.8
Depreciation for the financial year	-1.2	-	-1.2
Accumulated depreciation at 31.12.	-8.1	-	-8.1
Carrying value at 31 Dec 2006	4.0	-	4.0

11. Goodwill 2007		**Goodwill 2006**	
Acquisition cost at 1.1.	66.6	Acquisition cost at 1.1.	59.9
Translation differences	-1.2	Translation differences	-0.3
Increase	0.5	Increase	7.0
Increase (acquisitions)	31.9	Decrease	-
Decrease	-	Acquisition cost at 31.12.	66.6
Acquisition cost at 31.12.	97.8	Accumulated depreciation at 1.1.	-12.7
Accumulated depreciation at 1.1.	-12.7	Accumulated depreciation at 31.12.	-12.7
Accumulated depreciation at 31.12.	-12.7		
Carrying value at 31 Dec 2007	85.1	Carrying value at 31 Dec 2006	53.9
Specification of goodwill 2007		Specification of goodwill 2006	
Finnish red meat	12.6	Finnish red meat	12.7
Business in Sweden	31.0	Baltic white meat	5.5
Baltic white meat	5.5	Baltic red meat	13.5
Baltic red meat	13.6	Business in Poland	22.2
Business in Poland	22.4	Total	53.9
Total	85.1		

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%–2.0%). 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 6.7% for Finland, 7.8% for Sweden, 8.2% for the Baltics and 9.8% 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.

12. Tangible assets 2007

	Land and and water	Buildings	Machinery & equipment	Other tangible assets	Prepayments and unfinished constr. proj.	Tot.
Acquisition cost at 1.1.	6.1	265.2	270.7	12.6	17.1	571.7
Translation differences	0.2	3.5	4.6	0.1	0.0	8.4
Increase	0.3	4.4	20.8	0.6	103.8	129.9
Increase (acquisitions)	-	115.7	111.2	-	3.2	230.1
Decrease	-0.1	-15.5	-44.3	-1.4	-0.1	-61.4
Transfers between items	0.1	13.9	32.5	1.0	-51.1	-3.6
Acquisition cost at 31.12.	6.6	387.2	395.5	12.9	72.9	875.1
Accumulated depreciation at 1.1.	-0.1	-92.3	-175.4	-9.6	-	-277.4
Translation differences	-	-0.8	-2.9	-0.1	-	-3.8
Accumulated depreciation on disposals and reclassifications	-	8.6	35.4	0.9	-	44.9
Accumulated depreciation on acquisitions	-	-69.4	-42.8	-		-112.2
Depreciation for the financial year	-	-11.9	-37.7	-1.2	-	-50.8
Impairment charge reversals	-	-	0.8	-	-	0.8
Accumulated depreciation at 31.12.	-0.1	-165.8	-222.6	-10.0	0.0	-398.5
Carrying value at 31 Dec 2007	6.5	221.4	172.9	3.0	72.9	476.6

Tangible assets 2006

	Land and and water	Buildings	Machinery & equipment	Other tangible assets	Prepayments and unfinished constr. proj.	Tot.
Acquisition cost at 1.1.	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	-	-29.3
Transfers between items	0.1	25.5	29.5	0.3	-57.7	-2.3
Acquisition cost at 31.12.	6.1	265.2	270.7	12.6	17.1	571.7
Accumulated depreciation at 1.1.	-	-95.8	-166.3	-10.2	-	-272.3
Translation differences	-	-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	-	-8.9	-18.2	-0.8	-	-27.9
Impairment	-	-0.5	-0.9	-	-	-1.4
Accumulated depreciation at 31.12.	-0.1	-92.3	-175.4	-9.6	0.0	-277.4
Carrying value at 31 Dec 2006	6.0	173.0	95.3	3.0	17.1	294.5

13. Shares in associates

Shares in associates 2007	
Acquisition cost at 1.1.	5.5
Corporate acquisitions	10.3
Increase	3.3
Decrease	-0.6
Acquisition cost at 31.12.	18.5
Share of associates' results	1.9
Dividends from associates	-0.1
Carrying value at 31 Dec 2007	20.3

Shares in associates 2006	
Acquisition cost at 1.1.	5.1
Translation differences	-
Increase	0.6
Decrease	-0.2
Acquisition cost at 31.12.	5.5
Share of associates' results	0.0
Carrying value at 31 Dec 2006	5.5

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

14. Non-current receivables

Non-current loan receivables	10.4	4.0
Other non-current receivables	7.6	0.1
Non-current loan and other receivables	18.0	4.1
Other long-term investments	11.4	0.3
Deferred tax asset	8.3	2.2
Total non-current receivables	37.7	6.6

Associates 2007

	Assets	Liabilities	Net sales	Profit/loss for fin. year	Holding, %
Owned by the Group's parent company					
Honkajoki Oy	10.2	7.6	16.2	0.2	38.33
Envor Biotech Oy (formerly Etelä-Suomen Multaravinne Oy)	2.1	1.3	1.9	0.3	24.62
Pakastamo Oy	12.6	12.4	10.3	-0.2	50.00
Lihateollisuuden Tutkimuskeskus LTK	9.2	2.0	22.1	0.8	44.80
Best-In Oy	1.1	0.4	4.6	0.1	50.00
Länsi-Kalkkuna Oy	3.4	3.0	23.0	0.0	50.00
Owned by LSO Foods Oy					
Finnpig Oy	1.1	0.7	2.0	-0.4	50.00
Owned by Scan AB					
Bondens Bästä i Svalöv AB	0.2	0.1	1.3	0.0	50.00
SDT Sveriges Djurproducenters tillväxt AB	4.8	0.1	1.3	0.0	50.00
Conagri AB	6.6	6.0	20.1	0.1	49.00
daka a.m.b.a	106.9	86.6	105.3	2.2	33.60
Fastighets AB Tuben	0.3	0.1	0.1	0.1	48.00
Höglandsprodukter AB	2.6	1.7	32.5	0.5	30.00
Nyhlens & Hugosons Chark AB	16.8	13.4	58.2	2.0	50.00
Siljans Chark AB	8.1	7.7	15.9	0.1	35.00
Svensk Köttinformation AB	0.4	0.3	0.9	0.0	50.00
Svensk Köttrasprövning AB	0.1	0.0	0.3	0.0	35.00
Svensk Lantbrukstjänst AB	2.0	0.9	10.4	0.1	26.00
Svenska Djurhälsovården AB	3.3	0.6	6.8	-0.2	50.00
Taurus Köttrådgivning AB	0.2	0.1	0.7	0.0	39.30

Associates 2006

	Assets	Liabilities	Net sales	Profit/loss for fin. year	Holding, %
Owned by the Group's parent company					
Honkajoki Oy	10.8	8.3	13.2	0.2	38.33
Envor Biotech Oy (formerly Etelä-Suomen Multaravinne Oy)	1.7	1.1	1.6	0.2	24.62
Pakastamo Oy	11.0	10.7	9.0	-0.6	50.00
Lihateollisuuden Tutkimuskeskus LTK	8.9	2.3	20.5	0.6	44.80
Best-In Oy	1.1	0.5	4.8	0.1	50.00
Länsi-Kalkkuna Oy	0.5	0.1	0.0	-0.1	50.00
Owned by LSO Foods Oy					
Finnpig Oy	1.0	0.3	1.3	0.0	50.00

15. Deferred tax assets and liabilities

Specification of deferred tax assets

	1.1.2007	Transl. difference	Recognised in income statement	Recognised in shareholders' equity	Companies acquired/ sold	31.12.2007
Pension benefits	1.2	-	-	-	-	1.2
Impairment of fixed assets	0.1	-	-	-	-	0.1
Other matching differences	0.1	0.2	0.1	0.1	1.6	2.1
From combinations	0.8	-	-6.4	-	6.2	0.6
Adopted losses	0.0	-	3.4	-	0.9	4.3
Total	2.2	0.2	-2.9	0.1	8.7	8.3

Specification of deferred tax liabilities

	1.1.2007	Transl. difference	Recognised in income statement	Recognised in shareholders' equity	Companies acquired/ sold	31.12.2007
Depreciation difference and voluntary provisions	9.5	0.4	-0.4	-	-	9.5
Other matching differences	1.2	0.1	0.7	1.1	7.3	10.4
From combinations	1.1	-	-	-	12.6	13.7
Direct recognition in retained earnings	0.4	-	-	-	-	0.4
Pension benefits	0.0	-	-	-	-	0.0
Total	12.2	0.5	0.3	1.1	19.9	34.0

Specification of deferred tax assets

	1.1.2006	Transl. difference	Recognised in income statement	Recognised in shareholders' equity	Companies acquired/ sold	31.12.2006
Pension benefits	1.0	-	0.2	-	-	1.2
Impairment of fixed assets	0.0	-	0.1	-	-	0.1
Other matching differences	0.0	-	0.1	-	-	0.1
From combinations	1.2	-	-0.4	-	-	0.8
Total	2.2	0.0	0.0	0.0	0,0	2.2

Specification of deferred tax liabilities

	1.1.2006	Transl. difference	Recognised in income statement	Recognised in shareholders' equity	Companies acquired/ sold	31.12.2006
Depreciation difference and voluntary provisions	9.8	-	-0.3	-	-	9.5
Other matching differences	0.9	-	0.3	-	-	1.2
From combinations	1.1	-	-	-	-	1.1
Direct recognition in retained earnings	0.4	-	-	-	-	0.4
Total	12.2	0.0	0.0	0.0	0.0	12.2

16. Inventories

	31.12.2007	31.12.2006
Materials and supplies	85.5	28.1
Unfinished products	10.8	4.3
Finished products	28.5	12.7
Goods	0.0	0.1
Other inventories	3.9	1.7
Prepayments for inventories	0.6	0.5
Live animals, IFRS 41	10.9	10.9
Total inventories	140.2	58.4

17. Trade and other short-term receivables

	31.12.2007	31.12.2006
Trade receivables from associates	0.4	0.2
Loan receivables from associates	0.6	0.0
Short-term receivables from associates	1.0	0.2
Trade receivables	180.7	105.4
Other receivables	46.5	1.8
Short-term receivables from others	227.2	107.2
Commodity derivatives, hedge accounting	1.2	0.2
Short-term derivative receivables	1.2	0.2
Interest receivables	0.6	0.4
Matched staff costs, short-term receivables	1.2	1.6
Other prepayments and accrued income	13.7	2.6
Short-term prepayments and accrued income	15.5	4.5
Tax receivables (income tax)	2.5	2.5
Income tax receivable	2.5	2.5
Total short-term receivables	247.4	114.7

Breakdown of trade receivables by age

	31.12.2007	31.12.2006
Trade receivables not yet due	163.9	99.1
Trade receivables overdue by 1–30 days	11.8	4.2
Trade receivables overdue by 31–60 days	2.6	1.0
Trade receivables overdue by more than 60 days [1]	2.4	1.1
Trade receivables, total	180.7	105.4

[1] comprise mainly receivables to be set off against payments for animals

Short-term receivables by currency (31 Dec 2007):

EUR	66.6
SEK	120.8
PLN	26.7
EEK	11.4
GBP	10.2
USD	3.2
Other	6.0
Total short-term receivables	244.9

18. Cash and cash equivalents

	31.12.2007	31.12.2006
Cash and bank	38.9	10.1
Short-term money market investments	14.2	2.0
Other financial instruments	3.7	-
Total cash and cash equivalents	56.8	12.1

Cash and cash equivalents according to the cash flow statement are as follows:

	31.12.2007	31.12.2006
Cash and bank	38.9	10.1
Short-term money market investments	14.2	2.0
Other financial instruments	3.7	-
Total cash and cash equivalents	56.8	12.1

19. Notes relating to equity

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

	Number of shares	Share capital	Share premium	RIUE	Treasury shares	Total
1.1.2006	34 463	58.6	72.9	-	-	131.5
31.12.2006	34 463	58.6	72.9	-	-	131.5
Share issue	4 843	8.2	-	66.7	-	74.9
Purchase of treasury shares	-100	-	-	-	-1.8	-1.8
Assignment of treasury shares	60	-	-	-	1.1	1.1
31.12.2007	39 266	66.8	72.9	66.7	-0.7	205.7

The shares have no nominal value. All issued shares have been paid up in full. The company's stock is divided into Series A and K shares, which differ from each other in the manner set out in the Articles of Association. Each share gives equal entitlement to a dividend. K Shares produce 20 votes and A Shares 1 vote each. There are 33 906 193 A Shares and 5 400 000 K Shares.

The equity reserves are described below.

Share premium reserve

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

Reserve for invested unrestricted equity

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

Treasury shares

The treasury shares fund contains the acquisition cost of own shares held by the company. In May 2007, the Group acquired 100 000 shares on the stock exchange at a cost of EUR 1.9 million. In December 2007, 59 976 of these shares were assigned as part of the share incentive scheme for management. The remaining acquisition cost of EUR 0.7 million is presented in the balance sheet as a deduction from equity.

Translation differences

The translation differences reserve contains the differences arising on translation of foreign units' financial statements.

Revaluation reserve and other reserves

These reserves are for changes in the value of available-for-sale financial assets and changes in the fair value of derivative instruments used in cash flow hedging. The reserves also hold gains and losses arising on the hedging of net investments in foreign units when hedge accounting requirements are satisfied.

20. Pension obligations

	31.12.2007	31.12.2006
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	4.7	5.2
Pension liability (+)/ receivable (-) in balance sheet	4.7	5.2
Defined benefit pension expense in income statement		
Pension obligations	0.1	-0.6
Defined benefit pension expense in income statement (IFRS)	0.1	-0.6
Movement in liabilities/receivables arising from benefits		
Balance at 1.1.	5.2	4.5
Defined benefit pension expense in income statement (IFRS)	-0.1	0.6
Other change	-0.4	0.1
Liabilities/receivables at end of financial year	4.7	5.2

21. Provisions

	1.1.2007	Increase in provisions	Exercised in fin. year (-)	31.12.2007
Non-current provisions	0.0	0.0	0.0	0.0
Current provisions	0.6	0.8	-0.2	1.3
Total	0.6	0.8	-0.2	1.3

	1.1.2006	Increase in provisions	Exercised in fin. year (-)	31.12.2006
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

22. Liabilities

	31.12.2007	31.12.2006
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	421.6	83.8
Other liabilities	0.0	3.3
Non-current interest-bearing liabilities		87.1
Non-interest bearing		
Other liabilities	6.9	0.0
Non-current non-interest bearing liabilities	6.9	
Non-current provisions	0.0	0.0
Deferred tax liability	34.0	12.2
Pension obligations	4.7	5.2
Total non-current liabilities	467.2	104.4
Current liabilities		
Interest-bearing		
Loans from financial institutions	69.5	108.9
Other liabilities	23.4	0.8
Current interest-bearing liabilities	92.9	109.6
Trade payables and other liabilities		
Advances received	0.2	7.1
Trade payables	150.2	62.7
Accruals and deferred income		
- Short-term interest liabilities	0.9	1.1
- Matched staff costs	49.9	19.4
- Other short-term accruals and deferred income	18.8	4.4
Other liabilities	16.6	2.1
Trade payables and other liabilities	236.6	96.7
Income tax liability	0.1	0.9
Current provisions	1.3	0.6
Total current liabilities	330.9	208.0
Liabilities	798.1	312.4

23. Finance lease liabilities

	31.12.2007	31.12.2006
Long-term interest-bearing finance lease liabilities	1.0	1.4
Short-term interest-bearing finance lease liabilities	0.4	0.6
Total finance lease liabilities	1.4	2.1

24. Financial risk management

The duty of the Group Treasury in the HKScan Group is to ensure cost-effective funding and financial risk management for Group companies and to attend to relations with financial backers. The 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 currency futures and options, interest or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. As a rule, Group funding is obtained through the parent company while funding to subsidiaries is arranged by the Treasury through intra-Group loans in the local currency of each subsidiary. Funding of the Group is centralised to a finance unit operating under the CFO.

Refinancing and liquidity risk

The Group seeks to constantly assess and monitor the amount of funding required for operations. 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, current accounts with overdraft facilities and the short-term, EUR 100 million Finnish commercial paper programme. The EUR 550 million syndicated loan facility agreed in summer 2007 provides the foundation for Group funding and it largely refinanced HKScan's loan portfolio. The loan facility materially extended the average loan period of the Group's loan stock. The loans to be drawn in this arrangement are subject to variable interest rates. The loan is subject to ordinary covenants. The financial covenants are net gearing ratio and ratio of net debt to EBITDA. Untapped credit facilities at 31 December 2007 stood at EUR 184.0 million (EUR 67.4 million at 31 December 2006). In addition, the Group has other untapped overdraft and other facilities of EUR 33 million (EUR 8 million at 31 December 2006).

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

	31.12.2007		Maturity of credit type					
Credit type	Drawn	Undrawn	2008	2009	2010	2011	2012	>2012
Bonds	316.0	0.0	20.2	36.2	42.1	32.8	31.1	153.7
Credit facilities	141.2	184.0	19.2	0.0	0.0	0.0	0.0	122.0
Leasing and factoring	3.4	0	2.4	0.3	0.2	0.2	0.2	0.0
Commercial paper programme	22.7	77.3	22.7	0.0	0.0	0.0	0.0	0.0
Other borrowings	31.2	0.0	7.6	2.5	1.4	0.1	0.0	19.6
Total	514.5	261.3	72.1	39.0	43.7	33.1	31.3	295.3

	31.12.2006		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

	31.12.2007		Maturity					
Credit type	Drawn	Undrawn	2008	2009	2010	2011	2012	>2012
EUR	212.8	261.3	43.9	18.4	23.2	13.9	12.1	101.4
SEK	247.2	0.0	0.0	18.9	18.9	18.9	18.9	171.6
PLN	44.7	0.0	21.3	1.5	1.4	0.1	0.0	20.5
EEK	3.1	0.0	2.1	0.2	0.2	0.2	0.3	0.0
LVL	4.8	0.0	4.8	0.0	0.0	0.0	0.0	0.0
DKK	1.8	0.0	0.0	0.0	0.0	0.0	0.0	1.8
Total	514.5	261.3	72.1	39.0	43.7	33.1	31.3	295.3

	31.12.2006		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

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 HKScan Group has productive activities in Finland, Sweden and the Baltics and, through a joint venture in Sweden, in Poland. Group companies also engage in foreign trade. Owing to income and expenses 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, Polish zloty and Estonian crowns. Intense fluctuation in the Swedish crown exposes Group equity to high volatility. The aim is to even out volatility through hedging of at least 50% and at most 75%. As economic uncertainty rises in the Baltic States, pressure on currencies has increased sharply. The aim is to hedge at least 50% and at most 75% of equity held in Estonian crowns. The fluctuation of the Polish zloty is closely monitored and hedging measures will be undertaken as necessary. Balance sheet risk may be hedged by taking out a loan in the relevant currency or through the use of derivative instruments. The equity of the Group's non-euro denominated subsidiaries and associates stood at EUR 356.3 million at 31 December 2007 (2006, EUR 232.2 million). Currency positions and degrees of hedging are presented in the table below.

Hedging of the Group's net investments

	2007 Net investment	Hedging	Degree of hedging, %	2006 Net investment	Hedging	Degree of hedging, %
SEK	113.5	73.3	65	0.0	0.0	0
PLN	65.5	0.0	0	64.7	0.0	0
EEK	82.7	50.0	60	72.1	0.0	0
	356.3			232.2		

Interest rate risk

The Group's short-term money market investments expose it to cash flow interest rate risk. The impact of these is not significant, however. Group revenues and operative cash flows are mainly independent of fluctuations in market rates. The Group's main exposure to interest rate risk arises from interest-bearing liabilities. The aim of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement.

To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at either fixed interest rates or variable interest rates and use interest swaps to achieve a result in keeping with the finance policy. The goal of the policy is to have some 40% of the Group's borrowings tied to a fixed interest rate. At the balance sheet date, fixed-interest borrowings accounted for 39% and the interest rate maturity was approximately 9 months. At the balance sheet date, the Group's open interest rate derivative contracts stood at EUR 162.1 million. The average interest rate on the Group's borrowings at 31 December 2007 was 4.4% (3.7% at 31 December 2006). The sensitivity of net financial expenses at the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was ca. EUR 2.6 million over the next 12 months.

Amounts of the Group's finance liabilities and their contractual repricing periods

	31.12.2007	31.12.2006
Under 6 months	321.2	145.2
6–12 months	98.0	0.0
1-5 years	95.4	51.5
Over 5 years	0.0	0.0
Total	514.5	196.7

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. Some customers are insured through credit insurance. Additional methods used include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges. The age breakdown of trade receivables in presented in Note 17.

Commodity risk

The Group is exposed to commodity risk having to do with the availability of commodities and fluctuation in their prices. In Finland, the Group uses electricity derivatives to hedge against fluctuation in the price of electricity. Hedge accounting applies to the treatment of these derivatives.

25. Derivative instruments

Nominal values of derivative instruments

	31.12.2007	31.12.2006
Foreign exchange derivatives		
- Foreign exchange contracts	64.9	4.2
Interest-rate derivatives		
- Interest swap contracts	162.1	0.0
Commodity derivatives		
- Electricity futures	5.1	6.5
	232.1	10.7

Fair values of derivative instruments

	2007 Fair value positive	2007 Fair value negative	2007 Fair value net	2006 Fair value net
Foreign exchange derivatives				
- Foreign exchange contracts	0.2	-0.2	0.0	0.0
Interest-rate derivatives				
- Interest swap contracts	0.1	0.0	0.1	-
Commodity derivatives				
- Electricity futures	1.1	0.0	1.1	0.2
	1.4	-0.2	1.2	0.2

Derivative instruments to which hedge accounting applies

	2007 Nominal value	2007 Fair value effective portion	2006 Nominal value	2006 Fair value effective portion
Commodity derivatives				
- Electricity futures	5.1	1.2	6.5	0.1

Capital management

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

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

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

The Group has announced an equity ratio target of 40%. The acquisition of Scan AB brought the Group's equity ratio to below 30%. The target in respect of net gearing ratio is also to return to the pre-Scan acquisition level, i.e. clearly below 100%.

Net gearing ratio (EUR million)

	2007	2006
Interest-bearing liabilities	514.5	196.7
Interest-bearing loans receivable	3.7	3.9
Cash and cash equivalents	56.8	12.1
Net liabilities	454.0	180.7
Total shareholders' equity	331.5	237.1
Net gearing ratio	137.0%	76.2%

26. Contingent liabilities

Contingent liabilities

	31.12.2007	31.12.2006
Debts secured by mortgages and shares		
Loans from financial institutions	36.0	50.4
Total	36.0	50.4
Real estate mortgages	31.4	47.9
Pledged securities	19.1	13.5
Floating charges	10.9	10.6
Total	61.4	72.0
Security for debts of participating interests		
Guarantees	7.0	3.6
Total	7.0	3.6
Security for debts of others		
Guarantees and pledges	9.6	8.3
Total	9.6	8.3
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	3.4	0.3
Lease liabilities maturing in 1-5 years	5.6	0.8
Lease liabilities maturing in over 5 years	1.5	0.0
Other rent liabilities	17.2	2.7
Other liabilities	2.2	0.0
Total other contingencies	29.9	3.8

27. Related party transactions

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

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative comprising around 2 700 Finnish meat producers. The cooperative is tasked with fostering its members' meat production and marketing by exercising its power of ownership in HKScan. Today, LSO Osuuskunta has no actual business, but receives an income in the form of dividend paid by HKScan and to a lesser extent, income in the form of rent and other financial assets. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the Group by persons on the group's Board of Directors and on the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 5.6 million in 2007 (EUR 5.4m in 2006). Animal purchases from the Group by the persons in question totalled EUR 1.9 million in 2007 (EUR 2.2m in 2006).

Related party individuals are not otherwise 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
Scan AB, Sweden	500 000	161 649	100.00
Total		239 343	
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
Klaipedos Maisto Mesos Produktai, Lithuania	135 644	2 010	100.00
Total		14 510	

*) The carrying 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.

Owned by Scan AB			
Esca Food Fastighets AB, Linköping	35 700	127	51.00
Esca Food Solutions KB, Linköping		890	48.50
Industrislakt Syd AB, Hörby	50 000	11	100.00
Kontrollhudar International AB, Stockholm	1 000	11	100.00

Quality Genetics HB, Stockholm	926	392	92.60
Scan Produktion AB, Stockholm	1 000		100.00
Scan ek. för., Stockholm	200		95.20
Scan Foods AB, Stockholm	1 000	11	100.00
Scan Syd Livsmedel AB, Kävlinge	200 000	2 828	100.00
Nyhléns Chark AB, Kramfors	19 608		100.00
SQM Spedition AB, Skara	1 000	11	100.00
SM Support Stenstorp AB, Stockholm	10 200	1 303	100.00
Svenskt Lamm AB, Skara	7 430	11	98.90
Swedish Meats AB, Stockholm	1 000	11	100.00
Swedish Meats Support AB, Stockholm	80 000	4 766	100.00
Samfod S.A., Belgium	24 999		100.00
Scan Foods UK Ltd., UK	999		100.00
Swedish Meats RE AG, Switzerland	1997	1 335	99.90
Swedish Meats Charkproduktion AB, Stockholm	200	21	100.00
Annerstedt Holding AB, Stockholm	10 000	3 760	100.00
SLP Pärsöns AB, Helsingborg	45 000	42 536	100.00
Skånekött AB, Skurup	30 000	318	100.00
Swedish Meats Underhåll AB, Stockholm	1 000	720	100.00
Total		59 058	

Joint ventures

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):

	2007	2006
Non-current assets	85.1	74.3
Current assets	54.1	36.7
Non-current liabilities	-11.3	-4.8
Current liabilities	-47.2	-30.3
Net sales and other operating income	222.8	204.5
Operating expenses	-219.1	-198.5

Shares and holdings in associates

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 cooperative, Hämeenlinna	22 400	0	44.80
Best-In Oy, Kuopio	500	50	50.00
Länsi-Kalkkuna Oy, Turku	250	250	50.00
Total		1 594	

Owned by LSO Foods Oy

Finnpig Oy, Vaasa	40	354	50.00

Owned by Scan AB

Bondens Bästä i Svalöv AB, Kävlinge	500		50.00
SDT Sveriges DjurproducentersTillväxt AB, Stockholm	135 500	3 039	50.00
Conagri AB, Malmö	98	95	49.00
daka a.m.b.a, Denmark		5 993	33.60
Fastighets AB Tuben, Stockholm	1 200	11	48.00
Höglandsprodukter AB, Halmstad	1 500	720	30.00
Nyhléns & Hugosons Chark AB, Luleå	10 000	1 694	50.00
Siljans Chark AB, Mora	3 680	434	35.00
Svensk Köttinformation AB, Stockholm	500		50.00
Svensk Köttrasprövning AB, Skara	1 750	21	35.00
Svenskt Lantbrukstjänst AB, Lidköping	650		26.00
Svenska Djurhälsovården AB, Stockholm	4 400	879	50.00
Taurus Köttrådgivning AB, Stockholm	118	11	39.30
M R L Transport AB, Simrishamn	300	159	30.00
Total		13 065	

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

The following transactions were carried out with related parties

	2007	2006
Product sales		
- Associates	38.9	1.8
Product purchases		
- Associates	35.5	8.5

Open balances at 31.12.

	2007	2006
Trade receivables		
- Associates	1.9	0.2
Trade payables		
- Associates	11.1	0.4

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

	Note	2007	2006
Net sales	1	**25 107.8**	**21 738.5**
Other operating income	2	1 770.9	4 743.9
Materials and services		0.4	-0.1
Staff costs	3	-4 204.1	-3 647.0
Depreciation and impairment	4	-14 352.2	-16 084.8
Other operating expenses	5	-3 970.7	-2 892.0
EBIT		**4 352.1**	**3 858.4**
Financial income and expenses	6	-1 730.9	-4 822.9
Profit/loss before extraordinary items		**2 621.3**	**-964.4**
Extraordinary items	7	11 342.0	16 120.0
Profit/loss after extraordinary items		**13 963.3**	**15 155.6**
Appropriations	8	-535.0	703.5
Income taxes	9	-971.7	-4 079.3
Profit/loss for the financial year		**12 456.6**	**11 779.8**

FAS Parent company balance sheet at 31 December (EUR 1000)

	Note	2007	2006
ASSETS			
Non-current assets	10		
Intangible assets		2 559.0	2 318.8
Tangible assets		236 182.1	187 448.8
Financial assets		305 623.6	143 975.1
Non-current assets, total		**544 364.8**	**333 742.7**
Current assets			
Long-term receivables	11	218 859.2	44 193.9
Deferred tax asset	11	827.6	985.0
Short-term receivables	12	24 265.9	17 744.8
Cash and cash equivalents		16 875.5	5 820.3
Total current assets		**260 828.2**	**68 744.0**
TOTAL ASSETS		**805 193.0**	**402 486.7**
EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		66 820.5	58 587.4
Share premium reserve		73 420.4	73 420.4
Revaluation reserve		3 363.8	3 363.8
Treasury shares		-730.7	-
Revaluation reserve		2 205.3	-
RIUE		66 742.0	-
Other reserves		4 445.7	4 420.5
Retained earnings		1 136.6	-562.7
Profit/loss for the financial year		12 456.6	11 779.8
Total shareholders' equity		229 860.1	151 009.1
Accumulated appropriations	14	36 352.0	35 817.0
Provisions	15	3 182.9	3 288.4
Liabilities			
Deferred tax liability	16	774.8	-
Non-current interest-bearing liabilities	16	406 273.6	71 581.7
Non-current non-interest bearing liabilities	16	6 892.0	-
Current interest-bearing liabilities	17	116 348.1	136 428.3
Current non-interest bearing liabilities	17	5 509.4	4 362.2
Total liabilities		535 798.0	212 372.2
EQUITY AND LIABILITIES, TOTAL		**805 193.0**	**402 486.7**

FAS Parent company cash flow statement (EUR 1000)

	2007	2006
Cash flow from operating activities		
EBIT	4 352	3 858
Adjustments to EBIT	-7 629	-2 849
Depreciation and impairment	14 352	16 085
Change in provisions	-105	-
Change in net working capital	307	2 645
Interest	-6 124	-5 057
Dividends received	9 626	234
Taxes	-972	-4 079
Cash flow from operating activities	13 807	10 837
Cash flow from investing activities		
Purchases of shares	-86 674	-17 960
Purchases of other fixed assets	-66 227	-37 699
Disposals of other fixed assets	2 879	7 845
Loans granted	-193 259	-
Repayments of loans receivable	19 062	-
Cash flow from investing activities	-324 219	-47 814
Cash flow before financing activities	-310 412	-36 977
Cash flow from financing activities		
Non-current borrowings raised	542 077	40 000
Non-current borrowings repaid	-189 911	-34 669
Increase/decrease in non-current receivables	-	-220
Current borrowings raised	254 597	38 797
Current borrowings repaid	-290 284	-
Dividends paid	-9 305	-9 305
Purchase of treasury shares	-1 826	-
Group contributions received	16 120	1 520
Cash flow from financing activities	321 468	36 123
Change in cash and cash equivalents	11 056	-854
Cash and cash equivalents at 1.1.	5 820	6 674
Cash and cash equivalents at 31.12.	16 876	5 820
Change in working capital:		
Increase (-)/decrease (+) in current operating receivables	6 559	34
Increase (-)/decrease (+) in current non-interest bearing liabilities	-6 252	2 611

FAS Notes to the parent company financial statements

Basic information about the company

HKScan Corporation is a Finnish public limited company established under the law of Finland. The company's registered office is in Turku.

Until 31 March 2005, HKScan Corporation engaged in production and sales activities. The business transfer from HKScan Corporation to HK Ruokatalo Oy took place on 1 April 2005, after which date HKScan Corporation has acted as the Group's parent company. HKScan Corporation comprises Group management and Group administration.

HKScan Corporation's A Share has been quoted on the OMX Nordic Exchanges since 1997.

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

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

Accounting policies

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish accounting legislation (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid at 31 December 2007.

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 financial statements for 2007 are comparable with the figures for 2006.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency 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. Gains and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognised in financial income and expenses in the income statement.

DERIVATIVE 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

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

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

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.

The CEO was paid a total salary of EUR 1.138 million, of which share bonuses tied to performance or other targets accounted for EUR 0.557 million. The CEO will be granted a maximum of 24 000 A Shares in the company on the basis of the actual results in the 2007 earning period of the share incentive scheme.

The company's pension commitment in respect of the defined benefit relating to the former CEO's pension was EUR 3.2 million at 31 December 2007.

INCOME TAXES

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

LEASES

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

EXTRAORDINARY INCOME AND EXPENSES

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

ACCUMULATED APPROPRIATIONS

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

Notes to the income statement (EUR 1000)

	2007	2006
1. Division of sales		
Sales in Finland	25 108	21 738
	25 108	21 738
2. Other operating income, total		
Rental income	619	797
Other operating income	1 101	1 058
Gain on disposal of non-current assets	51	2 889
Other operating income, total	1 771	4 744
Employees, average	13	14
3. Staff costs		
Salaries and fees	-2 315	-2 048
Pension expenses	-1 677	-1 430
Other social security costs	-212	-169
Staff costs	-4 204	-3 647
Management salaries, fees and benefits		
Managing directors and vice presidents	1 783	827
Board members	216	115
Total	1 999	942
4. Depreciation and impairment		
Depreciation according to plan	-15 389	-14 637
Depreciation according to plan on non-current assets and goodwill	-15 389	-14 637
Impairment charge reversals for non-current assets	1 037	-
Impairment charge for non-current assets	-	-1 448
Exceptional value adjustments and cancellations of non-current assets	1 037	-1 448
Total depreciation and impairment	-14 532	-16 085

5. Other operating expenses		
Rents/leases	-1 621	-744
Loss on disposal of fixed assets, tangible assets total	-74	-8
Loss on disposal of non-current assets	-74	-8
Audit fees	-107	-122
Audit fees, other expert services	-98	-75
Audit fees	-205	-197
Non-statutory staff costs	-252	-160
Energy	-38	0
Maintenance	-24	-3
Advertising, marketing and entertainment costs	-51	-81
Service, information management and office costs	-1 203	-1 141
Other costs	-503	-1 507
Total other operating expenses	-3 971	-2 892
6. Financial income and expenses		
Financial income		
Dividends from Group companies	9 481	11
Dividends from participating interests	135	214
Dividends from others	10	9
Income from units	9 626	234
Interest income on non-current financial assets from participating interests	24	101
Interest income from other non-current financial assets	24	101
Other interest and financial income from Group companies	10 566	3 926
Other interest and financial income from others	4 560	519
Other financial income	15 126	4 445
Total financial income	24 776	4 780

Financial expenses		
Other interest and financial expenses		
payable to Group companies	-5 744	-2 984
Other interest and financial expenses		
payable to participating interests	-5	-4
Other interest payable and financial expenses		
to others	-20 758	-6 615
Total other interest and financial expenses	-26 507	- 9 603
Total financial expenses	-26 507	-9 603
Total financial income and expenses	-1 731	-4 823
Foreign exchange gains	4 130	311
Foreign exchange losses	-4 241	-302
Total foreign exchange gains and losses	-111	9

7. Extraordinary items

Extraordinary income	11 342	16 120
Total extraordinary items	11 342	16 120

8. Appropriations

Increase (-) or decrease (+) in depreciation difference	-535	704
Total appropriations	-535	704

9. Direct taxes

Income tax on ordinary operations	2 530	226
Income tax on extraordinary items	-2 949	-4 191
Tax for previous financial years	-396	-407
Change in deferred tax liabilities and assets	-157	293
Income tax on ordinary operations	-972	-4 079

FAS Notes to the balance sheet

10. Non-current assets

Intangible assets 2007

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost at 1.1.	2 948	1 023	-	3 971
Increase	246	200	8	454
Decrease	-9	-	-	-9
Transfers between items	-	-	107	107
Acquisition cost at 31.12.	3 185	1 223	115	4 523
Accumulated depreciation at 1.1.	-904	-749	-	-1 652
Accumulated depreciation on disposals and reclassifications	-	-	-	0
Depreciation for the financial year	-192	-118	-2	-312
Impairment	-	-	-	0
Accumulated depreciation at 31.12.	-1 096	-866	-2	-1 964
Carrying value at 31.12.	2 089	356	113	2 559

Tangible assets 2007

	Land and and water	Buildings	Machinery and equipment	Other tangible assets	Payments on account	Tot.
Acquisition cost at 1.1.	3 147	179 637	151 015	2 977	10 799	347 575
Increase	-	151	1 040	9	64 312	65 512
Decrease	-	-10 412	-5 477	-465	-	-16 354
Transfers between items	-	10 229	17 560	223	-28 012	0
Acquisition cost at 31.12.	3 147	179 605	164 138	2 752	47 099	396 741
Accumulated depreciation at 1.1.	-	-62 578	-94 847	-2 702	-	-160 126
Accumulated depreciation						
on disposals and reclassifications	-	7 969	5 288	350	-	13 607
Depreciation for the financial year	-	-5 065	-9 915	-97	-	-15 077
Impairment	-	-	1 037	-	-	1 037
Accumulated depreciation at 31.12.	0	-59 674	-98 437	-2 449	0	-160 559
Carrying value at 31.12.	3 147	119 932	65 701	303	47 099	236 182
Revaluations included in acquisition cost						
Revaluations at 1.1.	-	3 364	-	-	-	3 364
Increase	-	-	-	-	-	0
Decrease	-	-	-	-	-	0
Revaluations at 31.12.	0	3 364	0	0	0	3 364

Financial assets 2007

	Holdings in Group companies	Holdings in associates	Amounts owed by associates	Other shares and holdings	Total
Acquisition cost at 1.1.	142 130	1 594	47	204	143 975
Increase	161 648	-	-	-	161 648
Decrease	-	-	-	-	0
Transfers between items	-	-	-	-	0
Acquisition cost at 31.12.	303 778	1 594	47	204	305 623
Carrying value at 31.12.	303 778	1 594	47	204	305 623

	31.12.2007	31.12.2006
Non-current assets		
Intangible assets		
Intangible rights	2 089	2 045
Goodwill	356	274
Other long-term expenditure	113	-
Intangible assets	2 559	2 319
Tangible assets		
Land and water	3 147	3 147
Buildings	119 932	117 059
Machinery and equipment	65 701	56 168
Other tangible assets	303	276
Payments on account		
and tangible assets in the course of construction	47 099	10 799
Tangible assets	236 182	187 449
Financial assets		
Holdings in Group companies	303 778	142 130
Holdings in associates	1 594	1 594
Amounts owed by participating interests	47	47
Other shares and holdings	204	204
Financial assets	305 623	143 975
Non-current assets, total	544 365	333 743

11. Non-current receivables

Non-current loan receivables	3 700	3 913
Deferred tax assets	827	985
Other receivables	938	-
Total	5 465	4 898
Amounts owed by Group companies:		
Long-term Group loan receivables	214 222	40 270
Other	-	11
Long-term receivables from Group companies	214 222	40 281
Total non-current receivables	219 687	45 179

12. Current receivables

Trade receivables	9	6
Prepayments and accrued income (from others)	4 015	1 474
Total	4 024	1 480
Amounts owed by Group companies:		
Trade receivables	77	29
Loan receivables	-	100
Prepayments and accrued income (within Group)	8 155	-
Other receivables	11 448	16 133
Total	19 680	16 262
Amounts owed by participating interests:		
Loan receivables	559	-
Other receivables	3	2
Short-term receivables from participating interests	562	2
Total short-term receivables	24 266	17 745

Main items included in prepayments and accrued income		
Matched financial items	135	37
Matched staff costs	194	-
Matched taxes	2 015	-
VAT receivable	560	321
Other prepayments and accrued income	1 110	1 116
Total	4 014	1 474

13. Shareholders' equity

Shareholders' equity 2007

	Share capital	Share premium reserve	Reval-uation reserve	Treasury shares	RIUE	Other res.	Ret. earnings	Tot.
Shareholders' equity at 1.1.	58 587	73 420	3 364	-	-	4 421	11 217	151 009
Increase	-	-	-	-	-	2 230	-	2 230
Dividend distribution	-	-	-	-	-	-	-9 305	-9 305
Share issue	8 233	-	-	-	66 742	-	-	74 975
Direct recognition in retained earnings	-	-	-	-	-	-	-775	-775
Purchase of treasury shares	-	-	-	-1 825		-	-	-1 825
Payments made in treasury shares	-	-	-	1 095	-	-	-	1 095
Profit for the period	-	-	-	-	-	-	12 456	12 456
Shareholders' equity at 31.12.	66 820	73 420	3 364	-730	66 742	6 651	13 593	229 860

Shareholders' equity 2006

	Share capital	Share premium reserve	Revalu-ation reserve	Treasury shares	RIUE	Other reserves	Ret. earnings	Tot.
Shareholders' equity at 1.1.	58 587	73 420	3 364	-	-	4 411	9 337	149 119
Rights issue	-	-	-	-	-	10	-	10
Share premium	-	-	-	-	-	-	-9 305	-9 305
Increase	-	-	-	-	-	-	-595	-595
Dividend distribution	-	-	-	-	-	-	-	0
Profit for the period	-	-	-	-	-	-	11 780	11 780
Shareholders' equity	58 587	73 420	3 364	-	-	4 421	11 217	151 009

Distributable assets	31.12.2007	31.12.2006
Contingency fund	167	142
Treasury shares	-731	-
Retained earnings	1 137	-563
Profit/loss for the financial year	12 456	11 780
Distributable assets	13 029	11 359

14. Accumulated appropriations

Depreciation difference	36 352	35 817
Total appropriations	36 352	35 817

The unrecognised deferred tax liability on depreciation difference is EUR 9 452K.

15. Provisions

Provisions for pensions	3 183	3 288
Provisions, total	3 183	3 288

16. Non-current liabilities

Deferred tax liability	775	-
Loans from financial institutions	406 273	69 715
Other liabilities	6 892	1 867
Total	413 940	71 582
Total non-current liabilities	413 940	71 582
Non-current liabilities		
Interest-bearing:		
Amounts owed to others	406 273	71 582
Non-current interest-bearing liabilities	406 273	71 582
Non-interest bearing:		
Amounts owed to others	7 667	-
Non-current non-interest bearing liabilities	7 667	-
Total non-current liabilities	413 940	71 582

17. Current liabilities

Loans from financial institutions	39 007	93 235
Trade payables	256	1 007
Accruals and deferred income	3 983	2 978
Other liabilities	1 085	278
Total	44 331	97 497
Amounts owed to Group companies:		
Trade payables	177	98
Other liabilities	77 349	43 043
Total	77 526	43 141
Amounts owed to participating interests:		
Other liabilities	-	152
Total	-	152
Total current liabilities	121 857	140 790
Current liabilities		
Interest-bearing:		
Current amounts owed to Group companies	77 341	43 043
Current amounts owed to participating interests	-	150
Amounts owed to others	39 007	93 235
Current interest-bearing liabilities	116 348	136 428
Non-interest bearing:		
Current amounts owed to Group companies	185	98
Current amounts owed to participating interests	-	2
Amounts owed to others	5 324	4 262
Current non-interest bearing liabilities	5 509	4 362
Total current liabilities	121 857	140 790
Main items (non-current and current) included in accruals and deferred income		
Matched staff costs	2 789	870
Matched interest costs	751	1 010
Matched income taxes	-	913
Other accruals and deferred income	443	185
Total	3 983	2 978
Liabilities due in five years or more		
Loans from financial institutions	152 785	5 626
Other long-term liabilities	354	656
Liabilities due in five years or more	153 139	6 282

18. Contingent liabilities

Contingent liabilities

	2007	2006
Debts secured by mortgages and shares		
Loans from financial institutions	2 420	27 723
Total	2 420	27 723
Real estate mortgages	2 856	38 771
Floating charges	5 046	7 568
Securities pledged		
Total	7 902	46 339
Security for debts of subsidiaries and other Group companies		
Guarantees	61 832	6 867
Total	61 832	6 867
Security for debts of participating interests		
Guarantees	4 701	3 565
Total	4 701	3 565
Security for debts of others		
Guarantees	5 563	3 545
Total	5 563	3 545
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	-	8
Lease liabilities maturing in 1-5 years	-	13
Rent liabilities	1 920	2 748
Total other contingencies	1 920	2 769

19. Derivative instruments at 31.12. (EUR million)

Nominal values of derivative instruments

	2007	2006
Interest-rate derivatives		
- Interest swap contracts	56.2	-
Foreign exchange derivatives		
- Foreign exchange contracts	50.8	0.5
Commodity derivatives		
- Electricity futures	5.1	6.5
	112.1	7.0

Fair values of derivative instruments

	Fair value positive	Fair value negative	Fair value net	Fair value net
Interest-rate derivatives				
- Interest swap contracts	0.1	0.0	0.1	-
Foreign exchange derivatives				
- Foreign exchange contracts	0.1	-0.1	0.0	0.0
Commodity derivatives				
- Electricity futures	1.1	-	1.1	0.2
	1.3	-0.1	1.2	0.2

Signatures of the Board of Directors and CEO

Vantaa, 25 February 2008

Marcus H. Borgström Markku Aalto Johan Mattsson

Karsten Slotte Tiina Varho-Lankinen Kai Seikku

Auditors' report

TO THE SHAREHOLDERS OF HKSCAN CORPORATION

We have audited the accounting records, financial statements, the report of the Board of Directors and administration of HKScan Corporation for the period 1 January - 31 December 2007. 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'S 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, 11 March 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Petri Palmroth
APA

Shares and shareholders

HKScan has adopted dividend distribution of at least 30 percent of the year's net profit as one of its key financial targets. The dividend per share of EUR 0.27 for 2007 proposed by the Board is equivalent to 37.7 percent of result. The figure in the previous year was 34.2 percent.

SHARE CAPITAL

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

A Shares	33 906 193
K Shares	5 400 000
Total	39 306 193

Under the company's Articles of Association, each A Share conveys one vote and each K Share 20 votes. The K Shares are held by LSO Osuuskunta and Swedish Meats. Each share gives equal entitlement to a dividend. The shares had a nominal value of EUR 1.70 each until nominal values were abandoned on 30 April 2007.

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

At the end of the period under review, HKScan had 7 768 shareholders.

INCREASE IN SHARE CAPITAL

On 29 January 2007, the Board resolved to exercise the authorisation granted to it by the Extraordinary General Meeting of 22 December 2006 and directed an issue of 4 843 000 A Shares to Swedish Meats. The issue was executed as part of the acquisition of the business of Swedish Meats (Scan AB). The subscription period was 29 January 2007 and the issue price was EUR 15.55 per share. The company's share capital was increased by EUR 8 233 100.00 to the current EUR 66 820 528.10. The increase was entered in the Trade Register on 5 February 2007. The new shares are first entitled to full dividend for the 2007 financial year.

STOCK EXCHANGE LISTINGS

HKScan's A Share has been quoted on OMX Nordic Exchange since 6 February 1997. During the year under review, 17 841 862 of the company's shares were traded for a total of EUR 292 234 851.

The highest price quoted was EUR 21.02 and the lowest EUR 12.22. The middle price was EUR 16.54 and the year-end closing price was EUR 14.04. The share price fell by 3.2 percent on the year while the index for the Consumer Staples sector (HX302020) declined by 10.8 percent or 20.6 points on the year.

The company's market capitalisation (A and K Shares) at the balance sheet date was EUR 551.9 million, having stood at EUR 499.7 million a year earlier.

HKScan has in place a market making agreement with Glitnir Pankki Oy which meets the requirements of OMX Nordic Exchange's Liquidity Providing (LP) operation.

TREASURY SHARES

Pursuant to an authorisation granted by the Annual General Meeting on 20 April 2007, the company acquired 100 000 of its own A Shares in public trading on OMX Nordic Exchange in May for use in its share incentive scheme. At year-end, the company held a total of 40 024 of its A Shares. These had a market value of EUR 0.6 million and accounted for 0.10% of all shares and 0.03% of all votes. The acquisition cost of EUR 0.73 million reduces the Group's equity.

ASSIGNMENT OF TREASURY SHARES

On 19 December 2007, pursuant to an authorisation granted to it by the AGM of 20 April 2007, the Board of HKScan decided on a directed bonus issue in order to implement an incentive and commitment scheme for key employees in the HKScan Group. The issue involved the gratuitous assignment of a total of 59 976 A Shares held by the company to key employees in HKScan Corporation's Share Incentive Scheme 2006 as payment of incentive bonus for the 2006 earning period.

The share incentive scheme is discussed in detail in the Notes to the consolidated financial statements under Employee benefits.

TRADING IN THE COMPANY'S K SHARES

The company's largest shareholders LSO Osuuskunta cooperative and Swedish Meats executed on 28 August 2007 a stock swap in which Swedish Meats transferred 665 000 A Shares in HKScan to LSO Osuuskunta and received in return from LSO Osuuskunta the same number of K Shares in HKScan. LSO Osuuskunta and Swedish Meats had agreed on the swap on 13 December 2006.

The Board gave its consent required under the Articles of Association to the transfer of K Shares.

The holdings of LSO Osuuskunta and Swedish Meats after the stock swap and Swedish Meats' notification of the same date, 28 August 2007, are as follows:

	A Shares	K Shares	% of shares	% of votes
LSO Osuuskunta	8 838 113	4 735 000	34.53	72.96
Swedish Meats	4 231 000	665 000	12.45	12.35

NOTICES OF CHANGES IN OWNERSHIP

During 2007, the company received the following notices regarding changes in holdings pursuant to Chapter 2, section 9 of the Securities Market Act.

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

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

The holding of Danish Crown was reduced to 1.00 percent of the share capital and 0.28 percent of the votes as a result of a sale of shares to institutional investors on 7 March 2007.

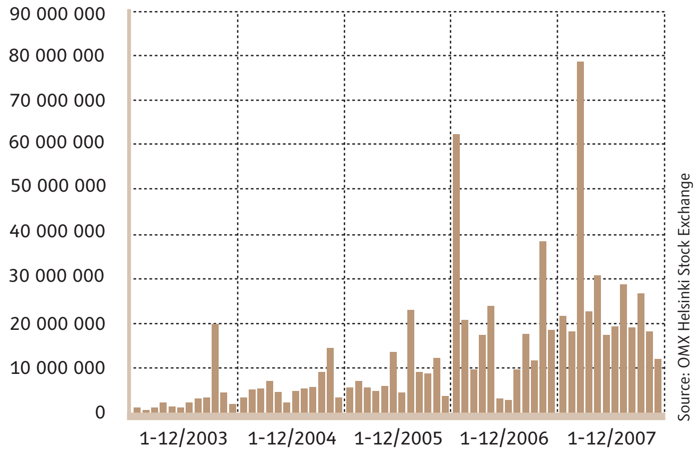
On 20 June 2007, Julius Baer International Equity Fund clarified its earlier announcement stating that its holding in HKScan Corporation now amounted to 5.13 percent of the shares and 1.42 percent of the votes. In addition, Julius Baer Investment Management LLC (the fund company of the Julius Baer International Equity Fund) held 3.09% of the shares and 0.86% of the votes in HKScan on behalf of its clients.

On 28 August 2007, Swedish Meats announced that subsequent to the stock swap between it and LSO Osuuskunta agreed on 13 December 2006, it now held 12.45 percent of the shares and 12.35 of the votes in HKScan.

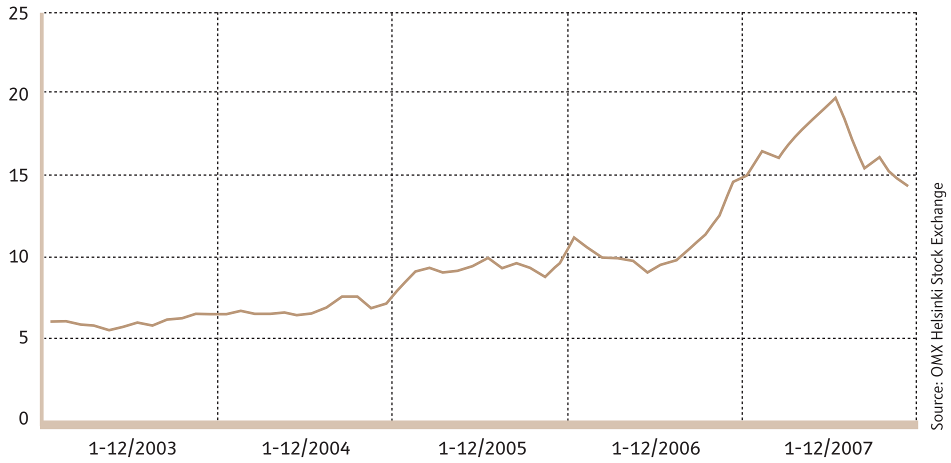
HKSCAN SHARE TRADING CODES

OMX Helsinki: HKSAV
Bloomberg: HKSAV:FH
Reuters: HKSAV.HE
ISIN code: FI0009006308

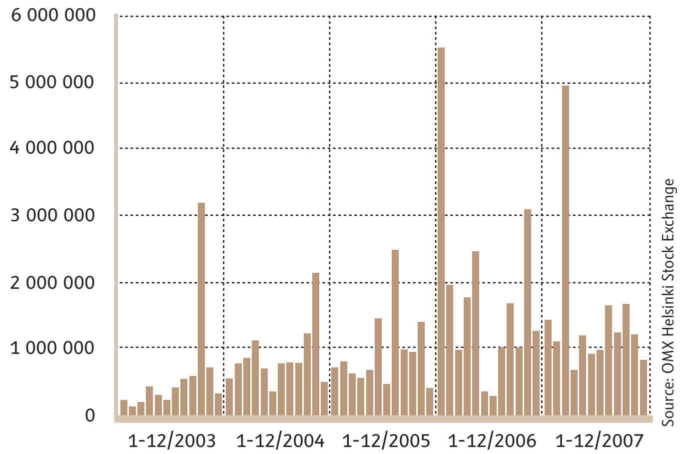
Shares traded 2003-2007
(value of shares in million euros traded per month)



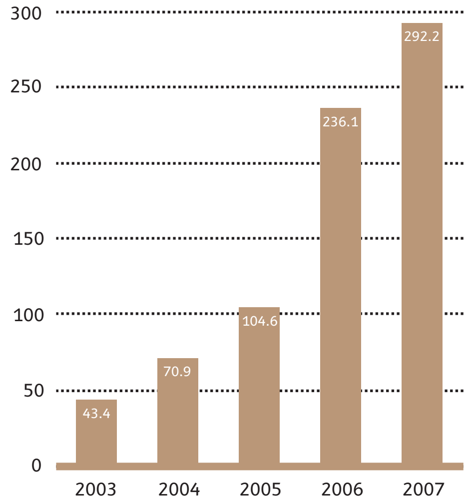
Share performance 2003-2007
(middle price in euros each month)



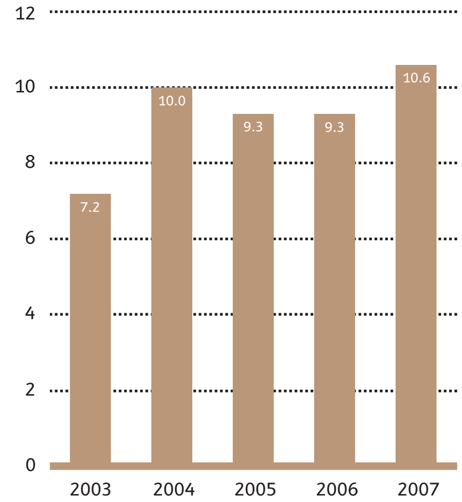
Shares traded 2003-2007
(number of shares traded per month)



Total shares traded 2003-2007 on Helsinki Exchanges (EUR million)



Total dividends paid 2003-2007
(EUR million)



Analysis of shareholders as at 31 December 2007

Number of shares	No. of shareholders	%	shares held	%	votes held	%
1 - 100	2 591	33.355	121 756	0.310	121 756	0.086
101 - 500	2 935	37.783	841 384	2.141	841 384	0.593
501 -1 000	1 003	12.912	764 830	1.946	764 830	0.539
1 001 - 5 000	1 042	13.414	2 136 275	5.435	2 136 275	1.505
5 001 – 10 000	95	1.223	681 847	1.735	681 847	0.480
10 001 - 50 000	72	0.927	1 516 332	3.858	1 516 332	1.069
50 001 - 100 000	9	0.116	605 868	1.541	605 868	0.427
100 001 - 500 000	12	0.154	3 456 471	8.794	3 456 471	2.436
500 001 -	9	0.116	28 371 185	72.180	118 336 185	83.390
Total	7 768	100.000	38 495 948	97.939	128 460 948	90.525
Waiting list			665 000	1.692	13 300 000	9.372
General account			145 245	0.370	145 245	0.102
Issued			39 306 193	100.000	141 906 193	100.000

Shareholder profile as at 31 December 2007

	% of shareholders	% of shares
Corporates	4.27	48.82
Finance and insurance companies	0.48	6.83
Public sector entities	0.20	5.82
Households	93.34	11.24
Non-profit organisations	1.43	3.83
Abroad	0.28	1.26
Waiting list		1.69
General account		0.37

Of the total shares, including nominee registered shares, 21.41% were in foreign ownership. This compares to 24.08% percent a year earlier.

Largest shareholders as at 31 December 2007

Shares	A Shares	K Shares	% of shares	% of votes
LSO Osuuskunta	8 965 430	4 735 000	34.86	73.05
Swedish Meats *)	4 178 000	665 000	12.32	12.32
Nordea Nordic small cap mutual fund	728 983	-	1.85	0.51
Tapiola Pension Insurance Company	728 831	-	1.85	0.51
OP-Suomi Arvo mutual fund	610 000	-	1.55	0.43
Central Union of Agricultural Producers and Forest Owners	608 300	-	1.55	0.43
Ilmarinen Pension Insurance Company	478 748	-	1.22	0.34
Veritas Pension Insurance Company Ltd	435 266	-	1.11	0.31
Säästöpankki Kotimaa mutual fund	427 750	-	1.09	0.30
Danish Crown	393 062	-	1.00	0.28
Varma Pension Insurance Company	351 989	-	0.90	0.25
OP-Suomi pienyhtiöt mutual fund	343 814	-	0.87	0.24
Evli Select mutual fund	242 900	-	0.62	0.17
Etera Pension Insurance Company	210 000	-	0.53	0.15
SEB Gyllenberg Finlandia mutual fund	184 000	-	0.47	0.13
FIM Fenno mutual fund	153 142	-	0.39	0.11
Paistipoika Oy	133 800	-	0.34	0.09
OP-Pohjola pienyhtiöt mutual fund	102 000	-	0.26	0.07
Nominee registered	7 898 206	-	20.09	5.57
Other	6 731 972	-	17.13	4.74
Total	33 906 193	5 400 000	100.00	100.00

Share capital by share series as at 31 December 2007

Share series	No. of shares	% of equity	% of votes
A Shares	33 906 193	86.26 %	23.89 %
K Shares	5 400 000	13.74 %	76.11 %
Total	39 306 193	100.00 %	100.00 %

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

*) Swedish Meats announced on 27 August 2007 that it held 4 231 000 A Shares and 665 000 K Shares, equivalent to 12.45% of the shares and 12.35% of the votes in HKScan. The number of A Shares announced by Swedish Meats is 53 000 shares higher than reported in the share register. The difference has been incorporated into nominee registered shares.

Annual General Meeting

HKScan Corporation's Annual General Meeting will be held at 11am on Tuesday, 22 April 2008 in Helsinki in the Terrace Hall at Finlandia Hall, address Mannerheimintie 13 e, 00100 Helsinki, Finland. 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 14 April 2008 either in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland, by fax to +358 (0)2 250 1667, by email to marjukka.hujanen@hkscan.com or by telephoning +358 (0)10 570 100 / Hujanen.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 11 April 2008 in HKScan Corporation's 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 2007. 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 2008. The proposed payment date for the dividend is 6 May 2008. Shareholders whose shares are not registered in the book-entry securities system at the record date, 25 April 2008, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHARE REGISTER

The share register of HKScan Corporation is maintained by the Finnish Central Securities Depository Ltd, PO Box 1110, FI-00101 Helsinki, Finland. Its street address is Urho Kekkosen katu 5 C, 00100 Helsinki, telephone +358 (0)20 7706000 and email info@ncsd.eu.

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

FINANCIAL INFORMATION

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–March will be released on 7 May 2008
- The interim report for January–June will be released on 8 August 2008
- The interim report for January–September will be released on 4 November 2008

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

Printed versions of the annual report will be posted automatically to all shareholders with at least 500 HKScan shares and registered in the company's share register kept by the Finnish Central Securities Depository. The interim reports are published in the form of stock exchange release and are also available for review on the website. Copies of interim reports will be sent on request by post or as an email attachment.

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

SILENT PERIOD

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

Summary of stock exchange releases 2007

HKScan published a total of 39 company releases via OMX Nordic Exchange in 2007. These are available for review in full on the company's website www.hkscan.com under Stock Exchange Releases. Releases published after February 2007 are also available on the website of the Central Storage Facility at www.oam.fi

29 Jan 2007	Corporate arrangement between HK Ruokatalo Group and Swedish Meats executed - Scan AB launches operations in Sweden
2 Feb 2007	Changes in HK Ruokatalo Group management
5 Feb 2007	Increase in share capital registered
8 Feb 2007	Notification under the Securities Markets Act
9 Feb 2007	Changes in publication dates in 2007
12 Feb 2007	Information on the operations of Swedish Meats in 2006
15 Feb 2007	Notification under the Securities Markets Act
26 Feb 2007	HK Ruokatalo Group's financial statement bulletin for 2006
27 Feb 2007	Changes in management of HK Ruokatalo's Finnish operations
28 Feb 2007	Tampere property changes hands
6 Mar 2007	Scan enhances operations in Southern Sweden
7 Mar 2007	Notification under the Securities Markets Act
21 Mar 2007	Notice to the Annual General Meeting of Shareholders
4 Apr 2007	Registration document and 2006 annual report published
10 Apr 2007	HK Ruokatalo Group's new shares on the main list
20 Apr 2007	HK Ruokatalo Group's Annual General Meeting
27 Apr 2007	HK Ruokatalo Group's interim report for 1 January to 31 March 2007
30 Apr 2007	HK Ruokatalo Group is now officially HKScan
7 May 2007	HKScan to start acquiring treasury shares
31 May 2007	HKScan to rationalize operations in Sweden
19 Jun 2007	HKScan raises EUR 550 million syndicated credit facility
20 Jun 2007	Amendment to previous notification on change in ownership
3 Jul 2007	HK Ruokatalo plans cooperation to rationalise the use of slaughtering and cutting capacity
14 Aug 2007	HKScan Group interim report 1 January – 30 June 2007
27 Aug 2007	LSO Osuuskunta and Swedish Meats executed stock swap regarding shares in HKScan
28 Aug 2007	Notification under the Securities Markets Act
29 Aug 2007	Correction to disclosure about change in ownership
14 Sep 2007	Meat volume processed by HK Ruokatalo set to rise
17 Sep 2007	Scan to spin off business units in Sweden
9 Oct 2007	Restructuring programme at HK Ruokatalo nearing completion
23 Oct 2007	Disruption in egg production chain at Tallegg
2 Nov 2007	HKScan Group interim report 1 January - 30 September 2007
5 Nov 2007	Animal disease confirmed in Estonian egg production
15 Nov 2007	Scan AB proposes acquisition in Sweden
3 Dec 2007	HKScan to streamline and standardise purchasing
7 Dec 2007	Management transition at HK Ruokatalo Oy
18 Dec 2007	Management changes at HK Ruokatalo and LSO Foods at 1 January 2008
19 Dec 2007	Financial calendar year 2008
20 Dec 2007	The Board of Directors of HKScan decided on directed bonus issue

Corporate governance

Further information about corporate governance is available on the company's website www.hkscan.com under Investor Information > Corporate Governance.

ANNUAL GENERAL MEETING

Ultimate decision-making power in HKScan Corporation 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 adopt the financial statements
- 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

HKScan has two share series, Series A and Series K. Series A Shares are quoted on the Main List of OMX Nordic Exchange. 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. The K Shares are held by LSO Osuuskunta and Swedish Meats.

SUPERVISORY BOARD

The company has no Supervisory Board.

BOARD OF DIRECTORS

HKScan Corporation'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.

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 Limited Liability Companies Act, the provisions contained in the Company's Articles of Association and the Board's own rules of procedure.

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.

The company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the Group's financial performance and market situation. He also presents the materials of the financial statements and interim reports to the Board. The auditors consult with the Board annually after the financial statements have been prepared.

During 2007, the Board met 12 times. The average attendance rate of Board members was 94.0 percent.

In 2007 and 2006, members of the Board of Directors received remuneration and other benefits as follows:

	2007	2006
Marcus H. Borgström (chair)	EUR 54 050	EUR 31 640
Markku Aalto (deputy chair)	EUR 35 200	EUR 21 610
Heikki Kauppinen	EUR 24 600	EUR 15 200
Tiina Varho-Lankinen	EUR 24 700	EUR 16 370
Johan Mattsson	EUR 16 433	-
Karsten Slotte	EUR 15 833	-

BOARD COMMITTEES

Four committees have been set up in HKScan Corporation to streamline the preparation of matters for the consideration of the Board:

(1) Nomination Committee tasked with i.a. enhancing the efficiency of preparation of matters pertaining to the appointment and remuneration of Board members. The Committee is chaired by Marcus H. Borgström and its members are Johan Mattsson and Tiina Varho-Lankinen.

(2) Compensation Committee tasked i.a. with preparing matters pertaining to the appointment and remuneration of company management and the company's compensation schemes. The Committee is chaired by Marcus H. Borgström and its members are Markku Aalto and Karsten Slotte.

(3) Audit Committee tasked with i.a. monitoring the company's financial position and supervising financial reporting. The Committee is chaired by Marcus H. Borgström and its members are Heikki Kauppinen and Tiina Varho-Lankinen.

(4) Working Committee tasked with serving as a general preparatory body for the Board. The Working Committee is chaired by Marcus H. Borgström and its members are Markku Aalto, Karsten Slotte and Johan Mattsson.

CHIEF EXECUTIVE OFFICER AND MANAGEMENT TEAM

The Board of Directors appoints the parent company's CEO and also decides his or her salary and other benefits. The company's CEO since 1 April 2006 has been Kai Seikku, MSc (Econ. & Bus. Admin.) The Group 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 8–10 times per year.

In 2007, Kai Seikku was paid a total salary of EUR 1.138 million, (EUR 0.457 million) of which share bonuses tied to performance or other targets accounted for EUR 0.557 million. The bonus under the incentive scheme included 19 922 A Shares in HKScan awarded for the 2006 earning period. The CEO will be granted a maximum of 24 000 A Shares in the company on the basis of the actual results in the 2007 earning period of the share incentive scheme.

CEO 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 2007 totalled EUR 5.0

million (EUR 2.0 million), of which EUR 0.7 million (EUR 0.5 million) was paid to members of the Board and EUR 4.3 million (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. In its first period, the scheme concerned some ten employees who had the opportunity of receiving HKScan'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 employees included in the scheme for each earning period and on the maximum bonus payable to them.

Any bonuses under the scheme are tied to Group EBIT (70% weight) and return on capital employed (30% weight). The bonuses 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 share element of the bonus for the first earning period (2006) came to 59 976 A Shares in HKScan. In the 2007 earning period, the scheme concerns some 20 key employees and the number of shares shall not exceed 180 000 A Shares in HKScan.

AUDITORS

Under its Articles of Association, HKScan shall have two auditors and two deputy auditors; one of the auditors and one of the deputy auditors shall be an auditor or a firm of accountants 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 2007, the auditors' fees for the statutory audit were EUR 0.6 million (EUR 0.2 million). An additional EUR 0.6 million (EUR 0.4 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 HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. The Group'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 Limited Liability 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.

At HKScan, the internal audit is a management tool for the accomplishment of supervision 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 internal auditing are integrally linked with the company's management system built on a principle of ongoing improvement. The implementation of corrective and preventative measures is a key part of the function of the entire process.

MANAGEMENT INTERESTS

At year-end 2007, members of the Board of Directors and the company's CEO and their related parties owned a total of 64 737 A Shares, which corresponded to 0.16 percent of the total number of shares and 0.05 percent of the votes.

SHAREHOLDER AGREEMENTS

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

INSIDERS

HKScan 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. Updated insider holding guidelines entered into force on 1 January 2006.

Effective from 17 October 2005, HKScan's insiders 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 insiders also includes the Group's Management Team and designated representatives of the principal owners' administrative bodies.

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

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

The company ensures compliance with insider holding guidelines by regularly reminding insiders of permitted trading windows 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.

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

HKScan's Group administration maintains and manages the insider register. The actual register is kept in the Finnish Central Securities Depository's SIRE system. The register is available for viewing on HKScan's website under Investor Information > Insider holding.

Board of Directors Appointed on 20 April 2007

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

Pork producer in Sipoo, eastern Uusimaa. Chairman of the Board of Veritas Mutual Non-Life Insurance Company, chairman of the Supervisory Board of Osuuskauppa Varuboden. Member of the Board of Paulig Ltd and Supervisory Board of SOK Corporation. Mr Borgström was a member of the Board of Directors of LSO Osuuskunta from 1995 to 2007.

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 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.

Not independent of the Company.
Shares: 20 334

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

Pork producer in Jämijärvi, Satakunta. Chairman of the Board of LSO Osuuskunta and member of the Board of Finnpig Oy.

Not independent of the Company.
Shares: 1 400

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

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

Not independent of the Company.
Shares: 4 000

JOHAN MATTSSON (BORN 1960)
Member of the Board since 2007, MSc (Econ. & Bus. Admin.)

Farm entrepreneur and pork producer in the southern Swedish province of Skåne. Member of the Board of Swedish Meats co-operative since 2001. Served on the Boards of several associated companies and subsidiaries merged into Swedish Meats, including Konvex, daka a.m.b.a. and Nyhléns & Hugosons.

Not independent of the Company.
Shares: -

KARSTEN SLOTTE (BORN 1953)
Member of the Board since 2007, MSc (Econ. & Bus. Admin.)

President of Fazer Group since 1 November 2007, before that Executive Vice President in charge of strategic business development for the Fazer Group. Mr Slotte was Managing Director and Group President of Cloetta Fazer AB (publ) in 2002-2006 and Deputy Managing Director of Cloetta Fazer and Business Area Director of Confectionery in 2000-2002. Business Area Director of Fazer Confectionery 1997–2000.

Current elected positions: serves on the Boards of Cloetta Fazer AB, Onninen Oy and the Finnish-Swedish Chamber of Commerce.

Independent of the Company.
Shares: -

Auditors for the 2007 financial year

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

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

The Annual General Meeting was held on 20 April 2007 in Helsinki.

The shareholdings of Board members are reported as at 20 March 2008.

HEIKKI KAUPPINEN (BORN 1947)
Member of the Board 2003–2008, MSc (Econ. & Bus. Admin.)

Heikki Kauppinen died on 8 January 2008 in an accident while skiing.

Expert in international brand marketing, managing director of Unilever Finland between 1994 and 2002. Mr Kauppinen was chairman of the Boards of Kyrönmaan Juustomestarit Oy and the Finnish Orienteering Association and a member of the Boards of Oy Halva Ab and Laatusuhde Suomi Oy .

Independent of the Company.
Shares: 2 011

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

Group Management Team

Effective 7 December 2007

KAI SEIKKU (BORN 1965)

CEO of HKScan Corporation, MSc (Econ. & Bus. Admin.)

Mr Seikku has been CEO since 1 April 2006. He was CEO of HK Ruokatalo Oy from 2005 to 2007. Before joining the Group, 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. Mr Seikku was managing director of LSO Osuuskunta in 2006–2007.

Current elected positions: Chairman of the Supervisory Boards of AS Rakvere Lihakombinaat and AS Tallegg and deputy chairman of the Board of Sokolów S.A., member of the Boards of Scan AB, Trainers' House Plc and Alma Media Corporation. Mr Seikku is also the chairman of the Finnish Food and Drink Industries' Federation (ETL) and serves on the Board of the Confederation of Finnish Industries EK.
Shares: 139 992, of which 19 992 as share award

MATTI PERKONOJA (BORN 1949)

CFO and CEO's deputy, commercial college graduate

Mr Perkonoja is responsible for the financial and administrative operations, information management and development of the Group's work environment and quality issues. He came to the Group in 1993 from Kariniemi Oy, where he was managing director, having served as unit director and group director of commerce prior to that. Before joining Kariniemi Oy, he was managing director of Broilertalo Oy. Group CFO since 2000.

Current elected positions: Member of the Supervisory Boards of AS Rakvere Lihakombinaat and AS Tallegg, member of the Boards of HK Ruokatalo Oy, Scan AB and Sokolów S.A. Member of the Supervisory Board of Tapiola Corporate Life.
Shares: 16 996, of which 9 996 as share award

ANTTI LAUSLAHTI (BORN 1966)

Executive vice president Commercial Operations, MSc (Econ. & Bus. Admin.)

Mr Lauslahti's remit covers coordination of consumer marketing in HKScan's various markets along with Finnish retail and HoReCa sales, marketing, product development and exports. He came to 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 also worked for Unilever Finland.
Shares: 29 696, of which 9 996 as share award

JARI LEIJA (BORN 1965)

Managing director or HK Ruokatalo Oy, holds vocational qualification in engineering

Mr Leija was appointed managing director of HK Ruokatalo on 7 December 2007. Before this, he was responsible for HK Ruokatalo's poultry business and logistics in production and deliveries in Finland, from the terminals in both Vantaa and Tampere. His earlier positions include logistics manager, Vantaa plant manager and production director. He joined the Group in 1993.

Member of the Boards of Pakastamo Oy and Länsi-Kalkkuna Oy.
Shares: 28 341, of which 9 996 as share award

MAGNUS LAGERGREN (BORN 1960)

Managing director of Scan AB, Msc (Agriculture)

Mr Lagergren was appointed managing director of Scan 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.

Current elected positions: Seats on the Supervisory Board of Sokolów S.A. and the Boards of the Swedish Meat Industry Association (KCF), Grocery Manufacturers of Sweden (DLF) and the Swedish Food Federation (Li).
Shares: 2 000 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 HKScan Group's Baltic operations. Prior to this, he served as the company's marketing director. Mr Antniemi joined the Group 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,
MSc (Econ.) serves as Secretary to the Management Team.

The shareholdings of Management Team members are reported as at 20 March 2008.

Market analysts

Banks and stockbrokers in Finland analysing HKScan as an investment.

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

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