HKSCAN

ANNUAL REPORT

2013

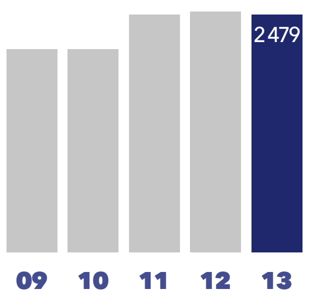
THE NORDIC MEAT EXPERTS

HKScan is the meat expert with strong Nordic heritage and over a hundred years' experience in responsible meat production and business. We make, sell and market high-quality and ethically produced pork, beef, poultry, lamb, processed meats and convenience foods. Our customers are the retail, food service, industrial and export sectors. The Group's home markets comprise Finland, Sweden, Denmark, the Baltics and Poland and we export to close to 50 countries.

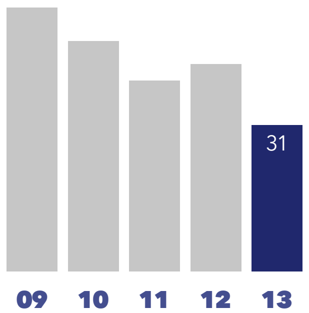
Key figures

	2013	2012
Net sales, EUR million	2 478.6	2 503.1
Operating profit, EUR million	30.5	43.1
- % of net sales	1.2	1.7
Profit before taxes, EUR million	9.7	14.3
Return on equity (ROE), %	2.4	4.3
Return on capital employed (ROCE) before taxes, %	4.4	5.8
Equity ratio, %	35.4	33.1
Net gearing ratio, %	87.0	109.2
EPS, EUR	0.16	0.30

Net sales 2009–2013
EUR million



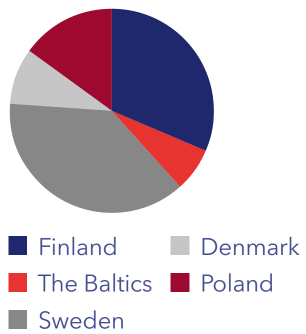
Operating profit 2009–2013
EUR million



Personnel in 2013 by market area
Average number

Total 10 927

Breakdown of net sales in 2013 by market area
EUR million



Total 2 479

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FROM FARM TO FORK

This year, we wanted our annual report to articulate something beyond the traditional. Instead of only describing our activities, results and market trends, we also wanted to share deeper insights into who we are, what we do and, most importantly, how value is created in our numerous encounters with our stakeholders at every step of the meat value chain. We want to share these insights because our customers, consumers and other stakeholders are interested in knowing more about the journey of our products all the way from farm to fork. We also wanted to do this as HKScan Group is going through a major strategic transformation and a profound renewal of our ways of working.

In this publication, we describe how our strategy has been rolled out across all HKScan businesses and functions and what kind of role our team of professionals plays in bringing our delicious, high-quality products from farms to consumers.

In 2013, we revisited our brand promise and mission. Our promise is to be *the Nordic meat experts.* It is a promise we make to ourselves and to everyone around us. It is visible in each step of our value chain and each chapter of this report – describing how we cooperate with our producers and suppliers to how we provide our customers and consumers with products and brands they can rely on. Expertise at every stage of the chain makes us one HKScan. It is a promise we want to keep every day.

RESPONSIBLE CHANGES

HKScan's past year was one of regeneration. Implementation of the strategy and operating model progressed as planned despite a challenging business environment. We are now focusing on building a long-term, sustainable foundation for the future.

The Group's organisational restructuring, efficiency improvement actions, and the unification of our operating model and ways of working have been clearly visible in the daily work of HKScan's entire personnel. These changes are the responsible route to achieving better results and profitability. It has been a pleasure to see the dedication and commitment with which our people have greeted this important transition in the spirit of our Group values: "Trust, Team, Improve".

Our result was impacted negatively by the business environment. The Group result remained at a modest level, but our cash flow and balance sheet improved substantially. The result was diminished by low export prices and various export challenges. Added to this, last year saw an increase in the consumption of volume products at the expense of more expensive, high-end cuts on all our home markets, particularly in Finland. Compared to the previous year, demand remained low both in the Consumer and Away from Home businesses, and price competition remained tough.

Despite market challenges, we attained the goals of our development programme for 2013, the aim of which was to achieve an annual profit improvement of over EUR 20 million and a significant reduction in capital employed. Restructuring was undertaken in both Sweden and Finland as part of this programme. A new programme was launched for 2014 with the aim of achieving an annual profit improvement of over EUR 20 million and a reduction of over EUR 50 million in our net debt.

Good progress was made with the roll-out of the strategy and operating model. We successfully kicked off the first projects in our new Technology and Operations Development function, and streamlined the structures of our production, logistics and technologies. We enhanced Group-wide cooperation by centralising purchasing operations and by unifying animal sourcing and producer services internationally. In addition, a Group Marketing function was established to promote Group-wide brand management and the long-term development of a consumer-based offering.

HKScan adheres to a strict policy of responsible meat sourcing, high product quality and knowing the origin of our meat raw material. HKScan favours domestically produced meat sourced from our established contract producers as well as from the Group's wholly-owned farms in Estonia. Additionally, a certain volume of meat is delivered from HKScan's home-market slaughterhouses, and a small, complementing quantity is also sourced from outside the Group. We recently centralised all imports of third-party meat, which has strengthened our operations. The suppliers are carefully selected and systematically audited as part of HKScan's quality and sustainability management system. We are proud of the fact that traceability of the supply chain is guaranteed all the way to the audited farms.

We kicked off the new year focusing on our new strategic initiatives. We will continue working to build our brand value, boost demand and improve our operational efficiency. Our common goal is to improve the Group's profitability and performance.

In this report, we present the renewed HKScan brand, which reflects our solid meat expertise, our responsible Nordic way of working and our pride in our Nordic heritage. This is something we wish HKScan's products and services to continue delivering to our customers and consumers, both in our home and export markets.

I wish to express my sincere thanks to all HKScan employees, consumers, customers, partners, producers and owners. Let us continue our committed work towards our mutual goals.

Turku, 12 March 2014
Hannu Kottonen,
President and CEO, HKScan Corporation

TOWARDS PROFITABLE PERFORMANCE

The Group strategy was revisited in 2012. Ongoing strategic projects will continue through 2015, with our key strategic goal being to deliver profitable performance.

The roll-out of HKScan's renewed strategy and operating model proceeded well during 2013. All Group functions and businesses are now assigned, strategic and personal targets have been set in all areas, and work to achieve those targets is proceeding as planned. Group-wide processes have been adopted in all areas, resulting in enhanced transparency and efficiency. We have thus achieved a major milestone.

Our key strategic focus areas have been our four Must-win battles. During the past year, we have made excellent progress in the area of improving capital structure and Group reporting.

STRATEGY 2012–2015

Vision: Meat industry shaper

Mission: The Nordic meat experts

Strategy / Delivering profitable performance
We improve our performance by more efficient and transparent Group-wide business processes, competences, leadership and communication. We increase our profitability by developing brands, offerings and cutting nonperforming activities. Every action we do is sustainable and brings value to our business, stakeholders and consumers. We focus especially on our home markets and create competitive edge by firm strategy implementation.

Must-win battles
- Building brand value and demand
- Upgrading Group operational efficiency
- Actively managing future business dynamics
- Improving capital structure and Group reporting

Long-term financial targets
- Operating profit (EBIT): more than 4 per cent of net sales
- Return on capital employed (ROCE): greater than 12 per cent
- Net gearing: less than 100 per cent
- Dividend distribution: at least 30 per cent of net profit

Values: Trust. Team. Improve.

OPERATING MODEL

Technology & Operations Development
HR
Legal and administration
Finance
Marketing
Communications
Strategy & strategic projects

Consumer Finland and the Baltics
Consumer Scandinavia
Away from Home (AfH)
Sokołów + other joint ventures

CEO

Board of Directors

The Group's cash flow and balance sheet are now clearly stronger. One of our long-term financial targets was reached, with net gearing down to 87 per cent, well below the targeted 100 per cent. We also introduced uniform processes, new software and report formats in Group reporting to ensure better data quality for financial reports, forecasting and decision-making.

Additionally, in the area of actively managing future business dynamics, we made gratifying progress in areas such as improving our ability to better foresee volatility on key cost drivers throughout the whole value chain. As we are now in good shape regarding the two above-mentioned Must-win battles, more focus and resources can now be allocated to our other two strategic targets: building brand value and demand and upgrading Group operational efficiency. Several projects focusing on reaching the above-mentioned targets are ongoing.

One of the projects supporting HKScan's efforts to build brand value and demand was the Group Identity renewal, which included the revision of strategic elements such as our vision, mission and values. HKScan's vision is unchanged: we aim to remain the key shaper of the meat industry.

The Group mission was aligned with HKScan's brand promise. We aim to be the Nordic meat experts, which means the Group's offering comes with a promise of delicious food, Nordic purity, quality and a sense of responsibility. The promise applies to every step in the meat value chain and to every person involved in the process.

Last year saw the launch of our revised Group values. They were defined based on material we collected through an internal crowd-sourcing method. HKScan's values are "Trust, Team and Improve", which means the following:

For all HKScan employees, trust means that we are trusted professionals. We deliver high-quality, delicious food that is produced and supplied sustainably and transparently.

Team means that we work as a unit, both Group-wide and locally, to exceed customer and consumer expectations. Open communication and active participation produce the best results.

By improve we mean that we improve our work every day and are eager to learn. We ensure our future success by staying a step ahead.

OUR MARKETS

HKScan's market areas Finland, the Baltics, Sweden, Denmark and Poland form the Group's home markets.

In 2013, the financial performance of the business in the home markets varied. The profitability of businesses in Poland and the Baltics were at a good level. Sweden showed some recovery and improvement from the previous year, but in contrast, in Finland, profit fell well behind the previous year. For Denmark, 2013 was a recovery year after the fire, and the market position was regained but profitability remained poor.

The Group also focuses on other markets. These markets are described after the home markets.

The following short reviews give an overview of the operating environment as well as highlights and achievements in the respective market areas for 2013.

Finland

Market area Finland's product categories are white meat, red meat, processed meat, cold cuts and convenience food. The major product brands are HK and Kariniemen.
During 2013, the first broad development programme was implemented in the market area by reorganising the operational structure between the Säkylä, Vantaa and Mikkeli plants.

In autumn, the roles and responsibilities of the Finnish organisation were updated and unified aiming at enhanced consumer and customer-oriented ways of working. Key targets of the changes are to improve cost-efficiency through simplifying and streamlining operations and Group-level cooperation, as well as to bring improvements in delivery accuracy and meat balance, for example. Tough competition in Finland resulted in a decrease in the market share for HKScan but the market position remained strong. Related to primary production, the producer cooperation model was implemented.

New product launches in Finland during the year comprise, among other things, novelties in HK Rypsiporsas® (rapeseed pork) as well as Kariniemen fresh poultry product ranges for the BBQ season, and enhancements to the traditional meat product series with organic versions.

2013 highlights for Finland include marketing and communication actions and achievements related to the 100th anniversary of HKScan and its main owner the LSO cooperative. One of the Finnish product classics, HK Sininen Lenkki® (a ring sausage), also celebrated its 50th anniversary.

EUR million	2013	2012
Net sales	804.1	813.8
Operating profit	2.8	18.4
- Oper. profit margin, %	0.4	2.3
Oper. profit excl. non-recurring expenses	6.4	18.4
- Oper. profit margin, %	0.8	2.3
Personnel at year end	2 572	2 592

The Baltics

Market area Baltics' product categories are white meat, red meat, processed meat, cold cuts and convenience food in Estonia, Latvia and Lithuania. The product brands are Rakvere, Tallegg, Rīgas Miesnieks, Jelgava and Klaipedos Maistas.
The Baltics differ from the other home markets mainly because here the Group owns the whole pork and poultry chain from feed and primary production all the way through to production. The vertical integration and unrivalled traceability of meat enable full quality guarantees and control over the supply chain.

During 2013, the Baltics focused on further streamlining processes in its operations, for example by centralising demand and production planning, and by centralising the Lithuanian logistics to Latvia. Attention was also paid to energy efficiency improvements. A main long-term investment project was completed towards the end of the year by opening the renewed Tabasalu plant, thus integrating all of the poultry slaughtering and production.

Competition was tough throughout the year in the Baltics. However, HKScan's market position remained strong. In Estonia the Tallegg brand has a very strong market position in poultry. When it comes to red meat, the Rakvere brand is a clear market leader in both processed and fresh meat. Consumption of poultry, in line with the general consumer trends is growing also in the Baltics, whereas pork consumption remained stable or decreased slightly during the year.

A good number of product launches were made in 2013, the most significant being the launch of Kiev chicken cutlet simultaneously on all the three Baltic markets in summer, and the introduction of Tallegg's branded products in Latvia in the spring.

EUR million	2013	2012
Net sales	175.1	176.7
Operating profit	8.4	8.9
- Oper. profit margin, %	4.8	5.1
Personnel at year end	1 732	1 700

Sweden

Market area Sweden's product categories are white meat, red meat, processed meat, cold cuts and convenience food. The main product brands are Scan and Pärsons®.
HKScan Sweden is the market leader in meat, however it temporarily lost some market share in 2013. Private labels continued to grow in processed products and cold cuts in particular. Consumption of pork and beef has increased during a number of years, but it stagnated in 2013. Consumption of chicken, in turn, continued to grow.

High Swedish meat prices and the strong Swedish krona increased imports of red meat to Sweden. Food safety issues and transparency of the meat value chain were seen as very important by European consumers and retailers alike, as highlighted by the horse meat scandal.

As for the highlights in 2013, the Group's development programme targeting at improving operational efficiency and reducing costs was implemented according to plan. A new contract model for pork producers was taken into use. The sales of the Svensk Rapsgris® (rapeseed pork) and Pärsons® cold cuts developed well. The Scan brand was rated as a brand of future with the highest growth potential in Sweden in a customer survey carried out by a local brand consultancy. Of the local product classics, the Bullens sausage celebrated its 60th anniversary.

A major launch was carried out with fresh chicken products from Denmark for the Swedish market under the Pärsons® brand. In addition to the fresh chicken, other launches during the year included new Svensk Rapsgris® products, as well as spicy novelties in sausages for the BBQ season.

EUR million	2013	2012
Net sales	965.3	1 025.7
Operating profit	8.1	-5.9
- Oper. profit margin, %	0.8	-0.6
Oper. profit excl. non-recurring expenses	10.4	1.5
- Oper. profit margin, %	1.1	0.1
Personnel at year end	2 248	2 339

On top of operating on its home markets, HKScan also exports its products to nearly 50 countries. The Group serves key export markets in Europe, the Middle East and Asia Pacific.

Denmark

Market area Denmark operates mainly in the white meat product category. The product brands are Rose and Pärsons®.

In Denmark, the operations focused on regaining the market position that the Group had before the Vinderup fire in June 2012. During 2013, the rebuilt and renovated Vinderup plant also started production at full capacity.

In 2013, significant steps forward were made with fresh poultry products in Denmark. The market area also became the main producer of organic chicken during the year. Organic chicken is one of the main consumer trends in Denmark.

The launch of fresh chicken in the Swedish market was among the most significant achievements. Poultry knowledge from market area Denmark was successfully combined with market area Sweden's sales forces in this intra-Group effort.

There were plenty of new products launched onto the Danish market, the most important ones being those made of fresh poultry. In addition to new products, special attention was given to sustainable packaging leading to the launch of a new and more convenient packaging form for fresh white meat.

EUR million	2013	2012
Net sales	226.1	211.7
Operating profit	4.9	15.4
- Oper. profit margin, %	2.2	7.3
Oper. profit excl. non-recurring expenses	-1.5	1.5
- Oper. profit margin, %	-0.7	0.7
Personnel at year end	838	893

Poland

In Poland, the business is carried out as a joint venture – the Sokołów Group – of which HKScan owns 50 per cent. The products are sold under the Sokołów brand.

In market area Poland slaughtering, cutting and processing of pork and beef is carried out, as well as providing the market with innovative and added-value products of high quality.

The unfavourable economic environment in Poland made the year difficult for the meat industry and the retail sector. However, Sokołów managed the situation well, mainly thanks to the high recognition of the Sokołów brand. In 2013, it also achieved the 10th place in a national ranking among the most valuable brands in Poland.

The company has seven state-of-the-art production plants. Several new products were launched on the market, such as meat "For special occasion", salami chips, thin dried sausages, and a new convenience food product line using "Mylar Cook" technology. Four Sokołów products were awarded with gold medals for up-to-date, innovative, highest technology products at the Poznań International Fair.

EUR million	2013	2012
Net sales*)	375.1	343.7
Operating profit*)	18.8	15.8
- Oper. profit margin, %	5.0	4.6
Personnel at year end**)	6 813	6 491

*) Represents HKScan's 50% share of Sokołów.
**) Refers to the total amount of personnel of Sokołów.

Other markets

In addition to the home markets the Group is also present elsewhere in Europe. The Group has sales offices in the United Kingdom and Germany and a representative office in Russia (St. Petersburg).

The Group exports to close to 50 countries. The main export products are frozen poultry, and fresh and frozen pork. Some of the exported products are typically not consumed in the home markets. In 2013, the biggest export countries and areas were Russia, Germany, the UK, Japan, the Middle East, New Zealand and Hong Kong.

At the end of February 2014, HKScan announced its signing of an agreement to sell all its shares (50%) in Saturn Nordic Holding AB to Danish Crown A/S, the other owner of the company.

Saturn Nordic Holding AB holds 100 per cent of the shares in Sokołów S. A. As a result of the agreement, HKScan will no longer hold an indirect stake in Sokołów, which has been HKScan's joint venture in Poland. The completion of the divestment is subject to the approval of competition authorities. HKScan will keep its wholly-owned subsidiary, HKScan Poland Sp.z o.o. located in Świnoujście, Poland.

JOIN OUR SAFE JOURNEY

HKScan has unique know-how of the entire meat value chain. The Group's daily business covers all steps from retailer cooperation to feed and animal production.

CUSTOMERS & CONSUMERS

SUPPLY CHAIN

INDUSTRIAL OPERATIONS

PRIMARY PRODUCTION

FEED

For us, everything begins with the principle that the consumers who ultimately enjoy our products have the right to know what happens along the value chain. It is also our responsibility to ensure that the journey is safe. This is why we have decided to start sharing more insights into our value chain with our consumers and customers by discussing the trends that influence our business.

In what follows we present our supply chain, which connects all the links in the whole value chain. The success and efficiency of our business depends on good collaboration between various functions, harmonised processes and a shared understanding of demand and supply.

Our journey then continues to industrial operations, including manufacturing, which is followed by a chapter describing our primary production. Here again we emphasise the need for good cooperation between meat producers and HKScan to ensure a cost-efficient, safe and sustainable future for meat and food production.

The next stop on our journey is our feed business, which is tasked with the mission of producing cost-efficient, transparent and innovative feed solutions for our contract producers.

Our round-trip ends with a chapter describing how our Innovations & Technology and Marketing functions continually work hard to understand the present and future needs of consumers and customers. Our journey also covers several pit-stops highlighting our actions and achievements during 2013. Welcome aboard!

CASE: Increased transparency in the value chain

The purpose of the farm visits arranged in Finland was to introduce visitors to HKScan's responsible meat production, the initial stages of the value chain and the everyday life of production farms. The visitors included representatives of consumers and journalists. There were two visits in late 2013.

The beef cattle farm in Saukkola, close to the metropolitan area, raises Hereford cattle, one of the most popular beef breeds in the world. Hereford cattle are very much at home in natural pastures and also spend time outdoors during wintertime. The farm has raised Hereford cattle since 1990. The area of cultivated land covers approximately 100 hectares and provides cattle with barley, oats and field corn.

The farm's pastures are grazed on by 60 cows. In the summer, the livestock grazes on the meadow next to a nearby protected lake, thus protecting the meadow from reforestation. The cattle are kept outdoors throughout the year. The bull calves born on the farm are delivered to the neighbouring farm for further raising when they are roughly six months old.

The other farm visit was to a poultry farm in Kiikala, Southwest Finland. The farm began raising chickens in 1976. Its annual production volume is approximately 850 000 kilos of meat. The farm also engages in growing grain, forestry and gravel sales. The heat for the chicken farm is produced by a biomass heating facility, the boilers of which burn chiefly wood chips retrieved from the farm's own forests.

In Estonia, consumers are introduced to the primary production of meat via the Eesti Siga (Estonian Pig) website. The website, opened in August, allows for a "virtual farm tour" and familiarises visitors with the production of pork at the Rakvere farm in Viiratsi. The various stages of raising pigs, starting from a 1.5-kilo piglet, are introduced by way of videos and graphs.

The award-winning website provides visitors with a thorough picture of the various stages and aspects of raising pigs that need to be taken into account in relation to both feeding and conditions. At the same time, visitors are introduced to the breeds of Rakvere's pigs and their respective traits. The Eesti Siga website caters to everyone interested in the primary production of pork, and there is also an English version.

CASE: Even better traceability in imports

HKScan purchases the majority of the meat it needs from its long-term contract producers in Finland, Sweden and Denmark, and the Group's farms located in Estonia. All meat raw material can be traced back to each farm, and producers are familiar to the Group.

The home markets Finland, Sweden, Denmark, the Baltics and Poland mainly use meat produced within their own area. Additionally, meat is delivered from the Group's slaughterhouses in the other home markets. If a specific type of meat is unavailable or scarce in the Group's home markets, the meat needs to be imported from outside of the Group. Responsible meat sourcing, high-quality products and knowledge of the origins of the meat form the basic pillars of HKScan's operations. These principles also apply to imports. Suppliers are selected thoroughly and their operations are audited systematically as part of HKScan's quality and sustainability system.

HKScan strengthened its meat imports at the beginning of 2014 when it merged the operations of Annerstedt Flodin AB, a traditional Swedish company, under its holding, and the Group's other sourcing of imported meat. The merger means that the Group can utilise its resources more effectively and improve the traceability of meat even better.

Established in 1919, Annerstedt Flodin is a leading Swedish company specialised in importing high quality and responsibly produced meat. It acquires meat from audited producers in South America, New Zealand and Australia. The "Chosen by Farmers" premium brand is famous for its responsibility and is associated with high quality and 100% traceability back to each producer farm.

Annerstedt Flodin strengthens the Group's product offering and services. High quality, good availability and full traceability of meat also in the Group's meat imports are significant purchase criteria for consumers, retailers, professional kitchens and the food industry.

IT ALL STARTS WITH THE CONSUMER

Consumers and customers drive HKScan's everyday work. Close attention to their needs and requirements enables HKScan to respond effectively with developments in its products and operations.

HKScan constantly aims to grow closer to consumers and offer products that respond to their needs. The Group's goal is to be its customers' most trusted partner by delivering products that fulfil or exceed their expectations with regard to quality, price, quantity and delivery. To achieve this, HKScan exchanges ideas with its customers in the retail, food service, industry and export sectors and makes use of the valuable insight they have gained from day-to-day contact with consumers.

In addition to gathering information from customers, HKScan strives to have an up-to-date understanding of consumer behaviour by interpreting its own sales data and examining national sales statistics and consumer studies on all the home markets. The Group Marketing has pinpointed several relevant trends, which are already influencing product development as well as other aspects of HKScan's operations.

The rising interest in health and wellbeing is evident in consumers' desire for information. Consumers expect fat quality and content and the number of calories, or any ingredients in addition to pure meat to be clearly stated and easy to find on packages. In response, HKScan designs its labels to provide detailed information relating to the product and brand, including all other facts consumers want and expect.

With busy schedules, consumers are favouring convenience. Food products that save time and effort by being pre-marinated or pre-baked are popular, as are those that are packaged in re-sealable containers or ready to go straight into the oven. Additionally, people want to shop for food easily and put less effort into weekday shopping, therefore preferring smaller, conveniently located stores.

Increasing social connectivity means opinions are shared more rapidly than ever. Even small issues can have large implications, further stressing the need for stable quality. HKScan's quality and product safety management systems serve to identify potential problems before products leave the warehouse. Another aspect of the trend is people's growing inclination to come together to enjoy food and share recipes. And with people travelling more and experiencing new flavours and ideas, globalisation is making its mark on menus. This inspires HKScan to keep introducing exciting novelties to its product range.

Alongside widespread connectivity is increasing fragmentation in society. People express their individuality and worldviews in a variety of ways, including their choice of food. One way consumers differentiate themselves is by buying niche products, ranging from premium items to those that are organic or halal. As one of the leading meat companies in Europe, HKScan strives to respond efficiently to this growing diversity of specialised needs. The Group currently offers an organic chicken range in Denmark and organic meat and processed products in Finland, Sweden and Estonia.

Sustainability is growing more relevant. This means that large corporations that have an impact on people, society, the environment, and the economy need to acknowledge and manage their responsibility.
For HKScan this means being accountable for its value chain starting from genetics and feeding, and then all the way from farm to fork. The Group is also working to address the small segment of consumers who demand sustainable products, for example, by evaluating how to develop its ecological production in the future.

Transparency and traceability are critical for consumers who want to know the origin of their food. Consumers value domestically produced meat, and a growing number seek information on the origin of raw materials. But most importantly, consumers expect food to be both delicious and safe. One of HKScan's competitive advantages is its profound knowledge, monitoring and control of its products throughout the entire value chain.

CASE: Cooperation with retail

HKScan Sweden and the Scan brand have worked closely together over the past three years with the Swedish retailer ICA and four other food suppliers with a concept called "ICA med Vänner" ("ICA with Friends").

The ICA med Vänner is a partnership where the parties create strong concepts with an attractive product range for customers in four key seasons - Easter, BBQ, Harvest and Christmas - during the year to increase the value of product categories. The aim of the concept is to increase sales, help consumers to get inspiration for meals, highlight seasons and set trends. The partnership involves all the parties to contribute with ideas, new product development, market insight, recipes and other specific skills related to the product ranges or category.

This integrated way of working with the customer involves many people from HKScan, not only the sales departments' key accounts, but also field sales, marketing, communications and supply departments. HKScan and the Scan brand, in particular, are being well presented in more than 1 000 ICA stores throughout the country.

In 2013, the "ICA med Vänner" concept won the Swedish branch organisation's award for the best campaign of the year. ICA is the largest retailer in Sweden.

CASE: Renewed HK brand web site

The HK brand's revamped Hookoo.fi web service was opened in late summer 2013. The service makes the professional processing of meat transparent and available to consumers in a completely new way, offering an ample information package on the production and processing of meat, up to and including delicious recipes. The web service presents the issues by way of user-friendly illustrations. The renewed service also includes an opportunity for consumers to access the information using mobile devices.

The pages allow consumers to familiarise themselves with HKScan's pork and beef production chains in Finland through presentations given by producers, partners and the Group's employees.

Lihakoulu ("meat school") forms an integral part of the service, providing consumers with instructions on the proper way to handle and prepare beef and pork. Clear pictures serve to introduce the various cuts of meat. By clicking on a particular cut, the user is provided with detailed instructions on the cut's cooking, from start to finish.

Series of pictures allow users to follow step-by-step instructions while they cook. Some of the tips are also accompanied by video clips in which a professional chef introduces the preparation phase.

One of HK's own chefs also maintains a blog in the service in which the chef discusses topical subjects from preparation tips to the diverse uses of meat.

Consumers stand to gain from the introduction to all HK products on the web service. The list of products begins with minced meat and fresh meat, continuing on to cold cuts and sausages and convenience foods. Each product information piece includes a photo and detailed information on the product's ingredients and nutritional value. This helps consumers to choose the HK products best suited for them.

The web service also provides access to HK Kanava ("HK Channel"), a resource that contains numerous tips and offers interesting insights into meat and the preparation of meat dishes.

EATING OUT IS ON THE RISE

HKScan's Away from Home business serves private and public sector customers who operate restaurants, hotels, cafeterias and catering companies especially in Finland, Sweden, Denmark and the Baltics.

HKScan's Away from Home (AfH) business was established in 2012 by integrating the food service related businesses in Finland, Sweden, Denmark and the Baltics into one business. 2013 was the first full operational year for the business.

Customers of AfH business include e.g. public and private-sector restaurants, fast food restaurants, catering companies, personnel restaurants and wholesalers. Via its own manufacturing HKScan has the most versatile product offering in the market for its customers in red meat, poultry, processed meat, as well as convenience food and concepts.

The majority of the products in the offering are based on domestic meat, but HKScan can also offer products manufactured with highest quality and traceability standards in its other home markets. In addition, high quality imported meat is offered from leading international slaughterhouses audited by HKScan.

The customer structure and the business in all abovementioned home markets vary, but the trends are the same. Eating out is on the rise due to a number of reasons, such as the increasing number of small households.

Having an international AfH-team is a major opportunity to serve local and international customers better than before. All of the products, innovations and lessons gleaned from various markets can be utilised across borders for the benefit of the customers and end-users.

In addition to the Away from Home business, the Exports business segment also reports to the AfH management of the Group.

On top of operating in its home markets HKScan exports red meat, poultry and processed meat to close to 50 countries. The main export products are frozen poultry, as well as fresh and frozen pork. Some of the products are typically not consumed in HKScan home markets. The Group exports pork loins to Japan and chicken feet to Hong Kong, for example.

CASE: Cross-border offering for professional kitchens

It all actually started soon after establishing the Away from Home business in autumn 2012. When the Marketing and R&D teams from all the HKScan home markets came together, they saw the need for a common Group-wide product offering for cross-border food service customers. Information gathering of the customer requirements and ideas in the respective market areas was initiated. The results were then combined with the Away from Home team's own knowledge, innovations and passion for food. The first cross-border offering targeted for professionals started to take shape.

HKScan's offering for professional kitchens includes tailor-made products and services for cafeterias, diners, restaurants and the public sector, for example. The versatile product range stretches from raw materials to pre-cooked products, and it contains the best customer and market knowledge from all the home markets - and Nordic tastes.

The raw materials come primarily from the Group's own home markets, where the meat is sourced from HKScan's long-term contract producers or from the Group's own farms. Products are mainly manufactured at HKScan's own production facilities. The Group's quality and sustainability requirements are followed ensuring excellent product quality, food safety, traceability and animal welfare.

The development of the cross-border offering will continue to serve the future needs of food service customers even better.

STREAMLINING THE SUPPLY CHAIN

HKScan is enhancing Group-wide processes to manage the entire supply chain and meat balance as efficiently as possible.

The Group Supply Chain Management (SCM) includes demand management, supply management, balancing of demand and supply, management of meat balance, as well as management and continuous development of logistics. Group SCM is responsible for the planning processes of the Group-wide supply chain and meat balance and the related support tools, and logistics.

Supply Chain Management connects all the links in HKScan's value chain. Doing this efficiently requires collaboration between different functions, harmonised processes and a shared understanding of demand and supply patterns. In logistics – the transportation of animals, raw materials, end-products, and related services – HKScan is actively exploring new solutions for its processes through rationalisation and standardisation.

Previously, supply chain management was done separately in each country of the Group. Today the teams from all the home markets collaborate, have regular meetings for sharing information and working together. This elevates supply chain and meat balance forecasting, planning and management to Group level and supports leveraging of new opportunities and savings.

Shifting to a demand driven approach

Seeing demand as a key driver for planning means a major shift in the supply chain management philosophy. Demand steers the product portfolio, procurement, production and stocks. The key task is to ensure smooth flow of information and materials through different parts of the supply chain, and as an end result - ensure a good customer service level.

Procurement transformation under way

One major element that impacts efficiency of the Group's operations across the value chain is procurement. Food manufacturing requires large amounts of meat and other food components, energy, water, packaging materials, and different kinds of services, such as transportation. The total volume and value of purchased goods and services play an important role in the overall picture.

To simplify and streamline procurement, HKScan launched a procurement transformation programme in 2013. Within the programme, all Group purchases are being evaluated and all purchasing personnel will take part in a training programme. The training started in spring 2013 and is now well under way.

Already in 2013, the programme resulted in significant cost savings, and the results are expected to increase in 2014 as the implementation reaches its full effect.

CASE: Optimising transports and ensuring traceability

In logistics – one of the functions included in the Group Supply Chain Management – HKScan is actively looking for new, effective solutions to streamline its processes, such as the animal transports from farms to slaughterhouses.

In order to make the animal transport as effective as possible, HKScan Sweden initiated research on optimising transportation with Linköping University in spring 2013. The goal of the research is to develop and refine a planning tool for transport optimisation.

Linköping University had previously worked with the forest industry to develop a method for route planning, and now it is studying whether the same method can also be used to optimise the animal transports.

HKScan wants to use the new planning tool to improve animal welfare by shortening transportation times, reduce transport-related carbon dioxide emissions, and ensure the steady availability of production animals.

At the same time HKScan Sweden has responded to increasing consumer and customer demand for supply chain traceability by implementing a new traceability system. By integrating traceability into every phase of the supply chain, the entire production history of all products as well as all the materials and resources used can be documented. In Linköping for instance, the system supports traceability of the beef meat raw material backwards in the supply chain: from a meat product to the butchering to the slaughtering and further to the farm that supplied the animal – and in fact to an individual animal.

A well-functioning traceability system including the traceability of processed food products enables transparent production processes and ensures product quality, which is a crucial and integral part of food safety management.

WORLD-CLASS PRODUCTION

At the heart of HKScan are its industrial operations that meet the consumer needs and the highest standards of quality and responsibility.

HKScan's strategy – delivering profitable performance – steers all the operations of the Group. Driving profitable performance means developing the operational footprint, which in practice means finding ways to produce meat and meat products as responsibly and efficiently as possible.

In all the steps of the process – starting from animal procurement and obtaining the necessary food components, other materials, such as energy and water, as well as cutting and processing the meat, and manufacturing food products, then finally packaging and delivering them to consumers – HKScan strives for continuous improvement.

To improve its operational footprint and ensure food and employee safety, HKScan's industrial operations are under continuous scrutiny. Important cost drivers and environmental factors include structural efficiency, the use of energy, water and packaging materials, and reducing wastage.

Structural efficiency

In addition to plant and unit level measures, HKScan works for optimising its operational footprint as a whole – this means the utilisation rate of the entire production capacity and the efficiency of the logistics between the various units and customers.

In order to correspond to the consumers' and customers' needs, the Group's industrial operations are developed in close cooperation with sales, marketing, and product development teams. As a major joint initiative, the company runs the Structural Efficiency Programme. The programme especially focuses on rationalisation of the production network and production technology, recipe and production asset transfers and improving capacity usage and automation. Additionally, its main goals are sharing local innovations across the Group and increasing cross-border utilisation of production capacity.

Rationalisation of the operational footprint means finding the most suitable roles for different production units. The production network includes not only the Group's own production units, but also contract manufacturing and joint venture companies. Simplifying the production network leads to benefits, such as higher performance in efficiency and quality.

Technology-based rationalisation is a major means of improving cross-border utilisation of production capacity. In practice, this means that every product category has its optimal manufacturing unit which depends on various factors, such as demand, availability of meat raw material and other food components, and the logistics arrangements in a geographical location. In Finland, manufacturing of cooked minced meat products was centralised to Mikkeli and barbecue sausages to Vantaa in 2013, for example. >>>

CASE: **Energy efficiency through hot water solutions**

At the Group's production plant in Rakvere, in Estonia, ammonia heat pumps have been installed in order to heat up water which is used for cleaning production areas. Previously, steam produced by natural gas was used for this purpose. The investment in ammonia heat pumps has decreased the gas consumption of the plant by 20 per cent. Ammonia heat pumps were installed in the cooling compressor station and they transfer heat from compressed ammonia to the water, at the same time as the ammonia is chilled for the cooling system. Another positive effect of the installation is that the water consumption for cooling the condensers has decreased by some thousand cubic meters.

In Kristianstad, in Sweden, there has been an enhancement in the water heating process. Liquified petroleum gas (LPG) has been substituted by district heating. The HKScan plant in Kristianstad was connected to the district heating net, and it is now using district heat produced by biofuel and biogas. Some by-products from the plant's slaughtering process are used as biogas components. Annually this conversion is calculated to reduce the carbon emissions at the production plant by 2 700 tons, which corresponds to about five per cent of the total emissions of HKScan Sweden.

>>> In the past few years, demand for poultry products has grown steadily. To meet this growing demand, HKScan has an investment programme ongoing in Finland, Denmark and the Baltics. In 2013, the company accomplished the rebuilding of the Vinderup plant in Denmark after the fire, and inaugurated a renewed and expanded poultry production facility in Tabasalu, Estonia. From 2014, it will be responsible for all poultry production for the entire Baltic region in the Group. The facility adds capacity and enhances technological capabilities that also improve the quality and shelf life of the products. For the Tabasalu personnel, the renewed facility provides a better and safer working environment.

Sustainable operations

HKScan actively pursues ways of reducing energy consumption. As many units in the food plant require constant cooling, energy consumption alone is a significant factor. As concrete actions, the Group is increasing the use of heat pumps to store and reuse cooled air, and whenever feasible, switching to bioenergy and other renewable energy sources from fossil fuels, such as oil. Besides savings in the energy bill, combating climate change by reducing carbon (CO_2) emissions is an important goal as well.

CASE: **135 years of quality and food safety experience**

In order to ensure that HKScan's products are always safe and meet the expectations of consumers and customers, it is crucial that quality is managed in a professional and systematic way throughout the whole food value chain. This is achieved by having clearly defined processes, competent personnel and seamless collaboration in each step of the chain, and by leadership of quality professionals.

At HKScan, this is taken care of by an experienced team of quality directors coming from Finland, Sweden, Denmark, Estonia and Latvia. They have already shared their long experience – 135 years in total – for years. During 2013 their role has been further developed in line with the Group's operating model. The team meets regularly. On the agenda they discuss Group-wide quality and food safety policies, developing common quality processes, as well as benchmarking and sharing best practices systematically within the team. Knowledge of the latest scientific and regulatory issues is shared, too.

The Nordic meat experts at HKScan work to ensure that the products are safe and fulfill customers' and consumers' expectations.

Packages are an important media for the food industry, and with new sustainable packaging solutions the amount of waste can be reduced. Using thinner plastics and less cardboard, as well as other similar kinds of new generation packaging materials, creates savings through lower material costs and lighter-weight transportation, and in the end, they generate less waste in households. Another significant outcome of the latest generation of packaging is longer shelf life for the food products. This is important for HKScan and the customers alike; consumers today are not only cost conscious, but also interested in their own environmental footprint.

The basic food safety and quality requirements are defined in both EU and national legislation. Additionally a lot of development work is being done in order to improve both process and product quality as well as safety. The final results depend on numerous factors; in the first place all fundamental issues, such as good hygiene practices and ways of working with perishable raw materials, need to be taken care of by every worker at every plant every day. The cooperation between each of the phases of the process, from farm to the distribution channel, needs to be effective, and everyone is required to ensure their own share of the overall quality.

In supporting the continuous improvement work and integrating it into the corporate management system, HKScan utilises quality and food safety management systems. Standards like ISO 9001, ISO/FSSC 22000, BRC and IFS are used at all production plants as a development framework for quality and food safety, as well as ISO 14001 for environmental management.

RAISING THE BAR IN PRODUCER COOPERATION

Good cooperation between meat producers, other experts in the meat branch and HKScan guarantees a cost-efficient, safe and ethically sustainable future for meat and food production.

Through systematic anticipatory actions, HKScan Group can prepare for changes in meat production and secure the functionality, profitability and competitiveness of the entire value chain. In Finland, Sweden and Denmark, HKScan's animal sourcing is based on production agreements signed with local meat producers. In the Baltics, the Group also owns the farms where the livestock are raised.

Responsible and traceable production

HKScan's responsible operations start with a long-term commitment to developing the entire value chain. Knowing the origin of meat and purchasing raw materials responsibly are at the core of the Group's business operations. All stages of primary production are documented thoroughly in all countries where the Group operates. In Denmark, for example, all documented information about food safety and the health and wellbeing of animals is entered into a system through which animals can be traced from their original farm all the way through to the products.

HKScan is engaged in active cooperation with its contract producers also in order to secure the wellbeing of its production animals. All farms comply with animal wellbeing guidelines, with supervisory veterinarians visiting the farms several times a year. In addition, all slaughterhouse personnel are trained and qualified to handle production animals, and slaughtering and transport is always supervised by the relevant authorities.

HKScan Finland, together with other key operators in the industry, is involved in the Laatuvastuu (Responsibility for Quality) programme for pork. The programme is based on the healthcare register (Sikava) of the Association for Animal Disease Prevention (ETT). Its healthcare services were certified at the beginning of 2014 in compliance with the ISO9001 quality system. According to the Finnish Food Safety Authority Evira, national farms entered in Sikava clearly exceed the EU criteria set out for animal health and product safety.

The Group's animal sourcing and producer services

Animal sourcing and producer service organisations were merged into one function during autumn 2012. In 2013, HKScan clarified and simplified its animal sourcing structure in Sweden and Finland. Furthermore, cooperation with producers, the feed business and producer services were developed. The Group's unified animal sourcing enables methods, contracts, processes and systems to be harmonised, and further improves the Group's readiness to manage its meat balance even better.

In 2013, the Group had in total 13 500 contract producers. It sourced a total of 430 million kg of pork, beef, lamb and poultry meat calculated in slaughter weight (close to 600 million kg in live weight).

In Finland, HKScan sources its pork, beef and poultry from its contract producers, for whom it provides animal trading and transportation services. Together with its partners, HKScan also offers producers a range of feed solutions. Producers are additionally supported with comprehensive development programmes for meat production and professional information and feed planning services.

In Sweden, HKScan is responsible for the sourcing of its pigs, cattle and sheep, animal trading and the transportation of slaughter animals. The contractual cooperation model with key producers in Sweden is called the HKScan Partner agreement. In spring 2013, HKScan acquired the Swedish Nordic Genetics company, obtaining full rights to its NG Hampshire genetics, for which Scan Piggham Swedish pork is renowned.

In Estonia, HKScan produces pork, beef and poultry meat. The primary production of pork is mainly handled by the Group's own farms, and the feed manufacturing is also owned by the Group. Chickens are also raised in a separate integrated production chain, consisting of chicken farms, a feed plant and a hatchery.

In Denmark, HKScan sources poultry from its contract producers. Contractual production also covers organic chicken. In addition, corn-fed chicken is produced in Denmark.

CASE: Competitive benefits through primary production cooperation groups

A new cooperation model for primary production was launched in Finland in spring 2013 and in Sweden later in autumn. The objective of the production-specific cooperation groups, consisting of the Group and producers is to increase the international competitiveness of meat production and sourcing, monitor profitability and secure the continuity of meat production.

Contract producers that actively work to improve their production are selected as members of the development groups. The objective is to build and maintain an edge over the competition in production cost benefits, and to share and implement the best production methods among all contract producers in the HKScan cooperation network. To secure continuity, the composition of the groups changes yearly, with each member appointed for three years.

Each development group elects a producer to represent it in an animal-specific profitability group, which is responsible for benchmarking best practices and processes on a national and international scale.

Each profitability group then selects a representative to join HKScan's national and Group-level strategy group for primary production. The groups discuss general agreement terms, form national statements on the competitiveness of meat production and the local measures required in order to fulfil the Group's primary production strategy.

FEED FOR THE FUTURE

The objective of the feed business is to produce cost-efficient, transparent, traceable and innovative feed solutions for the contract producers.

Feed is the most significant cost item in the meat production. Depending on the animal species, it forms 55–70 per cent of meat production costs. Roughly speaking, 80 per cent of pork feed costs are made up by grain, 15 per cent by proteins and 5 per cent by minerals and amino acids.

The most important feed ingredients, such as grain, soy bean and rapeseed, are commodities traded on the stock exchange. HKScan's feed business aims to forecast price fluctuations and estimate cost risks. Price fluctuations of feed are based on global supply and demand that in their turn depend on weather conditions in primary global farming areas.

Win-win-win through the partnership model

HKScan's feed business is mainly based on partnerships. The objective is a win-win-win situation that brings benefits for the Group, meat producers, feed plants selected as partners, and the food industry with regard to several by-products. As a result of cooperation, HKScan can have an impact on primary production costs and meat quality, meat producers obtain more cost-efficient and high-quality feed options, and feed plants can better utilise their capacity. The food industry benefits as any by-products unnecessary to them are used in animal feeding in a material efficient way.

The partnership model has developed the most in Finland where a separate series of feed was launched for sow farms in 2013. The feed has been developed by HKScan's primary production information service which has the best know-how of the production, challenges and opportunities of high performance farms.

Close cooperation with partners also enables new innovations that can best be seen as added value in consumer products. The brand promise of the rapeseed pork launched in Finland and Sweden (Rypsiporsas®/Svensk Rapsgris®) is based on the accurate feeding plan enhanced with rapeseed, ensuring that the meat is tender and contains a healthier fatty acid composition.

In the Baltics, vertical integration has been carried farther than anywhere else because, there, HKScan owns the entire chain from primary production to feed and industry. In Denmark and Poland, HKScan is investigating various possibilities to improve the efficiency of feeding in the future.

CASE: By-products of the food industry to be utilised

By-products generated in the food industry are excellent supplements in animal feeding. They always contain either energy or proteins, or both in many cases. HKScan utilises these especially in pig feeding. HKScan's feed business utilises by-products, such as barley protein generated in the alcohol, fuel and starch industry, and whey which is no longer useful in the food industry. The utilisation of by-products is eco-friendly, particularly when the transportation distance is relatively short from the production source. In addition, utilisation reduces feeding costs.

Furthermore, by-products from slaughterhouses are important for HKScan's feed business. In Finland, 55 million kg of by-products from slaughterhouses are used in the fur chain every year. These by-products can be used as feed for minks and foxes in fur farming. In addition to fur farms and HKScan, the environment benefits from the utilisation of by-products from slaughterhouses.

FULFILLING PRESENT AND FUTURE NEEDS

Innovation and technology enable HKScan to meet its targets and respond to consumers' and customers' needs, thus supporting the Group's brand promise to be the Nordic meat experts.

HKScan believes that a thorough understanding of present and future consumer needs will equip the Group to meet challenges and opportunities in the years to come. This is why the Innovation & Technology and Group Marketing functions were created to support HKScan's activities throughout its value chain.

Upon its formation in 2013, the Innovation & Technology function concentrated on streamlining processes and putting a Group-wide research and development process in place. This laid down a good foundation for focusing on implementing and executing projects in 2014.

Together with Group Marketing, Innovation & Technology provides the entire HKScan with guidance for the future by defining priorities and setting guidelines for product development. These two Group functions have the joint purpose of sharing and implementing best practices and common tools. They seek to enhance operational efficiency by working closely with HKScan's businesses and functions to create and develop Group-wide targets, measures and ways of working. In addition, they define common development areas with regard to product portfolio categories.

At present, Innovation & Technology and Group Marketing have selected new concepts for which production, packaging and branding are being developed centrally by the group functions. This work is done in close collaboration with the businesses.

Improved collaboration means better products

Innovation & Technology is incorporated into all of the Group's processes today; from HKScan's raw material purchasing, supply chain, production technology and quality and sustainability management to its IT systems and investments.

The Group seeks to keep a finger on the pulse of consumers throughout its markets, studying their behavior and how they use HKScan's products. This insight then guides research and development activities. By helping to target investments and facilitating collaboration throughout the Group, Innovation & Technology ensures that in a competitive environment, HKScan develops the right products and launches them to the market rapidly. Consumers and customers are then able to reap the benefits.

In order to create the best products, it is also necessary to unite people with different types of perspectives, ideas and expertise. For HKScan, knowledge sharing and collaboration goes beyond the Group - it involves customers, partners, research centers, universities and external experts.

Innovations improve sustainability

Innovation & Technology also enables HKScan to meet the megatrends shaping the industry and influencing the Group's value chain. Perhaps more than ever, attention to sustainability is essential for maintaining consumers' trust and thereby ensuring the positive business development.

For example, through innovations in packaging design to suit the requirements of today's smaller households, HKScan responds to the demand to keep food fresh while reducing waste. By optimising the type and quality of feed, the Group raises the taste and quality of the food that is served on consumers' plates. The possibilities for harnessing innovation are endless.

HKScan sees great potential in combining its understanding of the market with the Group's combined knowhow in innovation and technology to meet consumer's continuously evolving needs.

CASE: Rypsiporsas®: strategic product development in action

Whether you choose to call rapeseed pork by its Finnish name of Rypsiporsas® or Rapsgris® in Swedish, it all started with a good idea. This was supported by effective communication, collaboration and commitment by several functions within HKScan and meticulous development and testing. The end result? A successful product with real benefits for the consumer.

What is most special about Rypsiporsas® is the attention that has been put into every step of the value chain. Rapeseed pork was born from extensive research and collaboration between HKScan and its partners. From managing each link of the supply chain to communicating to consumers, HKScan has placed a strong emphasis on the product's quality, taste and health benefits.

The feeding process for rapeseed pork is one of the most closely monitored in the world. Domestic grain enriched with rapeseed oil is sourced from selected producers. This specialised type of feed makes for a happy, healthy and thriving flock. Down the line, consumers enjoy juicier, more tender and tastier pork. More importantly, a higher proportion of Omega 3 and other unsaturated fats versus saturated fat mean that the meat is not only more delicious but also healthier to eat. No comparable products are being offered in the market today.

HKScan takes pride in the effort it puts into managing the security and transparency of its value chain. This is just one way that the company shows its commitment to consumers.

People are increasingly seeking food products that are local, healthy, natural and sustainable. Already rapeseed pork responds to these demands. HKScan continues its work on Rypsiporsas®, researching and developing the concept further with the goal of providing even greater benefits for consumers.

SUSTAINABLE VALUE CHAIN

We work to produce, sell and market meat and meat products in an ethical way. Sustainable operations apply to the entire supply chain from the consumer's plate to the feed and genetics of animals and vice versa.

HKScan Group is committed to systematic development of sustainable business in its strategy and actions. Sustainability brings value for the company, consumers and all the other stakeholders every day. Every employee shall be able to influence responsible ways of working, as well.

In the HKScan sustainability programme, targets, actions and measures are integrated into business management and operations and are shared with our stakeholders. The Group has evaluated the most relevant sustainability issues, and decided to use the following main themes to focus on both long-term and topical issues related to our impact on sustainable development:

Economic sustainability

The Group is an important employer, and its investments in the production plants contribute to local economies. For this reason, the sound profitability of the Group and the success of its stakeholders are interdependent. HKScan's production is firmly based in its home markets and tightly connected to local primary production through contracts. Long-term profitability of the entire food chain, especially in primary production has been a critical topic in recent years. The Group is monitoring and anticipating the changing feed and other commodity prices in order to foresee better the economic impacts on the chain in the challenging business environment.

Social sustainability

Products are manufactured responsibly at HKScan. They are safe for consumers, and the taste as well as quality meet their expectations. The Group is committed to giving complete and transparent product information. The health aspects of food direct our product development to work continuously with what we are well known for; reducing salt levels, improving fat content and critically reviewing additives in the products.

At HKScan we focus on employee well-being covering occupational health, equality and diversity at work, and the working atmosphere. Organised structures for labor relations belong to this area. In 2013, organisational restructuring has had its impact on the personnel. At the same time better prerequisites for Group-wide cooperation and developing meat expertise have developed. Relations with society and communities have been enhanced by participation in sustainability initiatives, as well as in policy making processes on all levels, from communities around the production plants up to Group-level.

Animal welfare

Ethical treatment of animals in the entire chain, ranging from genetics to breeding, raising in the farms, transportation and slaughtering is monitored and guided by HKScan or its partners. The Group follows the latest research, as well as the development of regulation, and conducts its own trials in order to apply

SUSTAINABILITY

Economic sustainability	Social sustainability	Animal welfare	Environmental sustainability
Responsible long-term profitability of the Group and its value chain	Responsible products, employee well-being and relations with society and communities	In genetics, farms, transportation and slaughterhouses	Efficient management of energy, materials, waste, chemicals and water. Mitigation of environmental impact on surroundings and climate change.

Sustainable & transparent supply chain

Stakeholder cooperation & communications

best practices in animal production as well as advising producers in these matters.

We are proud of the good status we have at HKScan regarding the low amount of animal disease in contract production and in our own primary production. Nevertheless, control of animal disease is a constant part of day to day work in preventing all incidents. This is in connection with the need for animal medication, including the topical issue of the use of antibiotics only for diagnosed needs, which is being carefully monitored.

Environment

The Group works constantly to reduce the environmental impact of its processes, in the surroundings and in the value chain. In HKScan, the best practices in environmental work are shared among the employees.

Climate change is an important topic both for society and for HKScan. The Group works to reduce greenhouse gas emissions from its processes through energy efficiency and the transition to renewable energy sources, and also engages in local commitments and projects. Material efficiency, such as using all parts of animal raw material and minimising food waste, is another focus area. To increase the level of recycling, several production plants have been able to sort out more fractions over the year. Decreasing the number of chemicals used and substituting them with more environmentally friendly options is also ongoing.

Sustainable and transparent supply chain

Discussion about the so called "horse meat scandal" emerged at the beginning of 2013 pointing out the importance of transparency of the whole supply chain. HKScan uses meat mainly from domestic origins, produced in its own farms or by long-term contract producers. In order to further increase knowledge of the share of imported meat coming from carefully chosen external suppliers, the Group has developed its supplier evaluation process and traceability. In addition to the meat sourcing, the sustainability of other sourced materials, e.g., the soy used in animal feed, is evaluated.

Stakeholder cooperation and communications

HKScan is generating more organised ways to engage in its stakeholder cooperation. Some functioning practices, such as the European Works Council for personnel, and producer cooperation groups for primary producers, are being developed further. The meat expertise in our value chain has been shared with our stakeholders, e.g., during farm visits and on various websites. At the beginning of 2014 we are on our way to an enlarged stakeholder dialogue aimed at validating selected focus areas for further sustainability work.

OUR MEAT PROFESSIONALS

The personnel, the Nordic meat experts, are the key in building a unified Group. During 2013, several development activities related to the personnel were carried out under the leadership of the Group's Human Resources.

Performance dialogues

Significant steps forward were taken when systematical performance dialogues were introduced Group-wide. The dialogues start from the CEO, who conducts the performance dialogues with his direct subordinates. From there the dialogues continue further to every employee throughout the Group. The aim is to translate HKScan's strategy into individual targets, so that everyone ultimately knows how to contribute to achieving the Group's targets.

The performance dialogue is an important leadership tool for the manager, and it plays a central role for the employee's personal development. The dialogue is also meant for mutual feedback, and for discussions about performance, leadership, development and values. It offers a regular communication channel between the manager and the employee.

In its implementation, HKScan Sweden was the Group-wide forerunner, because the performance dialogues were held with all the personnel in 2013.

Foundation building for Human Resources' processes

As part of building a common Group-wide foundation for main Human Resources' (HR) processes, HKScan Job Architecture development was started in spring 2013. It is a job grading system offering a systematic process for defining and communicating the relative scope and responsibility of white-collar positions within the Group.

Job Architecture brings clarity and structure to different jobs and accountabilities and a Group-wide system enabling better support to the Group's strategy and constantly changing business. The system helps to review the roles and job levels across locations and countries. It also enables more efficient and transparent Group-wide HR processes, roles, competences, leadership and communication. HKScan Job Architecture covers the whole Group and will be implemented further in 2014 in all businesses, countries and locations.

European Works Council

HKScan European Works Council (EWC) operated for its third year in 2013. The EWC is a channel for promoting dialogue between the Group management and personnel representatives.

The EWC is an important forum in building a unified HKScan. Both the employer and the employees believe EWC has developed positively in 2013; the working atmosphere was good and discussions were open.

Additionally, in conjunction with the EWC, the employees normally have time for their own meetings, and there is also a visit to the local production plant. The EWC offers a forum for learning from others, and for sharing ideas and best practices.

Personnel by market area, average

	2013	2012
Finland	2 685	2 794
Baltics	1 685	1 742
Sweden	2 459	2 428
Denmark	869	872
Total	**7 698**	**7 836**

In addition, the Sokołów Group employed an average of 6 458 (6 310) persons during the year.

Personnel by market area, year end

	31.12.2013	31.12.2012
Finland	2 572	2 592
Baltics	1 732	1 700
Sweden	2 248	2 339
Denmark	838	893
Total	**7 390**	**7 524**

In addition, the Sokołów Group had 6 813 (6 491) employees at the end of the year.

CASE: **A strong Danish team with over 25 nationalities**

HKScan Denmark, previously known by the name Rose Poultry, has developed from being a family owned business to being part of the HKScan Group. With its employees coming from 25–30 different cultures, the Danish team is truly multinational with a strong sense of unity.

A big part of our team's "DNA" is a high sense of responsibility, loyalty and strong teamwork. After the unfortunate fire in Vinderup in June 2012, it really showed that all employees were committed to getting production and business up and running again. Everybody did a great job. Loyalty is also shown in long careers and high level of seniority. We frequently have anniversaries of 25, 30 and 40 years. This is something to be happy and proud of!

The team consists of over 25 nationalities. Approximately 30 per cent of the blue collar workers come originally from other countries than Denmark. Depending on which part of the world a person comes from, it can be challenging to adopt a different leadership style than the one that the person is used to. To request feedback from employees can, for example, be a new learning.

One of the keys to the Danish team's strong sense of unity is maybe seeing the importance of company culture and good working environment. In daily life we use "Lean". It means that we constantly have a strong focus on efficiency and "working smarter not harder", to say it another way. Besides measuring the "hard" production facts, we also pay attention to issues related to working environment, accidents at work and rates of sickness. The employees give green, yellow or red smileys for tone, information, leadership and rotation between job functions. If an area gets a yellow or red smiley, we will discuss the matter and what to do about it. This is typical in Denmark – we like an open and honest dialogue, as well as receiving and giving feedback. We also want employees to come with their own ideas for improvements.

To have so many nationalities represented, we consider it a blessing, as the diversity contributes to create various ideas and input. The integration of nationalities has always been part of our history.

"A member of our integration-committee once said that integration is not a problem at all at work, but it's more difficult during leisure time and in the neighborhood," says the HR director in Denmark. "A strong and positive team culture can override differences in national cultures," she adds.

BOARD OF DIRECTORS

Appointed on 24 April 2013


Juha Kylämäki


Niels Borup


Tero Hemmilä


Henrik Treschow


Teija Andersen


Gunilla Aschan


Mikko Nikula


Per Nilsson

Juha Kylämäki (b. 1962), Chairman of the Board since 2011

Law student; Finnish national; Farm entrepreneur, broiler meat producer, Marttila, South-West Finland

Main Board memberships and public duties: Sokołów S.A., Member of the Supervisory Board 2013–

Public duties previously undertaken: Member of the Supervisory Board of LSO Osuuskunta 1996–02/2011, Vice Chairman of the Supervisory Board 1997–2007; Chairman of the General Assembly of Suomen Siipikarjaliitto ry (Finnish Poultry Association) 2004–2010; Chairman of Suomen Broileriyhdistys ry (Finnish Broiler Association) 2000–2002

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: 5 044

Niels Borup (b. 1964), Deputy Chairman of the Board since 2011

M.Sc. (Econ. & Bus. Admin.); Finnish national; Farm entrepreneur, pork and milk producer, Lapinjärvi, South Finland

Main Board memberships and public duties: Member of the Board of the Federation of Employers in Agriculture 2008–; Member of the Board of Finlands Svenska Jordägarförbunds stiftelse (Finland's Swedish Landowners' Federation Foundation) 2008–

Public duties previously undertaken: Member of the Board of Scan AB 2011–6/2012; Member of the Board of LSO Osuuskunta 2008–2/2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: 8 000

Tero Hemmilä (b. 1967), Member of the Board since 2011

M.Sc. (Agr. & For.); Finnish national; Yara Suomi Oy, Managing Director 2010–

Key employment history: HKScan Corporation, Senior Vice President for strategy and development 2009–2010; HK Ruokatalo Oy, Senior Vice President in charge of the meat business 2008–2009; LSO Foods Oy, executive positions 1997–2008

Main Board memberships and public duties: Farmit Website Oy, Chairman of the Board 2010–; Chemical Industry Federation of Finland, Member of the Board 2010–; Pellervo Economic Research PTT, Member of the Board 2010–

Public duties previously undertaken: Viljavuuspalvelu Oy, Chairman of the Board 2010–2012; Scan AB, Member of the Board 2009–2010; LSO Foods Oy, Member of the Board 2009–2010; Finnpig Oy, Member of the Board 2008–2010; Envor Biotech Oy, Chairman of the Board 2008–2010; Honkajoki Oy, Member of the Board 2008–2010; Findest Protein Oy, Member of the Board 2008–2010

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: 3 500

Henrik Treschow (b. 1946), Member of the Board since 2011

MBA; Swedish national

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

Public duties previously undertaken: -

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: 1 200

Teija Andersen (b. 1957), Member of the Board since 2012

M.Sc. (Agr. & For.), eMBA; Finnish national; Adviso TMA Oy, CEO 2012–; Etelä-Hämeen Lomat Oy, CEO 10/2013–

Key employment history: Oy Karl Fazer Ab, SVP, Strategic Marketing, Brands and R&D 2009–2011; Fazer Amica Oy, Managing Director 7/2003–2007; Fazer Amica Oy, Deputy Managing Director, marketing and sales 2003–6/2003; Fazer Amica, Managing Director 2005–2008; Candyking Finland Oy (Fazer Group), Managing Director 9/2000–2002; Fazer Suklaa Oy, Sales Director 1997–2000

Main Board memberships and public duties: Paletti Oy, Member of the Board 2009–; Diacor Oy, Member of the Board 2009–; Are Oy, Member of the Board 2012–

Public duties previously undertaken: Technopolis Plc, Member of the Board 2009–03/2013; Sampo Bank, Member of the Board 2006–2009; HAUS – Finnish Institute of Public Management Ltd, Member of the Board 2007–2009; Turvatiimi, Member of the Board 2007–2009; Association of Finnish Advertisers, vice chair, Member of the Board 2007–2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: -

Gunilla Aschan (b. 1960), Member of the Board since 2012

M.Sc. (Agriculture, Econ.); Swedish national; Farm and forestry entrepreneur, beef producer Southeast Sweden; Farm & Forest Department, Manager, Nordea Sweden, Stockholm

Main Board memberships and public duties: Hushållningssällskapet Östergötland, Member of the Board

Public duties previously undertaken: Sveriges Djurbönder, Member of the Board until 9/2013; Axa Lantmännen, Member of the Board 2006–2007; Södra Skogsägarna, Member of the Board 2006–2011; Södra Cell AB, Member of the Board 2006–2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: -

Mikko Nikula (b. 1972), Deputy member of the Board since 2013

M.Sc. (Physics); Finnish national; Farm entrepreneur, broiler meat producer, Rusko, Finland

Key employment history: Privanet Securities, Operative Director 2012; TUTO Hockey Oy, General Manager 2011; Nokia Corporation, Project Manager, global sales 2008–2009, Customer Manager, global sales 2007, Manager, sales operations, EMEA region 2004–2007, Product Manager, global marketing 2000–2004, R&D, team leader 1998–2000

Main Board memberships and public duties: Suomen purjelaivaosakeyhtiö (Sailing ships of Finland Ltd.), Member of the Board 2012–

Public duties previously undertaken: LSO Osuuskunta, Member of the Board 2012–4/2013; General Assembly of Suomen Siipikarjaliitto ry (Finnish Poultry Association), Vice Chairman 2010–2011

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: -

Per Nilsson (b. 1973), Deputy Member of the Board since 2013

Lantmästare, Swedish University of Agricultural Sciences (SLU); Master programme at Agriculture University of St. Paul/Minnesota, USA; Swedish national; Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

Key employment history: Salesman of Swedish Lantmännen 1998–1999; Work on different farm companies 1980–1998

Main Board memberships and public duties: Memberships in various local boards in Sweden 1999–

Public duties previously undertaken: Swedish Meats ek. för. 2006–2008; The head board of the Swedish Federation of Farmers Union, LRF 2004–2006; Local marketing board of Swedish Lantmännen 2002–2004; Swedish Federation of Young Farmers 2000–2003; The student organization of SLU Alnarp, Chairman 1997–1998

Independent of the Company and major shareholders

Shareholding in HKScan Corporation on 31 December 2013: 570

Markku Suvanto, EVP, Legal and Administration of HKScan, serves as secretary to the Board of Directors.

Auditors for the 2013 financial year: Authorised public accountants PricewaterhouseCoopers Oy, with Johan Kronberg, B.Sc. (Econ. & Bus. Admin.), APA, Parainen, as principal auditor

GROUP MANAGEMENT TEAM

Hannu Kottonen

Aki Laiho

Tuomo Valkonen

Samuli Eskola

Göran Holm

Jukka Nikkinen

Sari Suono

Anne Mere

Markku Suvanto

Hannu Kottonen (b. 1957), President and CEO of HKScan as of 3/2012

M.Sc. (Econ.); Finnish national

Key employment history: Metsä Tissue Corporation, CEO 10/2006–1/2012; Metsäliitto Group, Member of the Executive Management Team 2009–1/2012; M-real Corporation, Head of the Consumer Packaging business area 1/2004–10/2006; Huhtamäki Group, various positions (incl. CFO and President of the Fresh Food Packaging Division) 1983–2003; TSP-Suunnittelu Oy 1980–1983

Main Board memberships and public duties: Confederation of Finnish Industries EK, Member of the Trade Policy Committee 2014–; Finnish Food and Drink Industries' Federation ETL, Member of the Board and executive committee 2012–; Sokołów S.A., Member of the Supervisory Board 2012–, Vice Chairman 2012–; Helsinki Region Chamber of Commerce, Member of delegation at Finland Chamber of Commerce 2013–; Finnish Orienteering Federation, Member of the Executive Board 2006–11/2013, Vice Chairman 2008–11/2013; In addition, a number of board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2013: 23 000

Aki Laiho (b. 1972), HKScan's COO responsible for the development of technology and production, Deputy to the CEO as of 8/2012

M. Sc. (Eng.), CSCP; Finnish national

Key employment history: Aalto University, BIT Research Centre, Researcher and Project Manager 9/2008–7/2012; SunKumppani Oy, Partner, 9/2009–7/2012; Sauer-Danfoss ApS, Director, Global Supply Chain 10/2005–8/2008; Nokia Corporation, Head of Mobility Office 3/2004-9/2005; Nokia Corporation, Head of DSN Strategy and Advanced Development 1/2002–2/2004

Main Board memberships and public duties: Sokołów S.A., Member of the Supervisory Board 2013–; Rolan Oy, Chairman of the Board 2010–; SunKumppani Oy, Member of the Board 2009–

Shareholding in HKScan Corporation on 31 December 2013: 7 500

Tuomo Valkonen (b. 1967), CFO of HKScan as of 9/2012

M.Sc. (Econ.); Finnish national

Key employment history: CPS Color, CFO 2010–2012; Rautaruukki, Vice President, Corporate Finance and Control 2004–2010; Savcor, General Manager, Beijing, China 2002–2004; Kyrö, Business Controller, Tianjin, China 2001–2002; Metsäliitto, Finnforest, various managerial positions in finance, sawn timber division 1995–2001

Main Board memberships and public duties: -

Shareholding in HKScan Corporation on 31 December 2013: 5 500

Samuli Eskola (b. 1974), Executive Vice President of HKScan's consumer business in Finland and the Baltics as of 8/2013

M.Sc. (Econ.); Finnish national

Key employment history: HKScan Group, strategy and strategic projects 2012–2013; HKScan, various management positions 2007–2012; Lännen Tehtaat, management positions; Atria, management positions

Main Board memberships and public duties: Chilled Food Industries' Association, Chairman of the Board 2009–; In addition, a number of board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2013: 1 000

Göran Holm (b. 1958), Executive Vice President of HKScan's consumer business in Scandinavia as of 12/2012

DIMH diploma in marketing, Stockholm IHM Business School; Swedish national

Key employment history: Coca-Cola Enterprises Sverige AB, Managing Director 3/2005–8/2012; Coca-Cola Enterprises Sverige AB, Deputy Managing Director 2003–2005, and Commercial Director 2001–2005; Johnson & Johnson Consumer, Scandinavia, Managing Director 1995–2001; Johnson & Johnson Consumer, Scandinavia, various other positions, including Commercial Director 1993–1995

Main Board memberships and public duties: Swedish Food Federation, Chairman of the Board 2011–; Confederation of Swedish Enterprise, Member of the Board 2009–; Grocery Manufacturers of Sweden, Member of the Board 2003–; FTI AB, Member of the Board 2012; Svenska Metallkretsen AB, Chairman of the Board 2012–; In addition, a number of board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2013: 7 500

Jukka Nikkinen (b. 1962), Executive Vice President of HKScan's Away from Home (AfH) Business as of 8/2012

M. Sc. (Econ.); Finnish national

Key employment history: Rautakirja Oy, Senior Vice President, Business development and strategy, member of Rautakirja Group's management team 6/2004–7/2012; Rautakirja Oy, Kiosk trade, Director, international business, member of Kiosk trade business' management team 1/2002–6/2004; Leaf Suomi and Leaf Group, various duties 1988–2001, latest as Export Director 8/1999–12/2001

Main Board memberships and public duties: -

Shareholding in HKScan Corporation on 31 December 2013: 7 500

Sari Suono (b. 1968), Executive Vice President HR of HKScan as of 4/2013

Master of Law, eMBA; Finnish national

Key employment history: Head of HR at A-Katsastus Group Oy 6/2011–4/2013; Itella Plc, Mail Communication, VP HR 11/2007–5/2011; Itella Plc, Group HR, HRM, Director 10/2006–10/2007; Itella Plc, Group HR, Legal Counsel 11/2003–9/2006; Finnair Plc, various positions 1988–2003, latest as HR Director 2/2001–11/2003

Main Board memberships and public duties: HR Legal Services Oy, Member of the Board

Shareholding in HKScan Corporation on 31 December 2013: 5 500

Anne Mere (b. 1971), Chief Marketing Officer (CMO) of HKScan as of 8/2013

MBA; Estonian national

Key employment history: EVP of HKScan's business segments of Finland and the Baltics 02/2012–08/2013; AS Rakvere Lihakombinaat, Managing Director 2008–2012; AS Rakvere Lihakombinaat, Marketing Director 2003–2008; Austria Tabak Eesti OÜ, Marketing Manager 2000–2003; Unilever Eesti OÜ, Key Account Manager 1997–2000; Suomen Unilever Oy, Van den Bergh Foods, Representative for Estonia 1994–1997

Main Board memberships and public duties: Finnish Meat Board, Chairman of the Board 2012–; Lihatiedotus ry, Chairman of the Board 2012–; In addition, a number of board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2013: 7 500

Markku Suvanto (b. 1966), Executive Vice President, Legal and Administration of HKScan as of 5/2011

LL.M. trained on the bench; Finnish national

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

Main Board memberships and public duties: HC TPS Turku Oy, Member of the Board; In addition, a number of board positions in Group companies

Shareholding in HKScan Corporation on 31 December 2013: 5 500

Extended Management Team of HKScan comprises in addition to the Management Team members:

Marja-Leena Dahlskog, SVP Communications

Mika Huhtanen, SVP Group Supply Chain

Veli-Matti Jäppilä, SVP Animal Sourcing and Producer Services

Keijo Keränen, SVP Treasury

Orvokki Knuutinen, SVP Sourcing

Markku Krutsin, SVP Innovation and Technology

Pekka Kuokka, SVP Business Process Solutions

Juhan Matt, SVP Strategy and Strategic Projects

Magnus Lindholm, GM Sweden

Thomas Perkiö, GM Denmark (acting)

Teet Soorm, GM Baltics

REPORT BY THE BOARD OF DIRECTORS

- Net sales were EUR 2 478.6 (2 503.1) million.
- Reported EBIT was EUR 30.5 (43.1) million, and the EBIT margin was 1.2 (1.7) per cent. Comparable EBIT excluding non-recurring items for the year was EUR 30.0 (36.7) million, and the corresponding EBIT margin was 1.2 (1.5) per cent.
- Cash flow before debt service was EUR 103.4 (65.8) million.
- Profit before taxes was EUR 9.7 (14.3) million.
- EPS was EUR 0.16 (0.30).
- Net financial expenses were EUR -24.2 (-31.7) million.
- Net debt was EUR 355.7 (440.9) million, and net gearing was 87.0 (109.2) per cent.
- Outlook for 2014: HKScan expects the comparable operating profit (EBIT) margin to be 1–2 per cent, and anticipates that the last quarter will be the strongest. In 2013, the corresponding comparable operating profit (EBIT) margin was 0.5 per cent.
- The outlook takes into account that the market area Poland (HKScan's 50 per cent share of Sokołów) will be excluded in the consolidated operating profit based on the change of IFRS 11 in the International Financial Reporting Standards as of 1 January 2014.
- Board's proposal for dividend is EUR 0.10 (0.10) per share.

GROUP OVERVIEW

The Group's financial performance was mixed in 2013 as the profitability was below target whereas the cash flow was strong. The profitability of businesses in Poland and the Baltics were at a good level. Sweden showed some recovery and improvement from the previous year, but on the contrary, profit in Finland fell well behind the previous year. The realised EBIT of approximately 1 per cent in both market areas was clearly below the Group's long-term financial target. Last year was a recovery year after the fire in Denmark and the market position was regained but the profitability remained poor.

The Group's cash flow strengthened significantly in 2013 thanks to the good work done in managing the working capital and capital expenditure. In addition, the settlement of the fire insurance case fixed the weaker cash flow since the fire in Denmark.

The demand in both Consumer and Away-from-Home businesses especially in export was at a lower level compared to the previous year. As the supply in the markets didn't adapt quickly enough, the sales price competition was tough in all markets. The continued recession resulted in lower consumer purchasing power, and led to demand shifting to lower-priced products. Additionally, private labels increased their share of the market as a whole.

The year started with high animal purchasing prices and primary production costs. In the latter part of the year the increase in animal purchasing prices stopped and started to decrease as global market prices in grain and feed declined.

Pork meat inventories were high throughout Europe the whole year. Due to the global meat surplus, export sales prices were poor, hitting the margins especially in the third and fourth quarter, when the excess stock was more actively sold to export. Poor weather conditions during spring and early summer in Europe resulted in the barbeque season starting later. The sales of Christmas products were good. The structural shortage of beef continued.

In the autumn, the Group functions were further strengthened by founding a Group Marketing function to enhance long-term Group level brand management and to develop consumer and customer driven offering. Product innovation exchange between the Group's home markets will be increased further. A Group-wide centralised import organisation to strengthen and co-ordinate externally sourced meat was started from the beginning of the year 2014.

The Group-wide operational efficiency improvements, such as consolidation of purchases, continued successfully during 2013. In the first quarter a producer cooperation model was taken into use in Finland. The goal is to get cost advantage for primary production and to implement best production practices. Closer integration with primary production started also in Sweden later in the spring.

One of the Away from Home business' targets is to efficiently utilise the potential of Group-wide manufacturing and know-how. In the autumn, the first cross-border product portfolio was launched in AfH Sweden. The export organisation was centralised under one management to deliver better customer service and find new value adding market potential.

In July, HKScan introduced the first steps of the Group's sharpened brand strategy: company names will be harmonised, and country-of-origin promises were reaffirmed for its key brands in Finland and Sweden.

The development programme launched in 2012 met the targets for reducing the annualised costs by more than EUR 20 million and a significant reduction in capital employed. The improvements will reach their full effect in 2014. The gains achieved in 2013 were mainly deteriorated by the cost inflation and decrease in the sales margins. At the end of September, a new development programme was launched. The programme will run until the end of 2014 and it targets an annual cost reduction exceeding EUR 20 million and a reduction of over EUR 50 million in net debt. In November, the fire insurance case in Denmark was settled, and the refinancing arrangement amounting to EUR 135 million was completed to replace the syndicated bank loan due in 2014.

The Group's revised long-term financial targets were announced in August as follows: operating profit (EBIT) of more than 4%, return on capital employed greater than 12%, and net gearing less than 100%. The dividend policy of at least 30% of net profit remained unchanged.

HKScan Group celebrated its 100th anniversary in 2013. The anniversary was visible in personnel events, communications and marketing actions mainly in Finland.

REVIEW BY MARKET AREA

Net sales and EBIT by market area

(EUR million)	2013	2012
NET SALES		
- Finland	804.1	813.8
- Baltics	175.1	176.7
- Sweden	965.3	1 025.7
- Denmark	226.1	211.7
- Poland	375.1	343.7
- Between segments	-67.0	-68.5
Group total	**2 478.6**	**2 503.1**
EBIT		
- Finland	2.8	18.4
- Baltics	8.4	8.9
- Sweden	8.1	-5.9
- Denmark	4.9	15.4
- Poland	18.8	15.8
- Between segments	-	-
Segments total	43.0	52.5
Group administration costs	-12.5	-9.5
Group total	**30.5**	**43.1**

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

Market area Finland

In Finland, net sales were EUR 804.1 (813.8) million and EBIT was EUR 2.8 (18.4) million.

The reorganisation actions including the commercial organisation streamlining were completed and improvement in managing the delivery capability, as well as balancing demand and supply were seen in the fourth quarter of 2013.

As for the whole of 2013, the low demand and the fierce competition decreased sales volumes and average sales prices, and therefore the sales margin development was poor in both domestic and export markets.

New product launches in Finland during the year comprise, among other things, novelties in HK Rypsiporsas® (rapeseed pork) as well as fresh Kariniemen poultry product ranges for the BBQ season in summer. In September, a new range of organic processed meat products was launched on the market. In August, a renewed HK-brand web site was launched. The site focuses on describing the meat value chain to different stakeholders, and it also introduced a "Meat School" for consumers.

The producer cooperation model was fully implemented in Finland during 2013. Pork procurement prices came down slightly since July, whereas beef and poultry prices remained high. The production rationalisation programme between Vantaa, Mikkeli and Säkylä plants, was completed by the end of the year. During the transition, the production capacity and efficiency were temporarily limited. The programme aimed to improve the productivity and efficiency of the business, as well as bring benefits from centralising operations and technologies.The restructuring programme to reduce annual costs by EUR 5 million was successfully finalised.

Market area the Baltics

In the Baltics, net sales were EUR 175.1 (176.7) million and EBIT was EUR 8.4 (8.9) million.

Good performance continued throughout the year as the branded products delivered good results and the cost management in primary production and other areas was well in place. Export market remained soft. New product launches, sales of branded products and strong consumer communications brought good results. Overall demand and the sales price levels also normalised after a weaker first half of the year. This together with the decreased primary production costs contributed to the good profit development.

Several efficiency improvement actions took place in the market area. The Baltic poultry production was centralised to the new Tabasalu facility in Estonia. From the beginning of 2014, the facility will slaughter, debone and process poultry for the entire Baltic region in HKScan Group. Lithuanian logistics were integrated into the Latvian logistics operations in Riga.

As for new products and concepts, the Kiev cutlet was launched in May and the Doctor's Frankfurter in Rakvere's Lihakas product series was launched in October.

Market area Sweden

In Sweden, net sales were EUR 965.3 (1 025.7) million and EBIT was EUR 8.1 (-5.9) million.

The decrease in net sales continued due to discontinuing non-profitable sales and lower volumes. The sales volume was also affected by the stagnated growth of the consumption of pork and beef whereas the consumption of chicken continued to grow. The implemented cost savings and production efficiency improvement actions supported the profitability development. In June, redundancies due to operational efficiency actions were announced, affecting around 20 persons at the Skara plant. The strategic review is continuing in Sweden. The operative cash flow remained at the same good level as in the previous year in the fourth quarter.

In 2013, branded products, such as Svensk Rapsgris® (Swedish rapeseed pork), and Pärsons® fresh chicken products performed and developed well throughout the year. However, the share of new products was still relatively low out of the total business volume. Pärsons® cold cuts continued to perform well.

The higher meat imports kept putting pressure on sales prices. The private label products continued to capture market share. The new producer cooperation model was started, and a new long-term contract model for pork was launched in the autumn. In the spring, HKScan acquired exclusive rights to Nordic Genetics' NG Hampshire genetics, which form the basis for the well-known Swedish "Scan Piggham®" pork.

The Kristianstad production plant was connected to the municipality's district heating in the third quarter resulting in a sizeable annual decrease of carbon dioxide emissions.

In December, HKScan announced an increase in its former 30 per cent ownership in Höglandsprodukter AB in Halmstad, Sweden, to 100 per cent. The company markets and sells high-quality Swedish beef, veal and pork that are locally sourced from Småland under the Höglandskött (Highland Meat) brand.

Market area Denmark

In Denmark, net sales were EUR 226.1 (211.7) million and EBIT was EUR 4.9 (15.4) million.

The profitability improved to break-even during the fourth quarter. The tough price competition in both domestic and export markets continued and the sales margins remained low, which was seen in the frozen products, in particular. The extraordinary sales of excess frozen stock, which had started in the third quarter, continued in the fourth quarter and caused a negative impact on sales margins. The sales of fresh chicken in Sweden started in spring and developed well during the rest of the year.

In the fourth quarter the operative cash flow was exceptionally strong as the remaining fire insurance compensation payment was received in full, whereas a year before and earlier during 2013 there was a significant insurance compensation receivable in the books.

In November, the fire insurance case was settled and completed with the insurance company. The unpaid part of the insurance compensation payments were received during the fourth quarter. The insurance covered damage to property, loss of profit and additional costs caused by business interruption. The property insurance compensation part of the total compensation amounted to EUR 26.5 million (EUR 7.1 million in 2013 and EUR 19.3 million in 2012). They are reported as non-recurring income. The insurance compensation for the business interruption as loss of profit and additional costs covered the time period of 24 months from June 2012 to May 2014.

As for the whole of 2013, the market position was returned to the same level as it was before the fire in June 2012, but tough price competition kept the sales margin low resulting in poor profitability. From the operations point of view the rebuilding and start-up of the new production lines were completed during the year. All the temporary production arrangements were discontinued and as a part of these production rearrangements the operations at the Padborg plant were closed down in mid-June and the facility was later sold. At the end of June, around 100 personnel were given notice at the Skovsgaard plant.

Market area Poland

In Poland, net sales were EUR 375.1 (343.7) million and EBIT was EUR 18.8 (15.8) million.

Sales growth was strong throughout the year. Sales of branded processed and barbecue products increased thanks to the expanded product range. Furthermore, the high recognition of the Sokołów brand continued to contribute to the positive development. As a result the profitability was good.

An improved level in beef supply in Poland was accompanied by a decrease in purchase prices. The slaughtering volumes of Sokołów grew and enabled larger export volumes. Polish consumer demand for beef increased. Additionally, exports of processed products increased starting from the third quarter.

Responding to the market situation, Sokołów launched a new line of products using "Mylar Cook" technology for convenience food during the third quarter.

In September, at the International Polagra Fair in Poznań, four Sokołów products were awarded with gold medals for up-to-date, innovative and highest technology products.

In a rating of the most valuable brands in Poland, the Sokołów brand reached the 10th place and it had the highest brand value in the meat industry.

Investments

The Group's net investments came to EUR 52.9 (76.6) million and were divided by market area as follows:

(EUR million)	2013	2012
Finland	15.2	11.8
Baltics	8.7	10.5
Sweden	6.1	7.4
Denmark [1]	12.1	33.0
Poland [2]	10.8	14.0
Total	**52.9**	**76.6**

[1] The investments include rebuilding of the Vinderup plant.
[2] HKScan's share (50%) of Sokołów investments.

A substantial share of the investments planned and executed in 2013 focused on improvements in operational efficiency, which has been identified as a strategic focus area.

The main investments during 2013 included the following: in Finland, transfers of production lines between the Vantaa, Mikkeli and Säkylä plants, production line and infrastructure investment for processed meat products in Mikkeli, as well as investments in poultry production in the Eura plant. In the Baltics market area, the consolidation of poultry production to the renewed Tabasalu plant was carried out, as well as capacity enhancement in primary production at Pärnjõe farm in Estonia. In Sweden, the main investments were made at the Skara plant to improve energy efficiency. In Poland, several investments were made in the production plants, such as the investments in processing and packing at the Sokołów Podlaski plant, as well as in power supply and cooling systems at the Kolo facility.

Financing and taxes

The Group's interest-bearing debt at year-end stood at EUR 431.1 (499.7) million. Net debt decreased to EUR 355.7 (440.9) million.

The Group's liquidity has been good throughout the financial year. Undrawn committed credit facilities on 31 December stood at EUR 161.5 (177.4) million. In addition, the Group had other unused overdraft and other facilities of EUR 35.7 (28.8) million. The EUR 200 million commercial paper programme had been drawn to the amount of EUR 129.0 (120.0) million.

In November, HKScan signed an approx. EUR 135 million secured multi-currency credit facility arrangement with a Nordic banking group. The arrangement refinanced the remaining part of the syndicated credit facility established in 2007 which matures in June 2014.

Net financial expenses were EUR -24.2 (-31.7) million. The decline is mainly attributable to a lower loan amount and lower interest rate level.

Group taxes were EUR 0.1 (3.4) million positive.

Research and development

Research and development in HKScan Group mainly involves the development of new products over a span of one to two years and the updating of products already on the market. A total of EUR 11.2 (10.5) million was spent on R&D, equal to 0.5 (0.4) per cent of net sales.

The Group R&D function and the Group-wide category management organisation were founded in 2013. The organisations work in a matrix across businesses and countries. The innovation strategy was finalised and the implementation started at the end of the year. Group-level processes and developing common platforms have been accelerated and it is estimated that the first Group-level R&D-projects will bring results in 2014.

Product development highlights of 2013 include, among other things, premium barbeque sausages in Sweden and organic and corn-fed chicken products in Denmark. In the Baltics, launches include the new Kiev cutlet and snack-products, which well answered the growing demand. In Finland new organic pork-meat based processed products were launched.

HKScan R&D is based on sharing information in a collaborative and networking model, and the cooperation with research institutes continues in order to expand expertise of developing new meat-based concepts. Research and development of the rapeseed pork (HK Rypsiporsas® in Finland and Svensk Rapsgris® in Sweden) concept continued.

Sustainability

HKScan is committed to systematic development of sustainable business. Sustainable operations apply to the entire supply chain from feed and genetics to the consumer's plate. In 2013 a sustainability programme was launched to systematically manage and develop sustainability.

Economic sustainability refers to long-term profitability of HKScan and its stakeholders. The Group is an important employer, and its investments contribute to the local economies. HKScan production is firmly based on its home markets and tightly connected to local primary production through contracts.

Social sustainability includes product responsibility, employee well-being and relations with society and communities. Products are produced responsibly at HKScan; they are safe for consumers and the taste and quality meets their expectations. In addition, HKScan works continuously to improve the nutritional balance of its products. Organisational restructurings and other actions related to the personnel are handled in a responsible way. New possibilities for Group-wide cooperation and development have arisen for the personnel.

Animal welfare – ethical treatment of animals – is considered in genetics, farms, transportation and slaughterhouses. The animal disease status is good (i.e., low) in HKScan's contract production and in its own primary production. Control of animal diseases is a constant part of day to day work in preventing all incidents. Antibiotics are used only for diagnosed needs, and this is being carefully monitored.

Environmental management includes climate change mitigation and use of renewable energy sources, waste management and sustainable handling of resources and chemicals. The Group works to decrease greenhouse gas emissions through energy efficiency activities and transition to renewable energy sources. For example, in Sweden HKScan's target is to reduce climate emissions by 50% up till 2020, and a greenhouse gas emissions disclosure was published together with the other companies in "the Haga Initiative" climate network. HKScan also engages in local commitments and projects. Several production sites have been able to improve their material efficiency. The Group works to decrease the number of chemicals in use and to substitute them with more environmentally sound alternatives.

HKScan increases its collaboration with its stakeholders to share the meat expertise of the value chain. In order to increase the transparency of the supply chain the Group has developed its supplier evaluation process and traceability.

Annual General Meeting and Board of Directors' authorisations

The Annual General Meeting of HKScan Corporation, held on 24 April 2013, in Turku, adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the year 2012. The AGM resolved that a dividend of EUR 0.10 per share be paid for 2012.

The AGM resolved to amend the Articles 8 and 9 in the company's Articles of Association so that the Board of Directors may include one to three deputy members when necessary and that the number of Board members can be increased to a maximum of eight actual members.

In addition, concerning Article 12 of the Articles of Association, the AGM resolved to amend the number of auditors, so that the company has at least one and a maximum of two auditors who must be auditors accepted by the Central Chamber of Commerce (CPA) or auditing firms. If only one auditor is appointed for the Company, and it is not an auditing firm approved by the Central Chamber of Commerce, one deputy auditor must be appointed.

The AGM also decided on the annual remuneration of the Board's members, deputy members and the chairs of the committees. In addition, compensation per meeting will be paid for each Board and Board committee meeting attended.

The AGM resolved that the number of actual members of the Board of Directors to be six (6), and that two (2) deputy members will be elected to the Board of Directors.

The previous Board members, Juha Kylämäki, Niels Borup, Teija Andersen, Gunilla Aschan, Tero Hemmilä and Henrik Treschow, were re-elected and Mikko Nikula and Per Nilsson were elected as deputy members. At the organisational meeting after the AGM, the Board re-elected Juha Kylämäki as Chairman and Niels Borup as Vice Chairman.

PricewaterhouseCoopers Oy, an audit firm chartered by the Central Chamber of Commerce, with APA Johan Kronberg as the main auditor, was appointed as the auditor. The remuneration of the auditor will be paid according to the auditor's invoice accepted by the company.

The AGM gave three authorisations to the Board to decide on an issue of shares, option rights as well as other special rights entitling to shares, on acquiring and/or accepting as pledge treasury A Shares and on the transfer of treasury acquired for the company. The authorisations will be effective until 30 June 2014, replacing the authorisations given by the AGM 25 April 2012.

During 2013, the Board did not exercise the authorisations given by the AGM.

Group management team

The Management Team of the Group is as follows: Hannu Kottonen, CEO; Aki Laiho, COO responsible for the development of technology and production; Tuomo Valkonen, CFO; Samuli Eskola, EVP responsible for the consumer business in Finland and the Baltics; Göran Holm, EVP responsible for the consumer business in Scandinavia; Jukka Nikkinen, EVP of Away from Home Business; Sari Suono, EVP, HR; Anne Mere, CMO; and Markku Suvanto, EVP Legal and Administration, who also acts as the Group Management Team's secretary.

Changes in the Group structure

In order to minimise administration and promote internal process harmonisation, HKScan continued streamlining and clarifying its corporate structure.

In Finland, HK Agri Oy—the HK Ruokatalo Oy's wholly owned subsidiary responsible for meat procurement and producer services—was merged with HK Ruokatalo Oy on 31 December 2013.

In Sweden, Pärsons Sverige AB's business was merged with HKScan Sweden at the beginning of September 2013. In December 2013, HKScan announced to increase its former 30 per cent ownership in Höglandsprodukter AB, in Halmstad, Sweden to 100 per cent.

The Latvian subsidiaries Rīgas Miesnieks and Jelgavas Gaļas Kombināts were merged to form Rīgas Miesnieks as of the beginning of March.

Shares and shareholders

Shares

The HKScan Group's registered and fully paid-up share capital at the beginning and the end of 2013 was EUR 66 820 528.10. The total number of shares issued was 55 026 522, and it was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares 5 400 000 (9.81%). The A Shares are quoted on the NASDAQ OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

According to the Articles of Association, each A Share conveys one vote, and each K Share 20 votes. Each share gives equal entitlement to a dividend. The shares have no nominal value.

HKScan's market capitalisation at the end of the year stood at EUR 206.9 million using the closing price of the last trading day of the period. The Series A shares had a market value of EUR 186.6 million, and the unlisted Series K shares EUR 20.3 million correspondingly.

In 2013, a total of 7 670 318 of the company's shares, with a total value of EUR 28 414 082, were traded. The highest price quoted was EUR 4.28 and the lowest EUR 3.29. The average price was EUR 3.70. At the end of 2013, the closing price was EUR 3.76.

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

Shareholders

At the end of 2013, the shareholder register maintained by Euroclear Finland Ltd included 12 159 shareholders. Nominee-registered and foreign shareholders held 20.2 per cent of the company's shares.

Notifications of changes in holdings

HKScan did not receive any notifications of changes in holdings during 2013.

Treasury shares

At the beginning and at the end of the financial year 2013, HKScan held 1 053 734 treasury A Shares. At the end of 2013, they had a market value of EUR 3.96 million and accounted for 1.91% of all shares and 0.67% of all votes.

Share-based incentive scheme

HKScan has a share-based incentive plan for the Group key personnel for years 2013–2015. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the company, to commit the key personnel to the company, to increase their share ownership in the company, and to offer them a competitive reward plan based on earning and holding the company's shares. The incentive plan and conditions are described in detail in the stock exchange release dated 20 December 2012.

Shareholding of the Board of directors and the President and CEO

At the end of 2013, members of the Board of Directors and the company's President and CEO and his deputy as well as their related parties owned a total of 48 950 A Shares, corresponding to 0.09 per cent of the total number of shares and 0.03 per cent of the votes.

Personnel

In 2013, HKScan, excluding Sokołów in Poland, had an average of 7 698 (7 836) personnel.

During 2013, the average number of personnel decreased in Finland, the Baltics and Denmark due to the efficiency programmes.

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

	2013	2012
Finland	2 685	2 794
Baltics	1 685	1 742
Sweden	2 459	2 428
Denmark	869	872
Total	**7 698**	**7 836**

In addition, the Sokołów Group employed an average of 6 458 (6 310) persons during the year.

Division of personnel by market area at year end is as follows:

	2013	2012
Finland	2 572	2 592
Baltics	1 732	1 700
Sweden	2 248	2 339
Denmark	838	893
Total	**7 390**	**7 524**

Additionally, the Sokołów Group had 6 813 (6 491) employees at the end of the year.

The HKScan Group's European Works Council (EWC) continued its activities during 2013. The Council functions as a cooperation body for discussion between the Group's management and personnel in Group-wide and significant issues. The EWC convenes biannually in one of countries within HKScan Group. In 2013, the EWC had meetings in Denmark and in Finland.

Claim by Oy Primula Ab's bankcrupty estate

In September 2012, HKScan Corporation and HK Ruokatalo Oy were notified that Oy Primula Ab's bankruptcy estate has submitted an action for damages to the District Court of Finland Proper concerning the companies. The claim amounts to about EUR 16.3 million, plus claims related to interest and legal process costs.

HKScan Corporation and HK Ruokatalo Oy find the action to be unjustified, and the companies have disputed the claim in its entirety in the pending trial. Therefore, the action did not give rise to any provisions in the consolidated financial statements.

Short-term risks and uncertainty factors

The most significant uncertainty factors in the HKScan Group's business are connected—through price increases for feed raw material in particular and other production inputs related to primary production—to price development and the availability of local meat raw material, as well as to the adequacy of increases in the sales prices for the products in relation to cost development.

The risks include various unexpected authority actions, which may cause restrictions for the business. Additionally, the Group's on-going development projects and organisational restructurings can bring uncertainties caused by own actions and unforeseen extra costs.

The risks of animal diseases in the food industry's raw meat supplies or eventual international or regional food scandals impacting on the overall consumption outlook can never be fully excluded.

Corporate governance

HKScan's Audit Committee has compiled a separate Corporate Governance Statement for the Group. The statement will be published as part of the Annual Report and on the company's web site at www.hkscan.com under "Investor information" on week 11/2014.

Events after the reporting period

As part of its development programme and strategy review in Sweden, HKScan sold its 49 per cent stake in Nyhléns & Hugosons Chark AB to Alviksgården Lantbruks AB on 2 January 2014. The sales price amounted to EUR 2.2 million which was paid in cash. The transaction caused an asset impairment of EUR 2.3 million which is reported as a non-recurring cost in the fourth quarter of 2013.

Outlook for 2014

HKScan expects the comparable operating profit (EBIT) margin to be 1–2 per cent, and anticipates that the last quarter will be the strongest. In 2013, the corresponding comparable operating profit (EBIT) margin was 0.5 per cent.

The outlook takes into account that the market area Poland (HKScan's 50 per cent share of Sokołów) will be excluded in the consolidated operating profit based on the change of IFRS 11 in the International Financial Reporting Standards as of 1 January 2014.

HKScan expects the overall economic situation to remain tough. However, the market situation in both demand and supply is anticipated to improve from the previous year. Group's development programmes will continue to contribute to better financial performance.

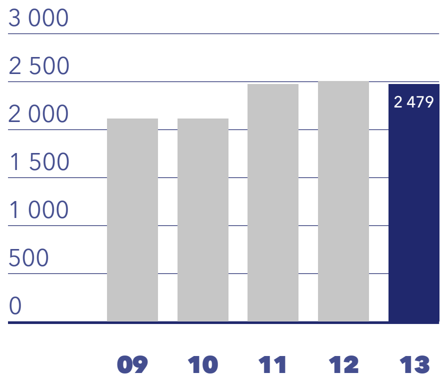
Board of Directors' proposal on distribution of profit

The parent company's distributable equity stands at EUR 187.0 million including the reserve for invested unrestricted equity, which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.10 per share for 2013, i.e., a total of approximately EUR 5.4 million.

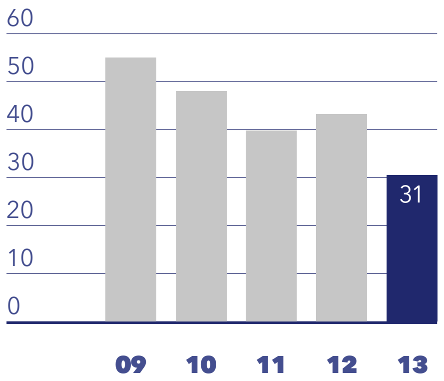
There have been no material changes in the company's financial standing since the end of the year under review. The company maintains good liquidity and the recommended distribution of dividend will not, in the Board's estimation, compromise the company's solvency.

KEY DATA

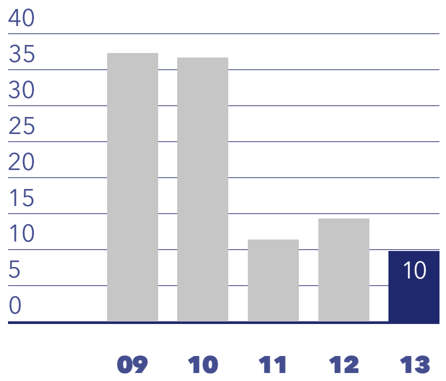
Net sales 2009–2013
EUR million



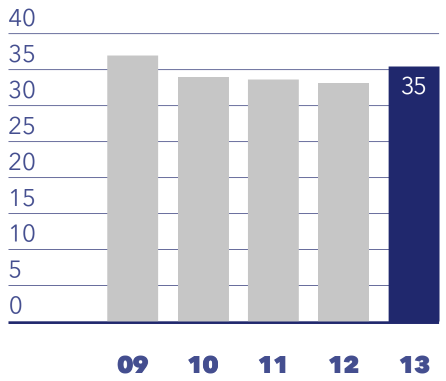
Operating profit 2009–2013
EUR million



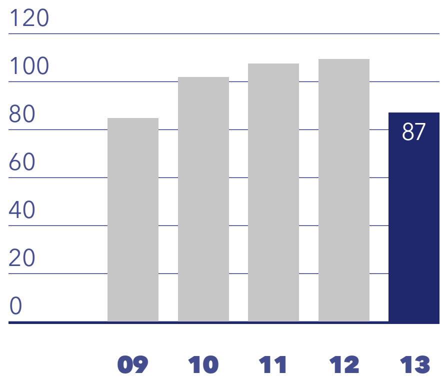
Profit before tax 2009–2013
EUR million



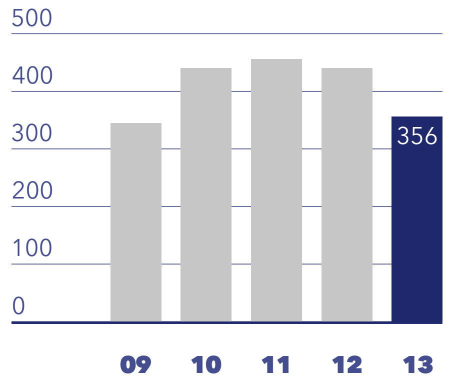
Equity ratio 2009–2013
%



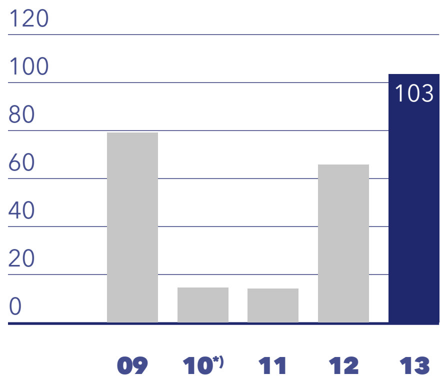
Net gearing 2009–2013
%



Net debt 2009–2013
EUR million

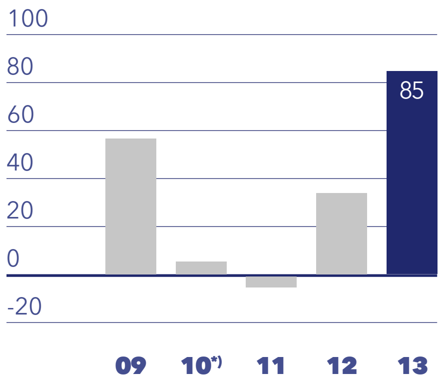


Cash flow before debt service 2009–2013
EUR million



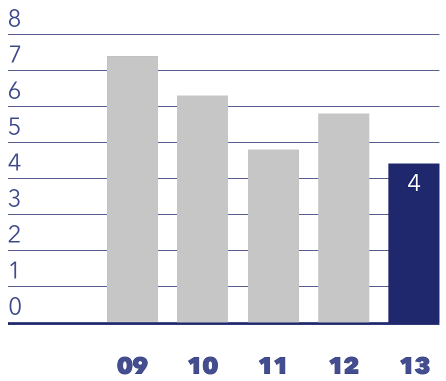
*) Excluding acquisition price of Rose Poultry A/S.

Cash flow before financing activities 2009–2013
EUR million

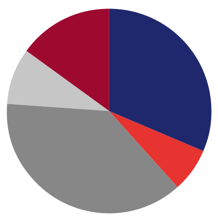


*) Excluding acquisition price of Rose Poultry A/S.

Return on capital employed (ROCE) 2009–2013
%



Breakdown of net sales in 2013 by market area*)
EUR million



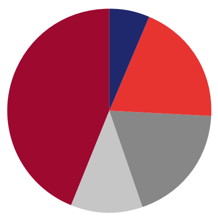
- Finland **804.1**
- The Baltics **175.1**
- Sweden **965.3**
- Denmark **226.1**
- Poland **375.1[1)]**

Total **2 478.6**

*) Internal net sales included.

1) HKScan's share (50%) of Sokołów Group.

Breakdown of operating profit in 2013 by market area*)
EUR million



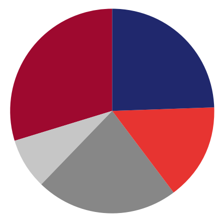
- Finland **2.8**
- The Baltics **8.4**
- Sweden **8.1**
- Denmark **4.9**
- Poland **18.8[1)]**

Total **30.5**

*) Group administration costs excluded.

1) HKScan's share (50%) of Sokołów Group.

Personnel in 2013 by market area
Average number



- Finland **2 685**
- The Baltics **1 685**
- Sweden **2 459**
- Denmark **869**
- Poland **3 229[1)]**

Total **10 927**

1) HKScan's share (50%) of Sokołów Group.

KEY FIGURES

Financial indicators	2013	2012	2011	2010	2009
Net sales, EUR million	2 478.6	2 503.1	2 491.3	2 113.9	2 124.7
Operating profit/loss (EBIT), EUR million	30.5	43.1	39.6	48.0	55.1
- % of net sales	1.2	1.7	1.6	2.3	2.6
Profit/loss before taxes, EUR million	9.7	14.3	11.3	36.5	37.3
- % of net sales	0.4	0.6	0.5	1.7	1.8
Return on equity (ROE), %	2.4	4.3	2.9	7.4	9.0
Return on capital employed before taxes (ROCE), %	4.4	5.8	4.8	6.3	7.4
Equity ratio, %	35.4	33.1	33.6	34.0	37.1
Net gearing ratio, %	87.0	109.2	107.2	101.7	84.9
Gross investments, EUR million	52.9	76.6	61.0	70.7	41.3
- % of net sales	2.1	3.1	2.4	3.3	1.9
R&D expenses. EUR million	11.2	10.5	11.2	9.6	8.9
- % of net sales	0.5	0.4	0.4	0.5	0.4
Employees, average	7 698	7 836	8 287	7 491	7 429

Per share data	2013	2012	2011	2010	2009
Earnings per share (EPS), undiluted, EUR*	0.16	0.30	0.18	0.52	0.64
Earnings per share (EPS), diluted, EUR*	0.16	0.30	0.18	0.52	0.64
Equity per share, EUR*	7.41	7.31	7.67	7.63	7.21
Dividend paid per share, EUR	0.10**	0.10	0.17	0.22	0.22
Dividend payout ratio, undiluted, %	62.1**	33.2	92.1	42.6	34.5
Dividend payout ratio, diluted, %	62.1**	33.2	92.1	42.6	34.5
Effective dividend yield, %	2.7**	2.8	3.0	3.1	2.8
Price-to-earnings ratio(P/E)					
- undiluted	23.3	12.0	30.6	13.9	12.3
- diluted	23.3	12.0	30.6	13.9	12.3
Lowest trading price, EUR*	3.29	3.17	4.08	7.07	3.70
Highest trading price, EUR*	4.28	6.40	7.98	10.20	10.38
Middle price during the period, EUR*	3.70	4.34	6.05	8.18	7.18
Share price at the end of the year, EUR	3.76	3.63	5.64	7.15	7.85
Market capitalisation, EUR million	206.9	199.7	310.3	393.1	423.7
Trading volume (1 000)	7 670	9 084	11 765	23 674	22 285
- % of the average volume	14.1	16.7	21.4	43.8	49.6
Adjusted number of outstanding shares (1 000)					
- average during financial period	53 973	54 556	54 973	54 015	44 937
- at the end of financial period	53 973	53 973	54 973	54 973	53 975
- fully diluted	53 973	53 973	54 973	54 973	53 975

* Per share data has been adjusted with the share offering in 2009.

** Based on the Board of Directors' proposal.

CALCULATION OF FINANCIAL INDICATORS

Return on equity (%)	Profit / Total equity (average)	x 100
Return on capital employed (ROCE) before tax (%)	Profit before tax + interest and other financial expenses / Balance sheet total – non-interest-bearing liabilities (average)	x 100
Equity ratio (%)	Total equity / Balance sheet total – advances received	x 100
Gearing ratio (%)	Interest-bearing liabilities / Total equity	x 100
Net gearing ratio (%)	Net interest-bearing liabilities / Total equity	x 100
Earnings per share	Profit for the period attributable to equity holders of the parent / Average number of outstanding shares during period	
Equity per share	Equity attributable to holders of the parent / Number of outstanding shares at end of period	
Dividend per share	Dividend distribution / Number of outstanding shares at end of period	
Dividend payout ratio (%)	Dividend per share / Earnings per share	x 100
Effective dividend yield (%)	Dividend per share / Closing price on the last trading day of the financial year	x 100
P/E ratio	Closing price on the last trading day of the financial year / Earnings per share	
Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year	
Cash flow before debt service	Cash flow before financing activities and financial items	
Employee numbers	Average of workforce figures calculated at the end of calendar months	

IFRS CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY–31 DECEMBER

(EUR million)

	Note	2013	2012
Net sales	1.	2 478.6	2 503.1
Other operating income	2.	38.0	57.6
Share of associates' results		0.0	-0.1
Materials and services	3.	-1 792.7	-1 843.9
Employee benefits expenses	4.	-366.5	-380.0
Depreciation and amortisation	5.	-71.6	-85.9
Other operating expenses	6.	-255.2	-207.7
EBIT		**30.5**	**43.1**
Financial income	7.	6.5	5.4
Financial expenses	7.	-30.7	-37.1
Share of associates' results		3.4	3.0
Profit/loss before taxes		**9.7**	**14.3**
Income tax	8.	0.1	3.4
Profit/loss for the period		**9.8**	**17.7**
Profit/loss for the period attributable to:			
Equity holders of the parent		8.7	16.4
Non-controlling interests		1.1	1.3
Total		**9.8**	**17.7**
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	0.16	0.30
EPS, diluted, continuing operations, EUR/share	9.	0.16	0.30

The notes 1–30 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY–31 DECEMBER

(EUR million)

	2013	2012
Profit/loss for the period	9.8	17.7
OTHER COMPREHENSIVE INCOME (after taxes):		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	-3.4	7.6
Cash flow hedging	2.8	0.2
Revaluation	0.0	0.0
Items that will not be reclassified to profit or loss		
Actuarial gains or losses	1.6	1.2
Total other comprehensive income	**1.0**	**8.9**
Total comprehensive income for the period	**10.8**	**26.7**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD:		
Equity holders of the parent	9.7	25.2
Non-controlling interests	1.1	1.4
Total	**10.8**	**26.7**

The notes 1–30 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(EUR million)

	Note	2013	2012
Intangible assets	10.	74.7	77.7
Goodwill	11.	100.9	101.5
Tangible assets	12.	478.7	504.6
Shares in associates	13.	29.4	34.7
Trade and other receivables	15.	3.5	6.0
Available-for-sale investments	14., 15.	14.1	12.9
Deferred tax asset	16.	29.0	28.9
Non-current assets		**730.3**	**766.3**
Inventories	17.	168.8	176.3
Trade and other receivables	18.	180.8	216.5
Income tax receivable	18.	0.2	0.9
Other financial assets	19.	0.0	0.0
Cash and bank	19.	74.9	58.9
Current assets		**424.6**	**452.6**
Assets		**1 154.9**	**1 218.9**
Share capital	20.	66.8	66.8
Share premium reserve	20.	73.5	73.4
Treasury shares	20.	0.0	0.0
Fair value reserve and other reserves	20.	164.7	155.0
Translation differences	20.	2.0	5.5
Retained earnings	20.	93.1	93.7
Equity attributable to equity holders of the parent		400.0	394.4
Non-controlling interests		9.0	8.6
Equity		**409.0**	**403.0**
Deferred tax liability	16.	27.0	27.6
Non-current interest-bearing liabilities	23., 24.	260.1	312.9
Non-current non-interest-bearing liabilities	23.	2.4	2.0
Non-current provisions	22.	0.1	0.1
Pension obligations	21.	9.0	10.4
Non-current liabilities		**298.6**	**352.9**
Current interest-bearing liabilities	23., 24.	171.0	186.8
Trade and other payables	23.	273.4	275.0
Income tax liability	23.	2.0	0.5
Current provisions	22.	0.8	0.7
Current liabilities		**447.3**	**463.0**
Equity and liabilities		**1 154.9**	**1 218.9**

The notes 1–30 form an integral part of the consolidated financial statements.

IFRS CONSOLIDATED CASH FLOW STATEMENT

(EUR million)

	Note	2013	2012
Result for the period		9.8	16.4
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and impairment	5.	71.6	85.9
Gain (-) and loss (+) on the realisation of fixed assets	2.	0.9	-1.8
Share of results in associated companies	13.	-3.4	-2.9
Other non-cash income and expenses		1.8	0.2
Financial income and expenses	7.	24.2	31.7
Income taxes	8.	-0.1	-3.8
Change in provisions		0.1	0.0
Change in net working capital		46.4	14.8
Financial income and expenses		-18.8	-32.0
Taxes		-1.3	-1.7
Net cash flow from operating activities		**131.2**	**106.8**
Gross investments in property, plant and equipment	10., 12.	-57.6	-76.9
Disposals of property, plant and equipment		11.0	1.5
Shares in associates purchased		-1.2	-0.2
Shares in associates sold		1.1	3.9
Loan receivables borrowings and repayments		0.6	-1.4
Net cash flow from investing activities		**-46.0**	**-73.0**
Cash flow before financing activities		**85.2**	**33.8**
Current borrowings raised		12.9	25.5
Current borrowings repaid		-195.5	-52.7
Non-current borrowings raised		130.8	125.0
Non-current borrowings repaid		-11.3	-102.7
Dividends paid	20.	-5.9	-9.9
Redemption of treasury shares		-	-8.0
Net cash flow from financing activities		**-69.0**	**-22.7**
Change in cash and cash equivalents		**16.2**	**11.1**
Cash and cash equivalents on 1 January		58.9	48.4
Effect of changes in exchange rates		-0.3	-0.6
Cash and cash equivalents on 31 December	**19.**	**74.9**	**58.9**

The notes 1–30 form an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)

	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity holders of the parent	Non-controlling interests	Total
EQUITY ON 1 JAN. 2013	66.8	73.4	-13.7	143.5	25.2	5.4	0.0	93.7	394.4	8.6	403.0
Result for the financial period	-	-	-	-	-	-	-	8.7	8.7	1.1	9.8
Other comprehensive income (+)/expense (-)											
Translation differences	-	-	-	-	-	-3.4	-	-	-3.4	-	-3.4
Cash flow hedging	-	-	2.8	-	-	-	-	-	2.8	-	2.8
Actuarial gains or losses	-	-	-	-	-	-	-	1.6	1.6	-	1.6
Total comprehensive income for the period	-	-	2.8	-	-	-3.4	-	10.3	9.7	1.1	10.8
Direct recognition in retained earnings	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Transfers between items	-	-	-	-	5.6	-	-	-5.5	0.1	-0.1	0.0
Dividend distribution	-	-	-	-	-	-	-	-5.4	-5.4	-0.6	-6.0
Other change	-	0.2	-	-	1.2	-	-	-	1.4	-	1.4
EQUITY ON 31 DEC. 2013	66.8	73.5	-10.8	143.5	32.0	2.0	0.0	93.1	400.0	9.0	409.0

	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity holders of the parent	Non-controlling interests	Total
EQUITY ON 1 JAN. 2012 previously presented	66.8	73.4	-13.9	143.5	23.5	-1.9	0.0	117.9	409.3	12.2	421.5
The effect of changes in accounting policies	-	-	-	-	-	-	-	-29.2	-29.2	0.0	-29.2
EQUITY ON 1 JAN. 2012 restated	66.8	73.4	-13.9	143.5	23.5	-1.9	0.0	88.7	380.0	12.2	392.2
Result for the financial period	-	-	-	-	-	-	-	16.4	16.4	1.3	17.7
Other comprehensive income (+)/expense (-)											
Translation differences	-	-	-	-	-	7.4	-	-	7.4	0.2	7.6
Cash flow hedging	-	-	0.2	-	-	-	-	-	0.2	-	0.2
Revaluation	-	-	-	-	-	-	-	-	0.0	-	0.0
Actuarial gains or losses	-	-	-	-	-	-	-	1.2	1.2	-	1.2
Total comprehensive income for the period	-	-	0.2	-	-	7.4	-	17.6	25.2	1.4	26.7
Direct recognition in retained earnings	-	-	-	-	-	-	-	-1.5	-1.5	-	-1.5
Transfers between items	-	-	-	-	1.7	-	-	-1.7	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-9.3	-9.3	-0.9	-10.2
Other change	-	-	-	-	-	-	-	-	-	-4.2	-4.2
EQUITY ON 31 DEC. 2012	66.8	73.4	-13.7	143.5	25.2	5.5	0.0	93.7	394.4	8.6	403.0

The notes 1–30 form an integral part of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR 2013

BASIC INFORMATION ABOUT THE ENTITY

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

HKScan Corporation and its subsidiaries (together 'the Group') make, sell and market high-quality and ethically produced pork, beef, poultry, lamb, processed meats and convenience foods. Its customers are the retail, food service, industrial and export sectors.

The Group is active in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark, England, Russia and Germany. HKScan Corporation's A share has been quoted on NASDAQ OMX Helsinki since 1997.

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 11 February 2014. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting can also modify the financial statements.

A copy of the HKScan Group's consolidated financial statements is available on the company's website at www.hkscan.com under 'Investor information/Annual and interim reports', or in the parent company's head office at Lemminkäisenkatu 48, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements are also available at the same address.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS standards and SIC and IFRIC interpretations effective on 31 December 2013. 'International Financial Reporting Standards' refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments and biological assets, which have been measured at fair value.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the accounting policies under critical accounting estimates and judgments.

Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros. Consequently, some totals may not agree with the sum of their constituent parts.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2012, with the exception of the revised IAS 19 Employee Benefits standard (effective as of 1 January 2013). In addition, the Group has changed the accounting principles for marketing support. The Group's financial statement 2013 is in line with these changes. The Group financial statement 2012 has been restated accordingly.

New and amended standards adopted by the group

- On 1 January 2013, the Group adopted the revised IAS 19 Employee Benefits standard. One of the effects of adopting this standard is that the possibility to apply what is referred to as the "corridor approach" is no longer possible. In line with the revised standard, actuarial gains and losses are recognised directly in other comprehensive income in the period during which they arise. In accordance with the transitional provisions, the revised standard is applied retrospectively. Unrecognised actuarial gains and losses are recognised in the statement of financial position at the beginning of the comparison period, 1 January 2012. The information for the comparison period 2012 has been adjusted according to the revised standard.

	Previously presented	Restatement	Restated
Balance sheet on 1 Jan. 2012			
Deferred tax asset	21.1	3.7	24.8
Pension obligations	3.1	12.6	15.7
Retained earnings	117.9	-29.2	88.7
Result 1 Jan.–31 Dec. 2012			
Employee benefits expenses	-381.7	1.7	-380.0
Profit/loss for the period	16.4	1.3	17.7
Profit/loss for the period attributable to:			
Equity holders of the parent	15.1	1.3	16.4
Non-controlling interests	1.3	-	1.3
Total	16.4	1.3	17.7
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	0.28	0.02	0.30
EPS, diluted, continuing operations, EUR/share	0.28	0.02	0.30
Consolidated income statement of comprehensive income 1 Jan.–31 Dec. 2012			
Actuarial gains or losses	-	1.2	1.2
Balance sheet on 31 Dec. 2012			
Deferred tax asset	27.5	1.4	28.9
Pension obligations	3.9	6.5	10.4
Retained earnings	122.1	-28.4	93.7

- Amendment to IAS 1: Presentation of Financial Statements, the presentation of other comprehensive income (applicable as of the accounting period that begins on 1 July 2014 or subsequent accounting periods). The principal change is the requirement to group items presented in other comprehensive income on the basis of whether they are later potentially re-classifiable to profit or loss. The amendment will not have an effect on the presentation of other comprehensive income.

- IFRS 13 Fair Value Measurement (applicable as of the accounting period that begins on 1 January 2013 or subsequent accounting periods). The standard aims to improve consistency and reduce complexity, as it provides a precise definition of fair value and combines in a single source the requirements for fair value measurement and disclosure. The use of fair value accounting is not expanded, but guidance is provided on how it should be applied where its use is already required or permitted in another standard. The new requirements impact the notes to the consolidated financial statements that concern financial instruments.

– Amendment to IFRS 7: Financial Instruments: Disclosures, offsetting financial assets and liabilities (applicable as of the accounting period that begins on 1 January 2013 or subsequent accounting periods). The amendment clarifies the disclosure requirements concerning financial instruments presented in net amounts in the balance sheet and general netting arrangements or similar agreements. Consequentially, the notes to the financial statements contain an increased amount of information on the net amounts of financial assets and liabilities.

- Improvements to IFRS standards (Annual improvements to IFRSs 2009–2011, May 2012, applicable as of the accounting period that begins on 1 January 2013 or subsequent accounting periods). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure are compiled and implemented once a year. The amendments included in the project concern five standards. The impact of the change varies by standard, but the change will not have a significant impact on the consolidated financial statements.

COMPARABILITY WITH PREVIOUS YEARS

The years 2013 and 2012 are comparable with each other. With regard to the five-year historical data, it should be noted that the figures for Rose Poultry A/S have been consolidated into the Group as of 29 November 2010.

Consolidation of 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, such as through agreements concluded with principal owners. Control refers to the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup share ownership is eliminated using the acquisition cost method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value upon acquisition. Acquisition-related costs are charged as incurred. Any shares held by non-controlling interests in the acquiree are measured either at the fair value or at an amount which corresponds to the share of the share held by the non-controlling interests relative to the identifiable net assets of the acquiree.

Recorded goodwill is originally the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. If the consideration is smaller than the fair value of the subsidiary's acquired net assets, the difference is recognised through profit or loss.

Subsidiaries acquired are consolidated from the date the Group acquires a controlling interest in them. All intragroup transactions, receivables and liabilities and intragroup profit distribution have been eliminated upon preparation of the consolidated financial statements.

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

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

Associates

Associates are companies over which the Group 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 method . If the Group's share of the losses of an associate exceeds the investment's carrying amount, 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 amount are consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 29, 'Related Party Transactions' have been consolidated into the consolidated financial statements. As a rule, the share of associates' results is presented below EBIT. If a function important to the Group's business is managed by an associate, the share of the associate's results is presented above EBIT. Scan AB's associates Siljans Chark AB, Höglandsprodukter AB, Gotlands Slagteri AB and Svenskt Butikskött AB are associates of this kind.

The Group's share in associates' changes recognised in other items of comprehensive income are recognised in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2012–2013 financial periods.

Joint ventures

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

More detailed information about holdings in Group companies and associates is presented in Note 29, 'Related party transactions'.

FOREIGN CURRENCY TRANSLATION

The items included in the financial statements of the Group companies are valued in the currency of the main operating environment for that company (functional currency). The consolidated financial statements are presented in euros, the parent company's functional and reporting currency.

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the closing exchange rates confirmed by the European Central Bank on 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 and the comprehensive result at different rates in the income statement and comprehensive income statement and the balance sheet. The difference is recognised under equity. The change in the translation difference is recognised in other items of comprehensive income. The translation differences arising in eliminating the acquisition cost of foreign subsidiaries and the joint venture and in the translation of equity items accrued after the acquisition are recognised in translation differences in the Group's equity and the change is recognised in items of comprehensive income.

Group companies recognise transactions in foreign currencies at the rate on the day of the transaction. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the operational currency at the exchange rates quoted on the balance sheet date. Exchange rate gains and losses on loans denoted in foreign currencies are included in financial income and expenses below EBIT, except for gains and losses arising from loans designated as hedges for net investments made in foreign units and which perform effectively. These gains and losses are recognised under translation differences in equity. As a rule, exchange rate gains and losses related to business operations are included in the corresponding items above EBIT.

PROPERTY, PLANT AND EQUIPMENT

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

The expected useful lives are as follows:

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

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

Depreciation on property, plant and equipment ends when an item is classified as being for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' standard. 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.

GOVERNMENT GRANTS

Government grants, such as grants from the State or the EU relating to PPE acquisitions, have been recognised as deductions in the carrying amounts of PPE when receipt of the grants and the Group's eligibility for them is reasonably certain. The grants are 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

The Group has no property classified as investment properties.

INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries or business operations and represents the excess of the consideration transferred over IFRS GAAP Plc's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill and other intangible items that have an unlimited useful life are not subject to regular depreciation, being instead tested yearly for impairment. For this reason, goodwill is allocated to CGUs or, in the case of an associate, 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. Impairment losses recognised in respect of goodwill are not reversed. See, 'Impairment' and 'Impairment testing'.

Research and development costs

Research and development costs are charged as incurred and are included in other operating expenses in the income statement.

Other intangible rights and assets

An intangible asset is recognised on 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 licenses are included in other intangible assets. Patents and software licenses are recognised on the balance sheet at cost and are depreciated on a straight-line basis during their useful life, which varies from five to 10 years. No depreciation is made on intangible assets with an unlimited useful life.

Brands have been estimated to have an 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.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

In 2012, EUR 7.7 million was recognised as impairment. In 2013, no indications of impairment were observed.

See 'Critical accounting estimates and judgments' and 'Goodwill'.

INVENTORIES

Raw materials are measured at weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labor costs, other direct costs and a systematically allocated proportion of variable and fixed production overheads. In determining the acquisition cost, standard cost accounting is applied and standard costs are reviewed regularly and changed if necessary. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

BIOLOGICAL ASSETS

Biological assets, which in the case of the HKScan Group mean living animals, are recognised on the balance sheet at fair values less estimated sales-related expenses. The Group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

Biological assets are included in inventories on the balance sheet and changes in the fair value are included in material costs in the income statement.

LEASES

The Group as lessee

Leases applying to property, plant and equipment where the Group assumes a substantial part of the risks and benefits of ownership are classified as finance leases. Items acquired under finance leasing are recognised on the balance sheet at the fair value of the asset leased at the commencement of the lease or at the present value of minimum lease payments, whichever is the lower. Assets acquired under finance leasing are subject to depreciation within the useful life of the asset or the lease period, whichever is the shorter. Lease payments are divided into finance expenses and debt amortisation during the lease period so that each liability remaining during the period receives the same percentage of interest at the end of each month. Variable rents are recognised as expenses in the months during which they are generated. Leasing commitments are included in financial liabilities.

Leases where the lessor retains a substantial part of the risks and benefit of ownership are treated as other leases. Other operating lease payments are treated as rentals and charged to the income statement on a straight-line basis over the lease term.

When a lease includes land and building elements, the classification of each element as a finance lease or an operating lease is assessed separately. When it is necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum up front payments) are allocated in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The Group as lessor

The Group's leased assets whose risks and rewards of ownership have essentially been transferred to the lessee are treated as finance leases and recognised as receivables on the balance sheet. Receivables are initially recognised at their present value. Financing income from finance leases is recognised during the term of the lease so as to achieve a constant rate of return on the outstanding net investment over the term of lease. There is no separate Note on financial lease liabilities, due to their low amount.

Other assets not leased under finance leasing agreements are included in property, plant and equipment on the balance sheet. They are depreciated over their useful lives in the same way as corresponding property, plant and equipment in the company's own use are. Rental income is recognised in the income statement on a straight-line basis over the lease term.

Arrangements that may include a lease agreement

When an arrangement enters into force, the Group uses its factual content to determine whether the arrangement is a lease agreement or whether it includes one. A lease agreement exists if the following conditions are met: the fulfilment of the arrangement depends on the use of a specific commodity or commodities, and the arrangement produces a right to use that commodity.

If the arrangement includes a lease agreement, the agreement will be governed by the provisions of IAS 17. Other factors in the arrangement will be governed by the provisions of regulating IFRS standards.

EMPLOYEE BENEFITS
Pension obligations

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

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local practice.

In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognised in the income statement during the financial period in which they are incurred. All pension cost calculations are based on actuarial valuations prepared annually by the local authorities or authorised actuaries.

The 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's defined benefit plans mainly consist of the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.1 million on 31 December 2013.

Share-based payments

The Board of Directors of HKScan Corporation has on 19 December 2012 approved a new share based incentive plan, Performance Share Plan 2013, as a part of the incentive and commitment program for the Group key employees. The new Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015, from which the key employees can earn HKScan series A shares based on achieving the set targets. The Board of Directors of the Company will decide on the performance criteria and their targets for a performance period at the beginning of each performance period. Furthermore, the new Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on the basis of this performance period is that a key employee previously owns or acquires the Company´s series A shares up to the number determined by the Board of Directors.

The potential reward from the performance period 2013 will be based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE). Rewards from performance periods 2013 and 2013–2015 will be paid partly in the HKScan series A shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. In general, no reward will be paid, if the key employee's employment or service ends before reward payment.

The rewards to be paid on the basis of the performance periods beginning in 2013 represent the value of 600 000 HKScan Corporation series A shares in the maximum.

More specific information of the performance share plan grants are presented in the following tables:

Plan		Performance Share Plan 2013	TOTAL
Type		SHARE	
Instrument	**Performance Period 2013**	**Restricted Stock 2013-2015**	**TOT/WA**
Initial amount, gross pcs	479 000	121 000	600 000
Initial allocation date	1 Feb. 2013	1 Feb. 2013	
Vesting date/payment at the latest	30 Apr. 2016	30 Apr. 2016	
Maximum contractual life, years	3.2	3.2	3.2
Remaining contractual life, years	2.3	2.3	2.3
Vesting conditions	EPS (70%), ROCE-% (30%), Employment precondition	Share purchase and ownership requirement, Employment precondition	
Number of persons at the end of the reporting year	21	20	
Payment method	Cash & Equity	Cash & Equity	

Changes during the period 2013	Performance period 2013	Restricted stock 2013-2015	Total
1 Jan. 2013			
Outstanding at the beginning of the reporting period	0	0	0
Changes during the period 2013			
Granted	397 896	106 500	504 396
Forfeited	9 474	2 500	11 974
Excercised	0	0	0
Expired	0	0	0
31 Dec. 2013			
Outstanding at the end of the period	388 422	104 000	492 422

Based on IFRS2 , the fair value of share based incentives is determined at grant date and the fair value is expensed until vesting. Since the share reward is paid as a combination of shares and cash, the fair value determination is divided into equity-settled and cash-settled portions. The equity-settled portion is booked into equity and cash-settled into liabilities. The fair value of equity-settled portion is the fair value of Company share at grant date deducted with expected dividends to be paid before reward payment. Furthermore, the share purchase and ownership requirement in performance period 2013–2015 is taken into account by deducting the estimated financing costs of the share purchases from the fair value. The fair value of cash settled portion is recalculated on each reporting date until reward payment.

The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period	
Share price at grant, EUR	4.12
Share price at reporting period end, EUR	3.76
Maturity, years	3.2
Expected dividends, EUR	0.44
Fair value at grant, EUR	1 765 652
Fair value 31 Dec 2013, EUR	370 985

Effect of Share-based Incentives on the result and financial position during the period	
Expenses for the financial year, share-based payments	97 546
Expenses for the financial year, share-based payments, equity-settled	36 608
Liabilities arising from share-based payments 31 December 2013	60 938

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.

A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group's environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

TAXES AND DEFERRED TAXES BASED ON TAXABLE INCOME FOR THE PERIOD

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

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

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

The deferred tax liability relating to the retained earnings of the Baltic Group companies has not been recognised, as the assets are used to safeguard the foreign companies' own investment needs. The parent company has control over the dividend distribution policy of the Baltic subsidiaries, and there are no plans to distribute said earnings within the foreseeable future.

RECOGNITION POLICIES

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

Goods sold and services provided

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from service provision is recognised in the financial period in which the service is performed.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The company did not have any non-current assets held for sale during 2012–2013.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group's financial assets are classified into the following categories: financial assets recognised at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is based on the purpose of the acquisition of the financial asset and takes place in conjunction with the original acquisition. Transaction costs are included in the original carrying amount of financial assets in the case of items not measured at fair value through profit or loss. Purchases and sales of financial assets are recognised on the settlement date, except for derivatives and spot transactions, which are recognised according to the transaction date. The transaction date is the date on which the Group commits itself to purchase or sell a financial instrument. The settlement date is the date on which a financial asset is delivered to another party or correspondingly when a financial asset is received. Financial assets are derecognised from the balance sheet when the Group's contractual right to the cash flows has expired or when the risks and rewards of ownership have to a significant degree been transferred outside the Group.

The category of financial assets recognised at fair value through profit of loss comprises financial assets designated as such at inception or acquired to be held for trading (application of fair value option). The category can be changed only in rare special circumstances. The latter group includes financial assets that are administered on the basis of fair value or financial asset items involving one or more embedded derivatives that significantly change the cash flows of the contract, in which case the whole compound instrument is measured at fair value. Financial assets held for trading purposes have mainly been acquired to obtain a gain from short term changes in market prices. Derivatives that are not contracts of guarantee or do not satisfy hedge accounting are classified as financial assets or liabilities held for trading. Derivatives held for trading as well as financial assets maturing within 12 months are included in current assets.

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

Investments held to maturity are non-derivative financial assets that have fixed or determinable payments, that mature on a given date and that the Group positively intends to and is able to hold until maturity. They are measured at amortised cost using the effective interest method and are included in non-current assets. The Group did not have any financial assets of this category during the financial period.

Loans and other receivables are non-derivative assets that have fixed or measurable payments are not quoted on active markets and not held for trading by the Group or specifically classified as being available for sale at inception. They are measured on the basis of amortised cost using the effective interest method and are included on the balance sheet under current or non-current assets as determined by their nature, under the latter if maturing in more than 12 months.

Available-for-sale financial assets consist of assets not belonging to derivative assets which have been specifically classified in this category or which have not been classified in another category. They are included in non-current assets, except if they are to be held for less than 12 months from the reporting date, in which case they are recorded under current assets. Available-for-sale financial assets can consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. The fair value of an investment is determined on the basis of the bid price of the investment. If quoted prices are not available for available-for-sale financial assets, the Group applies various valuation techniques to measure them. These include, for example, recent transactions between independent parties, discounted cash flows or other similar instrument valuations. Information obtained from the market in general and minimal elements determined by the Group itself are utilised.

Changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income and reported in the fair value reserve included in equity, Other reserves, taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognised on the investment. Interest income on available-for-sale fixed-income investments are recognised in financial income using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Credit accounts relating to the Group accounts are included in current financial liabilities, and they are recognised as setoffs, as the Group has an agreement-based legal right to settle or otherwise eliminate the amount to be paid to the creditor in full or in part.

Impairment of financial asset

At each reporting date, the Group assesses whether there is any objective evidence of the impairment of an individual financial asset item or a group of financial assets.

The Group recognises an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy, payment default or a payment delay exceeding 90 days constitute evidence of the impairment of trade receivables. The impairment loss recognised in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of a receivable. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognised loss is reversed through profit or loss.

Financial liabilities

Financial assets are initially recognised at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortised cost. Financial liabilities except for derivative contract liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in current and non-current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as a part of the cost of the said asset when it is likely that these will generate future economic benefits and when the costs can be measured reliably. During the financial year the Group did not have any qualifying investments.

Other borrowing costs are recognised as an expense in the period in which they are incurred. Credit fees related to loan commitments are recognised as transaction costs in proportion to the extent that it is probable that the total loan commitment or a part of it will be raised. Credit fees are recognised on the balance sheet until the loan is raised. In connection with the drawdown, the credit fee related to loan commitments is recognised as part of the transaction costs. To the extent that it is probable that the loan commitment will not be raised, the credit fee is recognised as a prepaid expense in respect of the liquidity-related services and is accrued for the period of the loan commitment.

The determination principles of the fair values of all financial assets and liabilities are presented in Note 26, 'Fair values of financial assets and liabilities'.

DERIVATIVES AND HEDGE ACCOUNTING

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

Fair value hedging

Changes in the fair value derivatives contracts that satisfy the conditions for hedging fair value are recognised through profit or loss. Changes in the fair value of a hedged asset or debt item are treated in the same way with regard to hedged risk. During the financial year the Group did not have any derivative contract that satisfy the conditions for hedging fair value.

Cash flow hedging

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

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

Hedging of net investment in a foreign unit

The hedging of the net investment in a foreign unit is treated in accounting in the same manner as cash flow hedging. The effective portion of the change in the value of the hedging forward, i.e. the change in spot value, is recognised under other comprehensive income and the interest rate difference and the ineffective portion of the change in value through profit or loss under financial items. Gains and losses accumulated in translation differences within equity from net investment hedges are included in the income statement when the net investment is disposed of in part or in full. The fair values of derivatives to which hedge accounting applies are presented on the balance sheet under non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months. Otherwise they are included in current assets or liabilities.

Other hedging instruments where hedge accounting is not applied

Despite the fact that some hedging relationships satisfy the Group's risk management hedging criteria, hedge accounting is not applied to them. Such instruments have included derivatives hedging against currency or interest-rate risk. In accordance with the Group's recognition policy, changes in the fair value of these instruments are recognised in other financial income or expenses (interest rate derivatives), other operating income and expenses (foreign exchange derivatives hedging commercial currency flows) and financial income or expenses (forward exchange contracts hedging financial items). On the balance sheet, derivatives relating to currency-denominated trade receivables or trade payables are presented in other current receivables or liabilities.

The fair values of hedging instruments are presented in Note 26, 'Fair values of financial assets and liabilities'. Changes in the hedging reserve are presented in Note 20. 'Notes relating to equity' under 'Other reserves'.

Embedded derivatives

Embedded derivatives are included in such binding commercial agreements that are denominated in a currency which is not the operating currency of neither contracting party and which is not generally used in the financial environment in which the business transaction is carried out. Such derivatives are usually forward exchange contracts. During the financial year, the Group did not have any embedded derivatives.

EQUITY

All company shares are reported as share capital. Any repurchase of its own shares by the company is deducted from equity.

DIVIDEND

The dividend proposed to the Annual General Meeting by the Board of Directors is not deducted from distributable equity until approved by the AGM.

EBIT

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

Where necessary, major gains and losses on disposal, impairment and recognitions of discontinuations, reorganisations of operations or significant compensations or penalties paid out due to the legal verdict or settlement, recorded as non-recurring items, as well as EBIT excluding non-recurring items may be presented separately in interim reports and financial statement bulletins.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates made in preparation of the financial statements are based on the best judgment of management on the reporting date. The estimates are based on historical experience and assumptions regarding the future seen as most likely on the balance sheet date. Such assumptions are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. The estimations and judgements are reviewed regularly.

The most important areas in which the estimations and judgment have been used are presented below.

The assumptions made by the management regarding the taxable income of the Group companies in the coming reporting periods are taken into account when estimating the amount of recognised deferred tax assets.

Measurement to fair value of assets acquired in business combinations

Where possible, Management has used available market values as the basis of determining the fair value of the net assets acquired in a business combination. When this is not possible, measurement is principally based on the historic return from the asset item and its intended use in business operations. Measuring the intangible right at fair value has required the Management to make estimations on the future cash flows. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require Management`s estimates and assumptions about the future use of assets and the effect on the company's financial position. Changes in the emphasis and direction of business operations may result in changes to the original measurement in the future.

In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

Impairment testing

The Group tests goodwill annually for possible impairment. The recoverable amounts of cash generating units are determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Although the assumptions used are appropriate according to the Management, the estimated recoverable amounts may differ substantially from those realised in future.

The assumptions used in the Impairment calculation involve judgment that the Management has used in estimating the development of different factors. The sensitivity analysis emphasises that the factors related to revenue growth are the most central sources of uncertainty in the methods, assumptions and estimates used in the calculations. This sensitivity derives from the challenging estimation of the future development of the previously mentioned factors.

Valuation of inventories

Management's principle is to recognise an impairment loss for slowly moving and outdated inventories based on the management's best possible estimate of possibly unusable inventories in the Group's possession at the reporting date. The Group has valuation policy for inventories and inventing which is approved by the Management. Management bases its estimates on systematic and continuous monitoring and evaluations.

Management judgments relating to choice and application of accounting policies

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

APPLICATION OF NEW AND REVISED IFRS NORMS

IASB has published the following new or revised standards and interpretations that the Group has not yet adopted. The

Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the reporting period, as of the beginning of the next reporting period following the effective date.

- IFRS 9 Funding instruments and changes to it (The date for mandatory application is still open). When complete, the IASB project, originally consisting of three phases, will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 covers the classification of financial assets; the measurement depends on the contractual cash flow characteristics and the company's business model. The second phase, issued in October 2010, covers the classification and measurement of financial liabilities and is largely based on the requirements of the current IAS 39. However, IASB is still considering limited amendments to the already issued IFRS 9 guidance on the classification and measurement of financial assets. The other incomplete issues concern impairment and general hedge accounting. IASB has decoupled accounting for macro hedging from IFRS 9 and it will be progressed as a separate project. Due to the incomplete sections, for the time being it is not possible to assess the final effects of the standard on the consolidated financial statements. The standard has not yet been endorsed for application in the EU.

- IFRS 10 Consolidated Financial Statements (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). Based on existing principles, the standard defines control as a primary factor when determining whether an entity should be included within the consolidated financial statements. In addition, the standard provides further guidance on how to assess control in difficult cases. The standard will become mandatory in the EU in 2014. The impacts of IFRS 10 are being assessed, and the Group will adopt it in 2014.

- IFRS 11 Joint Arrangements (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). The standard focuses on the rights and obligations in the accounting of joint arrangements rather than on their legal form. There are two types of joint arrangement: joint operations and joint ventures. The standard also requires a single method, the equity method, in joint venture reporting and the previous option to apply proportionate consolidation is no longer allowed. The new standard will significantly change reporting of the Group's figures and the consolidation of segment Poland. The Group will adopt the standard in 2014.

- IFRS 12 Disclosures of Interests in Other Entities (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). The standard includes the disclosure requirements for various interests in other entities, including associates, joint arrangements, special purpose companies and other off-balance sheet companies. The new standard will expand the notes concerning the Group's holdings in other entities.

The standard has been endorsed for application in the EU, and the Group will adopt it as of the accounting period that begins on 1 January 2014.

- IAS 27 (revised in 2011) Separate Financial Statements (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). The revised standard includes those requirements concerning separate financial statements which remain after the sections concerning control have been incorporated in the new IFRS 10. The revision of the standard is not expected to have a material effect on the Group's financial statements.

- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). The revised standard includes requirements for accounting of joint ventures as well as associates with the equity method following the issue of IFRS 11.

– Amendment to IAS 32 Financial Instruments: Presentation (Applicable in the EU as of 1 January 2014 or subsequent accounting periods). The amendment clarifies the rules concerning the presentation of financial assets and liabilities as net amounts and provides further application guidance. The amendment will not have a material effect on the Group's financial statements. The revised standard has not yet been endorsed for application in the EU.

- Amendment to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (applicable as of the accounting period that begins on 1 January 2014 or subsequent accounting periods). The amendment will specify the disclosure requirements concerning cash-generating units for which impairment losses have been recognised. The revised standard has not yet been endorsed for application in the EU.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting (applicable as of the accounting period that begins on 1 January 2014 or subsequent accounting periods). The amendment concerns the requirements for the application of hedge accounting in situations where a derivative instrument is transferred to a central counterparty. According to the amendment, the hedge accounting may continue provided that certain conditions in the situations in question are met. The revised standard has not yet been endorsed for application in the EU.

- IFRIC 21 Levies (applicable as of the accounting period that begins on 1 January 2014 or subsequent accounting periods). The interpretation applies to the accounting of a possible obligation arising to the paying party due to public payments. The interpretation will not have an effect on the consolidated financial statements. The interpretation has not yet been endorsed for application in the EU.

NOTES TO THE INCOME STATEMENT

1. BUSINESS SEGMENTS

The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team. The division into business segments is based on the reports used by the Group Management Team for the allocation of resources and assessment of performance.

The Group Management Team monitors business performance by geographical area. The geographical segments monitored are Finland, Sweden, Denmark, the Baltics and Poland. All the geographical segments manufacture, sell and market meat products, processed meat products and convenient foods.

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

Year 2013	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Business segments, total	Group administration	Eliminations	Unallocated	Group total
INCOME STATEMENT INFORMATION										
External sales	793.1	929.7	225.4	165.0	365.4	2 478.7	0.0	-	-	2 478.6
Internal sales	11.0	35.5	0.6	10.1	9.7	66.9	0.0	-67.0	-	0.0
Net sales	**804.1**	**965.3**	**226.1**	**175.1**	**375.1**	**2 545.6**	**-**	**-67.0**	**-**	**2 478.6**
Segment EBIT	2.8	8.1	4.9	8.4	18.8	43.0	-12.5	-	-	30.5
Unallocated items	-	-	-	-	-	-	-	-	-	-
EBIT	**2.8**	**8.1**	**4.9**	**8.4**	**18.8**	**43.0**	**-12.5**	**-**	**-**	**30.5**
Share of associates' results	2.9	0.2	0.3	-	-	3.4	-	-	-	3.4
Financial income and expenses									-24.2	-24.2
Income taxes									0.1	0.1
Result for the period										**9.8**
BALANCE SHEET INFORMATION										
Segment assets	337.4	304.0	108.9	161.8	157.8	1 069.9	70.7	-61.8	-	1 078.7
Shares in associates	15.6	10.6	3.1	-	-	29.3	0.1	-	-	29.4
Unallocated assets	-	-	-	-	-	-	-	-	46.8	46.8
Total assets	**353.0**	**314.6**	**111.9**	**161.8**	**157.8**	**1 099.1**	**70.8**	**-61.8**	**46.8**	**1 154.9**
Segment liabilities	87.2	99.6	29.1	23.2	26.6	265.7	6.7	-6.2	-	266.2
Unallocated liabilities	-	-	-	-	-	-	-	-	479.7	479.7
Total liabilities	**87.2**	**99.6**	**29.1**	**23.2**	**26.6**	**265.7**	**6.7**	**-6.2**	**479.7**	**745.9**
OTHER INFORMATION										
Sales, goods	792.3	925.5	225.4	164.7	359.9	2 467.8	-	-	-	2 467.8
Sales, services	0.7	4.3	-	0.3	5.5	10.8	0.0	-	-	10.8
Investments	14.8	6.1	12.1	8.7	10.8	52.6	0.4	-	-	52.9
Depreciation and amortisation	-22.0	-20.7	-10.0	-8.4	-9.7	-70.7	-0.3	-	-	-71.0
Impairment	-	0.0	-0.6	-	0.0	-0.6	-	-	-	-0.6
Goodwill	17.9	34.2	3.6	22.2	23.0	100.9	-	-	-	100.9

Year 2012 (Restated)	Finnish operations	Swedish operations	Danish operations	Baltic operations	Polish operations	Business segments, total	Group administration	Eliminations	Unallocated	Group total
INCOME STATEMENT INFORMATION										
External sales	802.4	988.4	209.9	166.5	335.9	2 503.1	-	-	-	2 503.1
Internal sales	11.4	37.3	1.9	10.2	7.8	68.5	-	-68.5	-	0.0
Net sales	**813.8**	**1 025.7**	**211.7**	**176.7**	**343.7**	**2 571.6**	**-**	**-68.5**	**-**	**2 503.1**
Segment EBIT	18.4	-5.9	15.4	8.9	15.8	52.5	-9.5	-	-	43.1
Unallocated items	-	-	-	-	-	-	-	-	-	-
EBIT	**18.4**	**-5.9**	**15.4**	**8.9**	**15.8**	**52.5**	**-9.5**	**-**	**-**	**43.1**
Share of associates' results	2.9	0.0	0.1	-	-	3.0	-	-	-	3.0
Financial income and expenses									-31.7	-31.7
Income taxes									3.4	3.4
Result for the period										**17.7**
BALANCE SHEET INFORMATION										
Segment assets	355.6	327.7	122.4	154.9	156.2	1 116.7	42.6	-25.3	-	1 133.9
Shares in associates	13.8	18.2	2.8	-	-	34.7	0	-	-	34.7
Unallocated assets	-	-	-	-	-	-	-	-	50.3	50.3
Total assets	**369.3**	**345.9**	**125.1**	**154.9**	**156.2**	**1 151.4**	**42.6**	**-25.3**	**50.3**	**1 218.9**
Segment liabilities	89.8	112.3	14.4	17.8	24.4	258.6	5.7	-5.7	-	258.7
Unallocated liabilities	-	-	-	-	-	-	-	-	557.2	557.2
Total liabilities	**89.8**	**112.3**	**14.4**	**17.8**	**24.4**	**258.6**	**5.7**	**-5.7**	**557.2**	**815.9**
OTHER INFORMATION										
Sales, goods	801.1	988.4	209.9	166.3	329.7	2 495.4	-	-	-	2 495.4
Sales, services	1.3	-	-	0.2	6.2	7.6	-	-	-	7.6
Investments	11.2	7.4	33.0	10.5	14.0	76.0	0.6	-	-	76.6
Depreciation and amortisation	-23.3	-23.6	-13.6	-8.3	-8.8	-77.5	-1.1	-	-	-78.6
Impairment	-	-2.9	-4.4	-	0.0	-7.3	-	-	-	-7.3
Goodwill	17.9	35.4	3.6	22.2	22.3	101.5	-	-	-	101.5

2. OTHER OPERATING INCOME

	2013	2012
Rental income	2.1	2.2
Gain on disposal of non-current assets	1.5	2.6
Exchange rate gains related to foreign exchange derivatives	1.5	0.3
Insurance compensation	25.6	47.9
Government grants	0.0	0.8
Other operating income	7.4	3.8
Other operating income	**38.0**	**57.6**

3. MATERIALS AND SERVICES

	2013	2012
Purchases during the financial period	-1 619.7	-1 673.0
Increase/decrease in inventories	4.5	33.9
Work performed for own use and capitalised	-1.0	1.6
Materials and supplies	**-1 616.2**	**-1 637.5**
External services	-176.6	-206.4
Materials and services	**-1 792.7**	**-1 843.9**

4. EMPLOYEE BENEFIT EXPENSES

	2013	2012
Salaries and fees	-271.4	-311.4
Pension expenses, defined contribution/benefit plans	-82.5	-59.5
Pension expenses, defined benefit plans	0.1	0.0
Total pension expenses	-82.4	-59.5
Other social expenses	-12.7	-9.1
Employee benefit expenses	**-366.5**	**-380.0**
Managing directors and their deputies	**-5.6**	**-7.5**
Members of the Board of Directors	-0.3	-0.3
Management salaries, fees and benefits	**-5.9**	**-7.8**
Average number of employees during financial year		
Clerical employees	1 332	1 333
Workers	6 366	6 519
Total	**7 698**	**7 852**

Additionally, the Sokołów Group in Poland employed an average of 6 458 persons in 2013.

5. DEPRECIATION AND IMPAIRMENT

	2013	2012
Depreciation according to plan	-71.0	-78.6
Depreciation and amortisation	-71.0	-78.6
Impairment	-0.6	-7.3
Total	**-71.6**	**-85.9**

6. OTHER OPERATING EXPENSES

	2013	2012
Rents/leases	-24.2	-12.2
Losses on disposal of non-current assets	0.0	-0.1
R&D costs	-11.2	-10.5
Non-statutory staff costs	-14.0	-6.2
Energy	-53.9	-46.5
Maintenance	-43.4	-47.7
Advertising, marketing and entertainment costs	-23.8	-26.9
Service, information management and office costs	-35.2	-25.9
Other expenses	-49.5	-31.6
Total other operating expenses	**-255.2**	**-207.7**

Audit fees

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

	2013	2012
Audit fees	-0.9	-0.7
Tax consultation	-0.1	-0.1
Other fees	0.0	-0.1
Audit fees, total	**-1.0**	**-0.9**

7. FINANCIAL INCOME AND EXPENSES

Financial income	2013	2012
Dividend income from available-for-sale financial assets	0.1	0.0
CHANGE IN VALUE OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:		
- Interest rate derivatives	1.8	0.0
- Foreign exchange derivatives	0.2	0.0
- Commodity derivatives	-	-
- Financial assets held for trading	-	-
Loans and other receivables	4.1	3.3
Currency exchange gains on financial loans and receivables measured at amortised cost	-	2.0
Other financial income	0.3	0.0
Total	**6.5**	**5.4**

Financial expenses	2013	2012
ITEMS RECOGNISED THROUGH PROFIT OR LOSS:		
Interest expenses on financial loans measured at amortised cost	-27.8	-34.9
Impairment charges on available-for-sale financial assets	-	-
CHANGE IN VALUE OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:		
- Interest rate derivatives	-	-0.3
- Foreign exchange derivatives	-	-1.3
- Commodity derivatives	-	-0.5
Currency exchange losses on financial loans and receivables measured at amortised cost	-1.0	-
Impairment losses on loan receivables	-1.8	-
Other financial expenses	-0.1	-0.1
Total	**-30.7**	**-37.1**

8. INCOME TAXES

	2013	2012
Income taxes		
Income tax on ordinary operations	-3.7	-3.8
Tax for previous financial periods	0.0	0.5
Change in deferred tax liabilities and assets	3.8	6.6
Income tax on ordinary operations	**0.1**	**3.4**
Cumulative tax rate reconciliation		
Accounting profit/loss before taxes	9.7	14.3
Deferred tax at parent company's tax rate	-2.4	-3.5
Effect of different tax rates applied to foreign subsidiaries	1.8	3.0
Share of associates' results	0.4	0.8
Tax-exempt income	2.0	0.4
Non-deductible expenses	-1.2	0.0
Use of tax losses not recognised earlier	0.0	-
Unrecognised tax on the losses for the financial period	0.2	-0.9
Tax for previous financial periods	0.0	0.5
Adjustments concerning previous financial periods	-	-0.4
Effect of change in tax rate	-0.8	3.5
Tax expenses in the income statement	**0.1**	**3.4**

The Finnish tax rate used for the calculation of deferred taxes changed from 24.5% in 2012 to 20.0% in the financial statements for 2013. Also the Danish tax rate changed from 25.0% to 22.0% in the financial statement 2013.

9. EARNINGS PER SHARE

	2013	2012
Profit for the period attributable to equity holders of the parent	8.7	16.4
Total	**8.7**	**16.4**
Weighted average number of shares in thousands	53 973	54 556
Weighted average number of shares adjusted for dilution effect	53 973	54 556
Undiluted earnings per share (EUR/share)	0.16	0.30
Earnings per share adjusted for dilution effect (EUR/share)	0.16	0.30

NOTES TO THE BALANCE SHEET

10. INTANGIBLE ASSETS

	2013	2012
Acquisition costs on 1 Jan.	100.2	94.6
Translation differences	-2.2	2.8
Increase	2.1	1.9
Increase (acquisitions)	-	-
Decrease	-0.3	-0.7
Transfers between items	0.4	1.7
Acquisition cost on 31 Dec.	100.2	100.2
Accumulated depreciation on 1 Jan.	-22.5	-18.0
Translation differences	0.2	-0.3
Accumulated depreciation on disposals and reclassifications	0.2	0.3
Depreciation for the financial period	-3.5	-4.5
Accumulated depreciation on 31 Dec.	-25.6	-22.5
Carrying amount on 31 Dec.	**74.7**	**77.7**

The trademarks included in the Swedish business operations, carrying amount EUR 61.6 million in 2013 (EUR 63.6 million in 2012), are tested for impairment each year. The Group has estimated that their useful life is unlimited.

11. GOODWILL

	2013	2012
Acquisition cost on 1 Jan.	101.5	101.0
Translation differences	-0.6	1.3
Increase	-	-
Increase (acquisitions)	-	-
Decrease	-	-0.9
Carrying amount on 31 Dec.	**100.9**	**101.5**

Allocation of goodwill

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

Specification of goodwill	2013	2012
Finland	17.9	17.9
Sweden	34.2	35.4
Denmark	3.6	3.6
Baltics	22.2	22.2
Poland	23.0	22.3
Total	**100.9**	**101.5**

Impairment testing

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

Group has defined CGU's newly compared to the year 2012. Management reviews the business performance based on business segments and it has identified Finland, Sweden, Denmark, Baltics and Poland as the main segments. Goodwill is monitored by the management at the business segment level.

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

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used are 6.8% (7.1%) in Finland, 7.4% (6.5%) in Sweden, 6.7% (6.7%) in Denmark, 7.9% (7.9%) in the Baltic countries and 9.6% (10.0%) in Poland. The WACC interest rates did not change significantly year-on-year.

The sensitivity of each CGU to impairment is tested by varying both the discount rate and the growth factor reflecting profitability development. Based on the sensitivity analyses conducted a reasonably possible change in interest rates or growth factor reflecting profitability development would not result in impairment in any of the CGUs.

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

The annual impairment testing performed did not result in the recognition of impairment charges in 2013 or 2012.

12. TANGIBLE ASSETS

Tangible assets 2013	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and work in progress	Total
Acquisition cost on 1 Jan.	8.1	483.8	669.7	18.5	14.8	1 194.9
Translation differences	-0.1	-4.1	-6.9	-0.1	-0.2	-11.3
Increase	0.1	4.8	18.6	0.5	27.1	51.3
Increase (acquisitions)	-	-	0.0	-	-	0.0
Decrease	-0.1	-7.0	-14.4	-0.9	-0.7	-23.2
Transfers between items	2.2	5.1	14.6	-0.2	-22.1	-0.4
Acquisition cost on 31 Dec.	10.3	482.7	681.6	17.8	19.0	1 211.4
Accumulated depreciation on 1 Jan.	-0.2	-235.8	-440.1	-14.2	-	-690.3
Translation differences	-	2.8	4.6	0.1	-	7.5
Accumulated depreciation on disposals and reclassifications	-	4.9	11.8	0.7	-	17.4
Accumulated depreciation on acquisitions	-	0.2	0.0	-	-	0.2
Depreciation for the financial period	-	-15.3	-51.0	-1.2	-	-67.5
Impairment charge reversals	-	-	-	-	-	-
Transfers between items	0.2	-	-	-	-	0.2
Accumulated depreciation on 31 Dec.	0.0	-243.3	-474.7	-14.6	-	-732.7
Carrying amount on 31 Dec. 2013	**10.3**	**239.3**	**206.9**	**3.2**	**19.0**	**478.7**

Tangible assets 2012	Land and water	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Pre-payments and work in progress	Total
Acquisition cost on 1 Jan.	7.4	475.3	639.4	17.8	26.3	1 166.2
Translation differences	0.1	8.4	14.0	0.3	0.7	23.6
Increase	0.6	11.4	35.8	0.8	24.2	72.7
Increase (acquisitions)	-	-	-	-	-	-
Decrease	0.0	-22.4	-42.1	-1.0	-0.2	-65.8
Transfers between items	-	11.1	22.6	0.6	-36.1	-1.8
Acquisition cost on 31 Dec.	8.1	483.8	669.7	18.5	14.8	1 194.9
Accumulated depreciation on 1 Jan.	-0.1	-225.4	-410.5	-13.7	-	-649.7
Translation differences	-0.1	-4.5	-8.0	-0.2	-	-12.7
Accumulated depreciation on disposals and reclassifications	-	17.1	36.7	0.9	-	54.6
Accumulated depreciation on acquisitions	-	-	-	-	-	-
Depreciation for the financial period	0.0	-23.0	-58.1	-1.2	-	-82.2
Impairment charge reversals	-	-	-0.2	-	-	-0.2
Accumulated depreciation on 31 Dec.	-0.2	-235.8	-440.1	-14.2	-	-690.3
Carrying amount on 31 Dec. 2012	**7.9**	**248.0**	**229.5**	**4.3**	**14.8**	**504.6**

13. SHARES IN ASSOCIATES

	2013	2012
Acquisition cost on 1 Jan.	34.7	29.9
Translation differences	-0.6	0.6
Increase	0.2	5.1
Decrease	-6.7	-2.1
Acquisition cost on 31 Dec.	27.6	33.4
Share of associates' results	3.4	2.9
Dividend from associates	-1.6	-1.6
Carrying amount on 31 Dec.	**29.4**	**34.7**

In the following is shown a list of associates and their combined assets, liabilities, revenue and profit/loss (EUR million) as well as holding percentage. The figures given are gross and not proportional to Group ownership.

Associates 2013

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by the Group's parent company					
Lihateollisuuden Tutkimuskeskus, Finland	11.1	1.8	22.4	0.1	5.20
Owned by HK Ruokatalo Oy					
Länsi Kalkkuna Oy, Finland	3.1	2.6	26.9	0.0	50.00
Pakastamo Oy, Finland	9.1	3.4	9.3	0.6	50.00
Lihateollisuuden Tutkimuskeskus, Finland	11.1	1.8	22.4	0.1	44.80
Honkajoki Oy, Finland	30.6	14.3	30.3	4.7	50.00
Envor Biotech Oy, Finland	8.6	6.1	5.0	0.0	24.62
Finnpig Oy, Finland	1.3	0.4	3.0	0.0	50.00
Oy LHP Bio-Carbon LTD, Finland	0.2	0.1	-	0.0	24.24
Owned by Scan AB					
Svenskt Butikskött AB, Sweden	9.4	8.2	53.5	-1.4	25.00
Gotlands Slagteri AB, Sweden	8.2	5.9	42.6	0.0	43.75
Svenska Djurhälsovården AB, Sweden	3.5	2.2	7.4	0.0	50.00
Taurus Köttrådgivning AB, Sweden	0.3	0.2	0.6	0.0	39.30
Svenska Pig AB, Sweden	0.5	0.2	0.8	-0.1	22.00
Industrislakt Syd AB, Sweden	0.8	0.8	3.3	-	50.00
Siljans Chark AB, Sweden	9.6	4.8	19.0	0.5	39.30
AB Tillväxt för svensk animalieproduktion, Sweden	5.9	0.0	0.0	0.0	50.00
Höglandsprodukter AB, Sweden	2.2	1.3	26.2	0.5	30.00
Svensk Lantbrukstjänst AB, Sweden	2.7	0.9	12.7	0.8	26.00
Svensk Köttrasprövning AB, Sweden	0.3	0.1	0.4	0.0	35.00
Daka a.m.b.a, Denmark*	0.1	0.1	-	-1.2	33.90

* 0.0% of Daka's 2013 profit for the year has been consolidated to HKScan Group figures. Consolidated share varies yearly.

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by HKScan Real Estate AB					
Creta Farm Nordic AB, Sweden	0.3	0.3	0.2	0.0	50.00
Owned by Rose Poultry A/S					
Tican-Rose GmbH, Germany	5.4	4.3	8.8	0.2	50.00
HRP Kyllingefarme A/S, Denmark	0.9	0.6	1.6	-0.1	50.00
Farmfood, Denmark	19.9	12.5	29.4	0.6	33.30

Associates 2012

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by HK Ruokatalo Oy					
Honkajoki Oy, Finland	23.6	10.1	28.1	4.6	50.00
Envor Biotech Oy, Finland	8.1	5.1	4.7	0.1	24.62
Pakastamo Oy, Finland	9.4	4.5	10.4	0.9	50.00
Lihateollisuuden tutkimuskeskus, Finland	11.1	2.0	22.4	0.2	44.80
Länsi-Kalkkuna Oy, Finland	3.5	2.6	27.2	0.0	50.00
Owned by HK Agri Oy					
Finnpig Oy, Finland	1.4	0.5	3.3	0.1	50.00
Oy LHP Bio Carbon LTD, Finland	0.1	0.1	0.0	0.0	24.24
Owned by Scan AB					
AB Tillväxt för svensk animalieproduktion, Sweden	5.7	0.0	0.0	0.0	50.00
Daka a.m.b.a, Denmark*	110.5	74.0	144.4	22.2	33.90
Höglandsprodukter AB, Sweden	2.3	1.8	29.9	0.1	30.00
Siljans Chark AB, Sweden	10.1	5.8	19.6	0.4	39.30
Svensk Köttrasprövning AB, Sweden	0.2	0.0	0.4	0.0	35.00
Svenskt Lantbrukstjänst AB, Sweden	2.6	0.9	12.3	0.2	26.00
Svenska Djurhälsövården AB, Sweden	3.4	2.2	3.5	0.1	50.00
Taurus Köttrådgivning AB, Sweden	0.3	0.2	0.7	0.0	39.33
Industrislakt Syd AB, Sweden	0.8	0.8	3.5	0.0	50.00
Svenska Pig AB, Sweden	0.5	0.2	0.8	0.0	22.00
Svenskt Butikskött AB, Sweden	9.5	6.2	58.9	-1.3	25.00
Gotlands Slagteri AB, Sweden	8.1	5.9	37.8	0.0	43.75
Nyhléns & Hugosons Chark AB, Sweden	17.3	12.7	54.0	-1.1	49.00

* 1.2% of Daka's 2012 profit for the year has been consolidated to HKScan Group figures. Consolidated share varies yearly.

	Assets	Liabilities	Net sales	Profit/loss for the period	Ownership %
Owned by Pärsons Sverige AB					
Creta Farms Nordic AB, Sweden	0.0	0.1	0.6	0.0	50.00
Owned by Rose Poultry A/S					
Tican – Rose GmbH, Germany	5.7	4.8	1.6	0.1	50.00
HRP Kyllingefarme A/S, Denmark	1.0	0.6	1.4	-0.1	50.00
Farmfood, Denmark	16.6	9.7	29.2	0.0	33.00

14. OTHER NON-CURRENT INVESTMENTS

Other non-current investments include the following assets:

	2013	2012
Available-for-sale financial assets		
- Publicly quoted investments in shares	-	0.1
- Unlisted investments in shares	0.3	0.3
Total	**0.3**	**0.4**
Other shares and holdings	13.8	12.4
Total other financial assets	**14.1**	**12.8**

Available-for-sale non-current financial assets	2013	2012
At start of financial period	0.4	0.4
Exchange rate differences	0.0	0.0
Decrease	-0.1	-
Revaluation surplus	0.0	0.0
At end of financial period	**0.3**	**0.4**

15. NON-CURRENT RECEIVABLES AND INVESTMENTS

	2013	2012
Loan receivables from associates	1.5	1.7
Other receivables from associates	0.0	0.1
Non-current receivables from associates	**1.6**	**1.9**
Loan receivables	1.0	2.9
Other receivables	0.8	1.3
Non-current loan and other receivables	**1.9**	**4.2**
Trade and other receivables	**3.5**	**6.0**
Other non-current investments	14.1	12.9
Deferred tax assets	29.0	28.9
Total non-current receivables	**46.6**	**47.8**

16. DEFERRED TAX ASSETS AND LIABILITIES

Specification of deferred tax receivables

	1 Jan. 2013	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2013
Pension benefits	2.2	-0.2	0.2	-0.5	-	1.8
Other matching differences	3.7	-0.1	0.3	-	-	4.0
Arising from consolidation	0.6	-	-0.2	-	-	0.4
Adopted losses	15.5	-0.2	3.7	-	-	19.0
Arising from hedge accounting	6.9	-	-0.2	-2.8	-	3.9
Total	**28.9**	**-0.4**	**3.8**	**-3.3**	**-**	**29.0**

Specification of deferred tax liabilities

	1 Jan. 2013	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2013
Depreciation difference	8.9	0.0	2.3	-	-	11.2
Other matching differences	5.6	0.0	-1.9	-	-	3.6
Arising from consolidation	12.8	-0.6	-0.4	-	-	11.8
Pension benefits	-	-	-	-	-	-
Arising from hedge accounting	0.4	-	-	-0.1	-	0.3
Total	**27.6**	**-0.6**	**-**	**-0.1**	**-**	**27.0**

Specification of deferred tax receivables

	1 Jan. 2012	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2012
Pension benefits	4.3	0.1	-2.2	-	-	2.2
Other matching differences	3.5	0.2	-	-	-	3.7
Arising from consolidation	0.7	-	-0.1	-	-	0.6
Adopted losses	9.5	0.1	5.9	-	-	15.5
Arising from hedge accounting	6.6	-	-0.1	0.4	-	6.9
Total	**24.6**	**0.4**	**3.5**	**0.4**	**-**	**28.9**

Specification of deferred tax liabilities

	1 Jan. 2012	Translation difference	Recognised in income statement	Recognised in equity	Due to restructuring arrangements	31 Dec. 2012
Depreciation difference	9.2	0.1	0.9	-	-1.3	8.9
Other matching differences	4.6	0.2	0.9	-	-0.1	5.6
Arising from consolidation	14.8	0.3	-2.3	-	-	12.8
Pension benefits	-	-	-2.1	2.1	-	-
Arising from hedge accounting	1.4	-	-1.0	-	-	0.4
Total	**29.9**	**0.6**	**-3.6**	**2.1**	**-1.4**	**27.6**

Deferred tax liability has not been recognised in respect of retained profits of subsidiaries, amounting to EUR 99.0 million in 2013 (EUR 95.2 million in 2012), as the assets have been used to safeguard the foreign companies' own investment needs.

On 31 December 2013, the Group had EUR 4.9 million of confirmed losses, on which no deferred tax receivable has been recognised because the Group is unlikely to accumulate taxable income against which the losses could be utilised before the losses expire.

17. INVENTORIES

	2013	2012
Materials and supplies	89.4	82.6
Unfinished products	12.3	13.3
Finished products	47.6	55.7
Other inventories	6.6	7.7
Prepayments for inventories	1.1	8.0
Live animals, IFRS 41	11.9	9.0
Total inventories	**168.8**	**176.3**

18. TRADE AND OTHER CURRENT RECEIVABLES

	2013	2012
Trade receivables from associates	2.4	1.2
Loan receivables from associates	0.0	0.2
Other receivables from associates	0.3	-
Current receivables from associates	2.6	1.4
Trade receivables	147.0	169.8
Loan receivables	0.5	0.6
Other receivables	19.7	25.7
Current receivables from others	167.2	196.0
Current derivative receivables	0.3	0.3
Interest receivables	0.4	0.7
Other prepayments and accrued income	10.2	17.9
Current prepayments and accrued income	10.6	18.6
Trade and other receivables	180.8	216.5
Tax receivables (income taxes)	0.2	0.9
Income tax receivable	0.2	0.9
Total current receivables	**180.9**	**217.4**

Age breakdown of trade receivables and items recognised as impairment losses

	2013	Impairment losses	Net 2013	2012	Impairment losses	Net 2012
Unmatured	127.6	0.2	127.4	145.8	0.1	145.7
Matured:						
Under 30 days	20.1	0	20.1	21.5	0.2	21.3
30-60 days	0.8	0	0.8	1.6	0	1.6
over 60 days[1]	2.4	1.3	1.0	2.6	0.1	2.5
Total	**150.9**	**1.6**	**149.3**	**171.5**	**0.5**	**171.1**

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

The fair values of receivables are presented in Note 26, 'Fair values of financial assets and liabilities'.

19. CASH AND CASH EQUIVALENTS

The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments.

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

	2013	2012
Cash and bank	74.9	58.9
Short-term money market investments	-	-
Other financial instruments	-	-
Total cash and cash equivalents	**74.9**	**58.9**

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

20. NOTES RELATING TO EQUITY

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

	Number of outstanding shares (1 000)	Share capital (EUR million)	Share premium reserve (EUR million)	RIUE (EUR million)	Treasury shares (EUR million)	Total (EUR million)
1 Jan. 2012	54 973	66.8	72.9	143.5	0.0	283.1
Redemption of treasury shares	-1 000					
31 Dec. 2012	53 973	66.8	72.9	143.5	0.0	283.1
1 Jan. 2013	53 973	66.8	72.9	143.5	0.0	283.1
31 Dec. 2013	53 973	66.8	72.9	143.5	0.0	283.1

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

Share premium reserve

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

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognised under equity pursuant to express decision to that effect. The reserve for invested unrestricted equity consists of the directed issue relating to the Scan and Rose Poultry acquisitions and the share issue in 2009, which was recognised in full in the RIUE.

Treasury shares

At the beginning and at the end of the financial year 2013, HKScan held 1 053 734 treasury A Shares. At the end of the year, they had a market value of EUR 3.96 million and accounted for 1.91% of all shares and 0.67% of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity.

Translation differences

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

Revaluation reserve and other reserves

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

Hedging instruments reserve	2013	2012
Fair value reserve and hedging instruments reserve on 1 Jan.	-14.2	-14.4
Amount recognised in equity in the financial period (effective portion), interest rate derivatives	5.7	0.3
Amount recognised in equity in the financial period (effective portion), commodity derivatives	-1.1	0.3
Share of deferred tax asset of changes in period	-1.8	-0.4
Fair value reserve and hedging instruments reserve on 31 Dec.	-11.4	-14.2

Dividends

Dividend of EUR 0.10 per share, totalling EUR 5.4 million, was distributed in 2013 (EUR 0.17 per share totaling EUR 9.3 million in 2012). Since the reporting date, the Board of Directors has proposed that dividend of EUR 0.10 per share, totalling EUR 5.4 million, be declared.

21. PENSION OBLIGATIONS

	2013	2012
Pension liability/receivable on balance sheet, defined benefit		
Pension obligations	9.0	10.4
Pension liability (+)/receivable(-) in balance sheet	9.0	10.4
Defined benefit pension expense in income statement		
Pension obligations	-3.0	-1.2
Defined benefit pension expense in income statement (IFRS)	-3.0	-1.2
Change in liabilities/receivables arising from benefits in the financial period		
Balance on 1 Jan.	10.4	15.7
Defined benefit pension expence in income statement (IFRS)	-3.0	-1.2
Other change	1.6	-4.2
Liabilities/receivables at end of financial period	**9.0**	**10.4**

22. PROVISIONS

	1 Jan. 2013	Increase in provisions	Exercised in financial period (-)	31 Dec. 2013
Non-current provisions	0.1	-	-	0.1
Current provisions	0.7	-	0.1	0.8
Total	**0.8**	**0.0**	**0.1**	**0.8**

	1 Jan. 2012	Increase in provisions	Exercised in financial period (-)	31 Dec. 2012
Non-current provisions	0.1	-	0.0	0.1
Current provisions	0.7	0.0	-	0.7
Total	**0.8**	**0.0**	**0.0**	**0.8**

23. LIABILITIES

	2013	2012
NON-CURRENT LIABILITIES		
Interest-bearing		
Loans from financial institutions	211.9	276.4
Pension loans	47.7	36.4
Other liabilities	0.5	0.1
Non-current interest-bearing liabilities	**260.1**	**312.9**
Non-interest bearing		
Other liabilities	2.4	2.0
Non-current non-interest-bearing liabilities	**2.4**	**2.0**
Non-current provisions	0.1	0.1
Deferred tax liability	27.0	27.6
Pension obligations	9.0	10.4
Non-current liabilities	**298.6**	**352.9**
CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions	154.5	173.3
Pension loans	11.7	7.1
Other liabilities	4.8	6.4
Current interest-bearing liabilities	**171.0**	**186.8**
TRADE AND OTHER PAYABLES		
Advances received	0.0	-0.2
Trade payables	140.7	135.1
Accruals and deferred income		
- Short-term interest payable	1.5	2.4
- Matched staff costs	51.9	75.3
- Other short-term accruals and deferred income	42.1	16.1
Derivatives	20.0	27.4
Other liabilities	17.2	19.0
Trade and other payables	**273.4**	**275.0**
Income tax liability	2.0	0.5
Current provisions	0.8	0.7
Current liabilities	**447.3**	**463.0**
Liabilities	**745.9**	**815.9**

24. FINANCIAL LIABILITIES

	2013	2012
NON-CURRENT FINANCIAL LIABILITIES MEASURED AT AMORTISED COST:		
Syndicated loans	179.2	231.9
Bilateral loans	65.9	55.1
Credit facilities	14.4	25.8
Other financial liabilities	0.5	0.1
Total	**260.1**	**312.9**
CURRENT FINANCIAL LIABILITIES MEASURED AT AMORTISED COST:		
Syndicated loans	15.0	35.0
Bilateral loans	12.8	10.8
Credit facilities	12.1	13.9
Commercial paper	128.4	119.4
Other financial liabilities	2.7	7.7
Total	**171.0**	**186.8**

The fair value of liabilities is presented in Note 26, 'Fair values of financial assets and liabilities'.

The Group's debt securities are subject to both fixed and variable interest rates. Taking into account derivatives and the sale of trade receivables, fixed-rate loans account for 39% (42% in 2012). The average rate of interest (effective rate) paid by the Group, taking into account derivatives and margins on loans, was 4.7% at the balance sheet date (5.3% in 2012).

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

	2013	2012
Under 6 months	172.9	172.4
6–12 months	40.5	63.8
1–5 years	156.1	178.4
Over 5 years	61.6	85.2
Total	**431.1**	**499.7**

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

Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet		
As at 31 December 2013	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balace sheet	Financial instruments	Cash collateral received	Net amount
Interest rate derivatives	20.0	20.0	0.0	-	-	-
Foreign exchange derivatives	18.1	17.9	0.2	-	-	-
Electricity derivatives	-	-	-	-	-	-
Trade receivables	0.5	-	0.5	-	0.2	0.3
Total	**38.6**	**37.9**	**0.7**	**-**	**0.2**	**0.3**

As at 31 December 2012	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balace sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Interest rate derivatives	20.1	20.0	0.1	-	-	-
Foreign exchange derivatives	13.8	13.7	0.1	-	-	-
Electricity derivatives	0.0	0.0	0.0	-	-	-
Trade receivables	0.6	-	0.6	-	0.2	0.4
Total	**34.5**	**33.7**	**0.8**	**-**	**0.2**	**0.4**

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2013	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balace sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Interest rate derivatives	225.0	208.4	16.6	-	-	-
Foreign exchange derivatives	60.3	59.3	1.0	-	-	-
Electricity derivatives	9.3	11.4	2.1	-	-	-
Total	**294.6**	**279.1**	**19.7**	**-**	**-**	**-**

As at 31 December 2012	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balace sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Interest rate derivatives	280.6	255.6	25.0	-	-	-
Foreign exchange derivatives	51.0	49.8	1.2	-	-	-
Electricity derivatives	10.7	12.0	1.3	-	-	-
Total	**342.3**	**317.4**	**27.5**	**-**	**-**	**-**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

25. FINANCIAL RISK MANAGEMENT

The duty of 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 financiers. The treasury policy approved by the Board provides the principles for financial management and general risk management in the Group. The policy is supplemented by separate operating policies and methods, as well as approval practices.

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.

External funding of the Group's operations and financial risk management is centralised to a finance unit (Group Treasury) operating under the Group Treasurer. Group Treasury identifies and assesses the risks and acquires the instruments required for hedging against the risks, in close co-operation with the operational units.

Risk management may employ various instruments, such as currency forwards and options, interest-rate or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. Funding of the Group's subsidiaries is managed mainly through the parent company. The subsidiaries may not accept new external funding, nor may they give guarantees or pledges without the permission of the Group Treasury in the parent company. Owing to indirect administration, the segment of Poland's financial risk management is the segment's responsibility and is monitored through Board work.

Foreign exchange risk

The company's domestic market consists of Finland, Sweden, Denmark, the Baltic countries and Poland. HKScan is active in ten countries altogether. The company produces, sells and markets pork, beef and poultry meat, processed meats and convenience foods to retail trade, the HoReCa sector, industry and export customers.

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

The subsidiaries must hedge 90–110% of all items on the balance sheet that are based on significant currencies. On average, 72% (48%) of the commercial foreign exchange risk was hedged on the balance sheet date. The figure does not include Sokołów. The hedging level delveloped well within the year but is still low because the process is not yet complete. Forecast, highly probable cash flows are hedged 0–50% for up to 12 months into the future. Intra-Group transactions strive to use the domestic currency of one or other of the parties. Group Treasury can use currency forwards, options and swaps as hedging instruments. Treasury hedges at least of 50% of its foreign exchange risk exposure. On the balance sheet date, Group Treasury had hedged an average of 98% (92%) of its own currency position.

Translation risk arises from the consolidation of equity into the basic currency in subsidiaries whose operational currency is not the euro. The largest foreign currency denominated equities of the Group companies are in Swedish krona, Polish zloty and Danish krone. Fluctuations of exchange rates affect the amount of consolidated equity, and translation differences are generated in connection with the consolidation of equity in accounting. Hedging methods include borrowing in the same currency and the use of derivative instruments. The goal of translation risk management is to neutralise the volatility of equity translation differences in accounting by hedging the subsidiary's equity in range 0–75%.

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

Hedging of the Group's net investments in the financial statements 2013:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	102.8	45.2	Foreign-currency loan	45.2	44.0%
PLN	83.1	-		-	-
DKK	41.9	16.0	Foreign-currency loan	16.0	38.0%

Hedging of the Group's net investments in the financial statements 2012:

Currency	Exposure	Hedged amount	Hedging instrument	Nominal value	Hedging ratio
SEK	111.3	86.4	Foreign-currency loan	86.4	78.0%
PLN	75.1	-		-	-
DKK	39.0	12.0	Foreign-currency loan	12.0	31.0%

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

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

	2013 USD	JPY	SEK	GBP	2012 USD	JPY	SEK	GBP
Trade and other receivables	3.1	1.0	5.6	0.4	3.6	1.2	5.0	0.8
Trade and other payables	0.0	0.0	-4.1	0.0	0.0	-	-2.8	0.0
Loan receivables	-	-	68.9	-	-	-	91.8	-
Loans	-	-	-40.8	-	-	-	-61.2	-
Cash	1.0	0.0	1.6	1.4	0.4	0.1	-1.9	1.0
Position before hedging	4.1	1.0	31.2	1.8	4.0	1.3	30.8	1.7
Hedging	-2.3	-0.9	-31.6	-1.2	-2.8	-1.1	-34.4	0.0
Open position	1.8	0.1	-0.4	0.6	1.2	0.2	-3.5	1.7

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

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

	2013 USD	JPY	SEK	GBP	2012 USD	JPY	SEK	GBP
Movement (+/-),%	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Effect on profit before taxes	0.2	0.0	0.0	0.1	0.1	0.0	0.3	0.2

The following assumptions were used in calculating sensitivity to currency risks:
Forecast future cash flows have not been taken into account in the calculation but financial instruments such as forward contracts used to cover these positions are included in the analysis.

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

Interest rate risk

The Group's short-term money market investments expose it to cash flow interest rate risk, but the impact is not significant. Group revenues and operative cash flows are mainly independent of fluctuations in market rates. The Group's main exposure to interest rate risk arises through interest-bearing liabilities and trade receivables sold. The goal 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 fixed or variable interest rates and use interest rate derivatives to achieve a result that is in line with the Treasury policy. The goal of the policy is to have 30–60% of the Group's borrowings tied to a fixed interest rate and the interest rate maturity of the loans can vary from six to 36 months. On the balance sheet date and taking into account interest rate derivatives and trade receivable financing, fixed-rate loans accounted for roughly 42% (42%) of the loan portfolio. Trade receivable financing has been taken into account in the amount of loans exposed to interest rate risk. The interest rate maturity of the loans was approximately 27 months (20 months).

On the balance sheet date, the nominal value of the Group's outstanding interest rate derivatives was EUR 228.2 million (EUR 275.3 million). Cash flow hedging is applied to EUR 162.7 million of variable-rate loans. The average interest rate on the Group's interest-bearing liabilities, taking into account derivatives and margins on loans, was 4.7% (5.3%) on the balance sheet date.

The Group monitors and analyses its interest position on a regular basis. The sensitivity of net financial expenses on the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was approximately EUR 3.1 million (EUR 4.3 million) before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives on the balance sheet date. The sale of accounts receivable is included in interest-bearing liabilities.

Counterparty risk

Financial counterparty risk refers to the risk that counterparty may fail to fulfill its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Banks that finance the Group are used as counterparties whenever possible, as well as a few other specified counterparties. Cash may be invested in bank deposits, certificates of deposit, municipal papers and the commercial paper programmes of certain specified companies listed on the main list of the Nasdaq OMX Helsinki. Because of the limited extent of the investment activities, the resulting counterparty and price risks are not significant.

Commodity risk

The Group is exposed to commodity risks that are related to the availability and price fluctuations of commodities. Physical electricity consumption is one of the most significant commodity risks in the Group companies. The subsidiaries can hedge against fluctuation in market prices for electricity and other commodities by procuring fixed-price products or through derivative contracts with Group Treasury. The subsidiaries can hedge against significant commodity risks through direct derivative contracts only with the permission of Group Treasury. The companies may use external parties to assist them in commodity risk management.

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

A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity changed by +/-10 percentage points from the balance sheet date 31 December 2013, the profit impact would be EUR +/-1.6 million (EUR +/-1.2 million) and the balance sheet impact EUR +/-0.5 million (EUR +/-0.9 million). The impacts have been calculated before tax.

Credit risk

The Group's documented operating principles specify the credit quality requirements and investment principles applied to customers and counterparties to investment transactions and derivative contracts. Group Treasury is responsible for the management and monitoring of credit risks, working in co-operation with the business units.

Credit risk results from a customer's possible failure to fulfil its payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organisations in the various market areas. The credit quality of customers is monitored and assessed on a regular basis. Basically, all customers have credit limits that are systematically monitored. In addition, some customers are insured through credit insurance. Credit is only extended to customers with an impeccable credit rating. In addition, the Group is exposed to credit risk in financing investments of primary production contract producers. Funding is granted within the limits allowed by HKScan Corporation's Board of Directors. Methods used to secure credit extended include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges.

The amount of impairment losses recognised through profit or loss in the financial period was EUR 1.6 million (EUR 0.5 million in 2012). The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 18.

Liquidity risk

The uncertainty in the financial markets and the economic recession did not increase the Group's risks relating to the availability of financing in the year under review and the Group's liquidity remained good in 2013. The Group constantly assesses and monitors the amount of funding required for operations by means such as preparation and analysis of cash flow forecasts. The Group must maintain adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future. The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. The Group also has revolving credit facilities with banks, bank borrowings, current accounts with overdraft facilities and the short-term EUR 200 million Finnish commercial paper programme. Liquidity risk is managed by retaining long-term liquidity reserves and by exceeding short-term liquidity requirements. The Group's liquidity reserve includes cash and cash equivalents, money market investments and long-term unused committed credit facilities. Short-term liquidity requirements include the repayments of short- and long-term debt within the next 12 months as well as a specifically defined strategic liquidity requirement, which covers the operative funding needs.

Group funding is based on syndicated security-bearing credit facility of EUR 336 million signed in November 2013. The loan arrangement carried out in 2013 was used to refinance the syndicated credit facility expiring in 2014. The credit facility includes a 5-year loan unit, a 3-year loan unit and a stand-by credit.

Undrawn committed credit facilities on 31 December 2013 stood at EUR 162 million (EUR 177 million). In addition, the Group had other undrawn overdraft and other facilities of EUR 36 million (EUR 29 million). At year end, the company's EUR 200 million commercial paper programme had been drawn in the amount of EUR 129 million (EUR 120 million). The credit available from the loan facilities is subject to variable rates and the related interest rate risk is managed through derivative instruments.

Of the committed credit facility agreements, EUR 25.0 million will mature in 2015 and EUR 136.5 million in 2017. The overdraft facility agreements are in force until further notice. The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are gearing and ratio of net debt to EBITDA. In addition to the financial covenants, the company's loan agreements are subject to ordinary terms relating to selling assets, subsidiaries' indebtedness and collaterals. Financiers are provided with quarterly reports on the observance of financial loan covenants. If the Group is in breach of the covenants, the creditor may demand accelerated loan repayment. Management monitors the fulfillment of loan covenants on a regular basis.

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

The number of the Group's commitments on the balance sheet date by type of credit

2013

Credit type	Size	In use	Available
Overdraft facility	35.7	0.0	35.7
Credit limit	162.8	1.3	161.5
Total	**198.5**	**1.3**	**197.2**

2012

Credit type	Size	In use	Available
Overdraft facility	39.9	11.0	28.8
Credit limit	182.4	4.9	177.4
Total	**222.2**	**16.0**	**206.3**

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

Maturity breakdown of the Group's interest-bearing financial liabilities

		Maturity of credit type					
Credit type	31 Dec. 2013	2014	2015	2016	2017	2018	>2018
Syndicated loans	194.2	15.0	30.0	133.0	16.2	-	-
Bilateral loans	78.7	12.8	28.1	12.1	12.1	10.0	3.7
Credit facilities	26.6	12.1	-	14.4	-	-	-
Commercial paper programme	128.4	128.4	-	-	-	-	-
Other borrowing	3.2	2.7	-	0.5	-	-	-
Total	**431.1**	**171.0**	**58.1**	**160.1**	**28.3**	**10.0**	**3.7**

		Maturity of credit type					
Credit type	31 Dec. 2012	2013	2014	2015	2016	2017	>2017
Syndicated loans	266.9	35.0	145.9	30.0	30.0	25.9	-
Bilateral loans	66.0	10.8	7.7	23.5	7.5	7.5	9.0
Credit facilities	39.6	13.9	11.1	0.0	14.7	-	-
Commercial paper programme	119.4	119.4	-	-	-	-	-
Other borrowing	7.8	7.7	0.1	-	-	-	-
Total	**499.7**	**186.8**	**164.8**	**53.5**	**52.3**	**33.5**	**9.0**

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. Except for interest rate derivatives, the amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity analysis only applies to financial instruments and statutory liabilities are therefore excluded. The amounts also include interest on financial liabilities and margin on loan.

2013

Maturity of financial liabilities

Credit type	2014	2015	2016	2017	2018	>2018
Syndicated loans	21.7	36.5	138.4	16.9	-	-
Bilateral loans	14.4	29.4	12.9	12.7	10.2	3.7
Credit facilities	13.7	0.9	15.3	-	-	-
Commercial paper programme	129.0	-	-	-	-	-
Other borrowing	2.8	0.0	0.5	-	-	-
Trade and other payables	273.4	-	-	-	-	-
Total	**455.0**	**66.9**	**167.2**	**29.5**	**10.2**	**3.7**
Maturity of derivative liabilities						
Interest rate derivatives	-0.4	-0.1	-1.1	-5.5	-0.5	-8.8
Commodity derivatives, hedge accounting	-0.9	-0.6	-0.4	-0.2	-	-
Foreign exchange derivatives	-0.8	-	-	-	-	-

2012

Maturity of financial liabilities

Credit type	2013	2014	2015	2016	2017	>2017
Syndicated loans	46.0	155.6	34.2	32.7	27.2	-
Bilateral loans	12.3	8.9	24.5	8.1	7.9	9.2
Credit facilities	16.0	12.6	0.9	15.6	-	-
Commercial paper programme	120.0	-	-	-	-	-
Other borrowing	7.9	0.1	-	-	-	-
Trade and other payables	275.0	-	-	-	-	-
Total	**477.2**	**177.2**	**59.6**	**56.5**	**35.2**	**9.2**
Maturity of derivative liabilities						
Interest rate derivatives	-1.0	-2.6	0.0	-2.4	-6.6	-12.2
Commodity derivatives, hedge accounting	-0.4	-0.4	-0.3	-0.1	-	-
Foreign exchange derivatives	-1.1	-	-	-	-	-

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

	2013	2013	2013	2012	2013	2012
	Positive fair value	Negative fair value	Fair value net	Fair value net	Nominal value	Nominal value
Interest rate derivatives	0.0	-16.6	-16.6	-24.9	228.2	275.3
matured in 2013				-1.0		44.6
matures in 2014	-	-0.4	-0.4	-2.6	34.8	67.3
matures in 2015	-	-0.1	-0.1	0.0	1.7	1.7
matuers in 2016	0.0	-1.1	-1.1	-2.4	40.1	52.0
matures in 2017	-	-5.5	-5.5	-6.6	73.0	48.1
matures in >2017	-	-9.3	-9.3	-12.3	78.7	61.6
of which defined as cash flow hedging instruments	-	-12.3	-12.3	-19.0	162.7	206.6
Foreign exhange derivatives	0.2	-1.0	-0.8	-1.1	78.3	67.3
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	-	-2.1	-2.1	-1.3	9.3	10.7
matured in 2013				-0.4		3.5
matures in 2014	-	-0.9	-0.9	-0.4	3.1	3.1
matures in 2015	-	-0.6	-0.6	-0.3	2.9	2.3
matuers in 2016	-	-0.4	-0.4	-0.1	2.1	1.5
matures in 2017	-	-0.2	-0.2	0.0	1.3	0.4
of which defined as cash flow hedging instruments	-	-2.1	-2.1	-1.3	9.3	10.7

Derivatives to which hedge accounting applies

Changes in the value after taxes of derivatives designated as hedges of net investments made in foreign units amounting to EUR 0 (EUR -1.8 million in 2012) are recognised under other comprehensive income. Exchange rate differences accumulated in translation differences within equity are included in the income statement when the net investment or part thereof is disposed of. In addition, EUR 12.0 million of DKK denominated loans and EUR 45.2 million of SEK-denominated loans are designated as hedges of net investments (EUR 12.0 million of DKK-denominated and EUR 86.4 million of SEK-denominated loans in 2012). The changes in value of these are recognised under other comprehensive income at EUR 6,7 million (EUR -2.4 million in 2012).

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR 3,8 million (EUR 0.1 million in 2012) are recognised under other comprehensive income. A portion of the parent company's interest rate derivatives are designated as hedging instruments of cash flow to which hedging accounting is applied.

Changes in the fair values of the effective portions after taxes of commodity derivatives designated as hedges of cash flow amounting to EUR -1.0 million (EUR 0.2 million in 2012) are recognised under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss.

Capital management

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

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

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

On the balance sheet date the equity ratio is 35.4%. The target in respect of net gearing ratio is below 100%. On the balance sheet date, the net gearing ratio was 80.8%

Net gearing ratio

	2013	2012
Interest-bearing liabilities	431.1	499.7
Interest-bearing short term receivables	0.5	0.7
Cash and bank	74.9	58.9
Interest-bearing net liabilities	355.7	440.1
Equity	440.4	432.5
Net gearing ratio	80.8%	101.8%

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value		Carrying amount	
Financial assets	**2013**	**2012**	**2013**	**2012**
Non-current assets				
Other financial assets	14.1	12.9	14.1	12.9
Trade and other receivables	3.5	6.0	3.5	6.0
Current assets				
Trade and other receivables	180.8	216.5	180.8	216.5
Cash and cash equivalents	74.9	58.9	74.9	58.9

	Fair value		Carrying amount	
Non-current liabilities	**2013**	**2012**	**2013**	**2012**
Syndicated loans	179.6	232.3	179.2	231.9
Bilateral loans	66.4	55.7	65.9	55.1
Credit facilities	14.7	25.9	14.4	25.8
Other interest-bearing liabilities	0.5	0.1	0.5	0.1
Accruals and deferred income	0.4	0.4	0.4	0.4
Other liabilities	2.0	1.1	2.0	1.1
Total non-current liabilities	**263.6**	**315.6**	**262.5**	**314.4**
- of which interest-bearing	261.2	314.0	260.1	312.9
Current liabilities				
Syndicated loans	15.0	35.0	15.0	35.0
Bilateral loans	12.8	10.8	12.8	10.8
Credit facilities	12.1	13.9	12.1	13.9
Commercial papers	128.6	119.7	128.4	119.4
Other interest-bearing liabilities	2.7	7.7	2.7	7.7
Advances received	0.0	-0.2	0.0	-0.2
Trade payables	140.7	135.1	140.7	135.1
Accruals and deferred income	95.5	93.8	95.5	93.8
Other liabilities	37.2	46.4	37.2	46.4
Total current liabilities	**444.7**	**462.1**	**444.4**	**461.9**
- of which interest-bearing	171.3	187.1	171.0	186.8

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

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

Available-for-sale financial assets

Unlisted investments in shares were measured at acquisition cost because it was not possible to measure them at fair value using the methods of measurement or their amount was low.

Derivatives

The fair values of currency forward contracts are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rate or other market information at the reporting date. If the market value given by a counterparty is used, the Group also produces its own calculation using generally accepted valuation methods. The fair values of commodity derivatives are determined by using publicly quoted market prices. The fair values are equal to the prices which the Group would have to pay or would obtain if it were to terminate a derivative instrument.

Bank loans

The fair values of liabilities are based on the discounted cash flows. The rate used for measurement is the rate at which the Group could obtain corresponding credit from a third party on the reporting date. The overall rate consists of a risk free rate and a risk premium (margin on loan) for the company.

Finance lease liabilities

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

Trade and other receivables

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

Trade and other payables

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

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

	31 Dec. 2013	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.0	0.0	0.0	0.0
- Foreign exchange derivatives	0.2	0.0	0.2	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.2**	**0.0**	**0.2**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-16.6	0.0	-16.6	0.0
of which subject to cash flow hedging	-12.3	0.0	-12.3	0.0
- Foreign exchange derivatives	-1.0	0.0	-1.0	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-2.1	0.0	-2.1	0.0
of which subject to cash flow hedging	-2.1	0.0	-2.1	0.0
Total	**-19.7**	**0.0**	**-19.7**	**0.0**

	31 Dec. 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	0.1	0.0	0.1	0.0
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	0.0	0.0	0.0	0.0
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.2**	**0.0**	**0.2**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
- Trading derivatives				
- Interest rate swaps	-25.0	0.0	-25.0	0.0
of which subject to cash flow hedging	-19.0	0.0	-19.0	0.0
- Foreign exchange derivatives	-1.2	0.0	-1.2	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.3	0.0	-1.3	0.0
of which subject to cash flow hedging	-1.3	0.0	-1.3	0.0
Total	**-27.5**	**0.0**	**-27.5**	**0.0**

The quoted prices of Level 1 foreign exchange and commodity derivatives are based on prices quoted on the market. The fair values of Level 2 instruments are to a significant degree based on inputs other than the quoted prices included in Level 1 but nonetheless observable for the relevant asset or liability either directly or indirectly (derived from prices). In determining the fair value of these instruments, the Group uses generally accepted measurement models, the inputs of which are nonetheless to a considerable degree based on observable market information. The fair values of Level 3 instruments are based on inputs which are not based on observable market information; rather to a significant degree on management estimates and measurement models generally acceptable for their use.

27. OTHER LEASES

The Group as lessee

The Group leases many of its premises. The leases have usually been made until further notice and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause. In addition, other rent commitments include various machinery and equipment. The lengths of these leases are from three to five years on average.

Minimum rents payable on the basis of irrevocable lease agreements:

Other rent commitments	2013	2012
Maturing in less than a year	9.1	8.9
Maturing in 1–5 years	28.1	29.8
Maturing in over 5 years	14.9	19.3
Other rent commitments, total	52.1	58.0
Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.2	0.2
Maturing in 1–5 years	0.1	0.1
Maturing in over 5 years	0.0	0.0
Rent receivables, total	0.3	0.3

28. CONDITIONAL ASSETS AND LIABILITIES AND PURCHASE COMMITMENTS

Commitments and contingent liabilities	**2013**	**2012**
Debts secured by mortgages and shares		
Loans from financial institutions	299.0	370.3
Total	**299.0**	**370.3**
Real estate mortgages	71.0	74.6
Pledged securities	0.4	5.2
Floating charges	15.3	16.7
Total	**86.7**	**96.5**
Security for debts of participating interests		
Guarantees	7.5	7.5
Total	**7.5**	**7.5**
Security for debts of others		
Guarantees and pledges	15.7	12.9
Total	**15.7**	**12.9**
Other contingencies		
Leasing commitments		
Leasing commitments maturing in less than a year	7.3	6.7
Leasing commitments maturing in 1–5 years	13.6	14.1
Leasing commitments maturing in over 5 years	0.5	1.0
Other commitments	6.6	7.8
Total other contingencies	**28.0**	**29.6**

The parent company has pledged the shares of its subsidiaries, HK Ruokatalo Oy and Scan AB, as collateral for its loans.

Maturity breakdown of security given for associates and others

2014	0.0
2015	3.9
2016	0.0
2017	1.3
2018	0.2
>2018	4.4
Total	**9.8**

29. 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 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, the deputy CEO and their immediate family members, as well as the members of the Goup Management Team. The Group strives to treat all parties equally in its business.

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative of 1 500 Finnish meat producers. The cooperative fosters 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 other investments and rents. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the Group by members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 18.4 million in 2013 (EUR 10.5 million in 2012). Said persons purchased animals from the Group with EUR 5.9 million in 2013 (EUR 5.2 million in 2012).

Information on employee benefits of management are presented in Note 4. More information on fees of the Board of Directors and management is available in the remuneration statement for 2013, which can be found on the Group's website (www.hkscan.com).

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

Shares in subsidiaries	**Number of shares**	**Owner-%**
Owned by the Group's parent company		
HK Ruokatalo Oy, Finland	1 000	100.00
HK International AB, Sweden	10	100.00
AS Tallegg, Estonia	5 853 200	100.00
Scan AB, Sweden	500 000	100.00
Rose Poultry A/S, Denmark	102 002	100.00
Owned by HK Ruokatalo Oy		
Kivikylän Kotipalvaamo Oy, Finland	49	49.00
Lihatukku Harri Tamminen Oy, Finland	49	49.00
Owned by AS Tallegg		
AS Rakvere Lihakombinaat, Estonia	37 721 700	100.00
KOKS Munatootmine OÜ, Estonia	1	100.00
Owned by AS Rakvere Lihakombinaat		
Rakvere Farmid AS, Estonia	6 984	100.00
UAB Klaipedos Maisto Mesos Produktai, Lithuania	2 000	100.00
Rigas Miesnieks A/s, Latvia	155 920	100.00
Owned by Scan AB		
Kreatina A/S, Denmark	30 000	100.00
Annersted Flodin AB, Sweden	50 000	100.00
SLP Pärsons AB, Sweden	45 000	100.00
Bertil Erikssons Slakteri AB, Sweden	3 000	100.00
HKScan Real Estate AB, Sweden	80 000	100.00
Quality Genetics HB, Sweden	926	92.60
Nordic Genetics AB, Sweden	1 000	100.00
Köttproduktion i Malmö AB, Sweden	5 000	100.00
Scan Foods UK Ltd, England	999	100.00
Kreatina Sp.zo.o, Poland	5 000	100.00
Samfood SA., Belgium	24 999	100.00
Owned by Annerstedt Flodin AB		
AB O Annerstedt, Sweden	30 000	100.00

Shares in subsidiaries	Number of shares	Owner-%
Owned by HKScan Real Estate AB		
Pärsons Sverige AB, Sweden	3 900	100.00
Owned by Rose Poultry A/S		
Rose Poultry AB, Sweden	10 000	100.00

Joint ventures	Number of shares	Owner-%
Owned by HKScan Oyj		
Saturn Nordic Holding AB, Sweden	59 283 399	50.00
Saturn Nordic Holding AB owns 100.00% of Sokołów S.A. in Poland		

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

	2013	2012
Non-current assets	92.6	92.4
Current assets	67.2	64.6
Non-current liabilities	-17.0	-27.4
Current liabilities	-36.4	-31.7
Net sales and other operating income	375.9	345.5
Operating expenses	347.4	333.5

Shares and holdings in associated undertakings	Number of shares	Owner-%
Owned by the Group's parent company		
Lihateollisuuden Tutkimuskeskus, Finland	2 600	5.20
Owned by HK Ruokatalo Oy		
Länsi Kalkkuna Oy, Finland	250	50.00
Pakastamo Oy, Finland	660	50.00
Lihateollisuuden Tutkimuskeskus, Finland	22 400	44.80
Honkajoki Oy, Finland	900	50.00
Envor Biotech Oy, Finland	128	24.62
Finnpig Oy, Finland	40	50.00
Oy LHP Bio-Carbon LTD, Finland	32	24.24
Owned by Scan AB		
Svenskt Butikskött AB, Sweden	333	25.00
Gotlands Slagteri AB, Sweden	250	43.75
Svenska Djurhälsovården AB, Sweden	4 400	50.00
Taurus Köttrådgivning AB, Sweden	118	39.30
Svenska Pig AB, Sweden	220	22.00
Industrislakt Syd AB, Sweden	50 000	50.00
Siljans Chark AB, Sweden	3 680	39.30
AB Tillväxt för svensk animalieproduktion, Sweden	135 500	50.00
Höglandsprodukter AB, Sweden	1 500	30.00
Svensk Lantbrukstjänst AB, Sweden	650	26.00
Svensk Köttrasprövning AB, Sweden	1 750	35.00
Daka a.m.b.a, Denmark		33.24

Shares and holdings in associated undertakings	Number of shares	Owner-%
Owned by HKScan Real Estate AB		
Creta Farm Nordic AB, Sweden	500	50.00
Owned by Rose Poultry A/S		
Tican-Rose GmbH, Germany	1	50.00
HRP Kyllingefarme A/S, Denmark	752	50.00
Farmfood, Denmark	10 000	33.30

The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing, production and marketing of pet food and trading in spices; and the use of leasing, waste disposal, research and advisory services. All commercial contracts are negotiated on market terms.

The following transactions were carried out with related parties:

	2013	2012
Product sales		
Associates	106.5	99.9
Sales of animals to related parties	5.9	5.2
Product purchases		
Associates	45.5	54.9
Purchases of animals from related parties	20.9	10.5

Open balances on 31 December	2013	2012
Trade receivables		
Associates	4.0	3.2
Trade payables		
Associates	4.3	3.5

30. EVENTS AFTER THE REPORTING DATE

As part of its development programme and strategy review in Sweden, HKScan sold its 49 per cent stake in Nyhléns & Hugosons Chark AB to Alviksgården Lantbruks AB on 2 January 2014. The sales price amounted to EUR 2.2 million which was paid in cash. The transaction caused an asset impairment of EUR 2.3 million which is reported as a non-recurring cost in the fourth quarter of 2013.

FAS PARENT COMPANY INCOME STATEMENT FOR 1 JANUARY–31 DECEMBER

(EUR)

	Note	2013	2012
Net sales	1.	-	-
Other operating income	2.	2 750 568.93	58 390 528.26
Materials and services		0.00	0.00
Employee costs	3.	-5 478 933.33	-4 654 886.22
Depreciation and impairment	4.	-340 367.01	-649 957.09
Other operating expenses	5.	-9 511 166.99	-5 827 922.55
EBIT		**-12 579 898.40**	**47 257 762.40**
Financial income and expenses	6.	5 247 890.69	-2 159 262.59
Profit/loss before extraordinary items		**-7 332 007.71**	**45 098 499.81**
Extraordinary items	7.	0.00	0.00
Profit/loss after extraordinary items		**-7 332 007.71**	**45 098 499.81**
Appropriations	8.	-103 273.00	-96 678.00
Income taxes	9.	1 796 260.20	4 125 616.84
Profit/loss for the period		**-5 639 020.51**	**49 127 438.65**

FAS PARENT COMPANY BALANCE SHEET, 31 DECEMBER

(EUR)

	Note	2013	2012
ASSETS			
Intangible assets	10.	614 949.00	401 341.00
Tangible assets	10.	905 954.09	1 202 318.80
Financial assets	10.	340 853 665.42	340 705 465.42
Non-current assets		**342 374 568.51**	**342 309 125.22**
Non-current receivables	11.	371 484 895.20	430 768 097.15
Deferred tax asset	11.	7 673 150.33	6 880 371.58
Current receivables	12.	16 041 250.76	11 436 432.81
Cash and cash equivalents		53 154 881.63	27 531 208.13
Current assets		**448 354 177.92**	**476 616 109.67**
Assets		**790 728 746.43**	**818 925 234.89**
EQUITY AND LIABILITIES			
Share capital	13.	66 820 528.10	66 820 528.10
Share premium reserve	13.	73 420 363.20	73 420 363.20
Revaluation reserve	13.	-	-
Treasury shares	13.	-38 612.12	-38 612.12
Fair value reserve	13.	-2 384 631.97	-4 855 901.32
RIUE	13.	143 075 845.19	143 075 845.19
Other reserves	13.	4 676 283.05	4 639 070.30
Retained earnings	13.	49 259 118.43	5 492 350.58
Profit/loss for the period	13.	-5 639 020.51	49 127 438.65
Equity		**329 189 873.37**	**337 681 082.58**
Accumulated appropriations	14.	**243 622.00**	**140 349.00**
Provisions	15.	**3 051 742.00**	**3 112 760.00**
Deferred tax liability	16.	298 740.32	366 847.47
Non-current interest-bearing liabilities	16.	251 861 656.84	284 255 065.57
Non-current non-interest-bearing liabilities	16.	60 938.00	0.00
Current interest-bearing liabilities	17.	195 885 714.48	181 893 132.40
Current non-interest-bearing liabilities	17.	10 136 459.42	11 475 997.87
Liabilities		**458 243 509.06**	**477 991 043.31**
Equity and liabilities		**790 728 746.43**	**818 925 234.89**

FAS PARENT COMPANY CASH FLOW STATEMENT

(EUR 1 000)

	2013	2012
EBIT	-12 580	47 258
Adjustments to EBIT	909	-57 465
Depreciation and impairment	340	650
Change in provisions	-61	-14
Change in net working capital	848	6 667
Interest income and expenses	3 654	-12 091
Dividends received	6 112	5 637
Taxes	-44	4 126
Cash flow from operating activities	**-822**	**-5 232**
Purchases of shares in subsidiary	-	-6 702
Disposals of shares in subsidiary	-	39 536
Purchase of other fixed assets	-521	-598
Disposals of other fixed assets	127	40
Received income from the sale of other investments	-	56 264
Loans granted	-	-135 166
Repayments of loans receivable	49 771	62 415
Cash flow from investing activities	**49 377**	**15 789**
Cash flow before financing activities	**48 555**	**10 557**
Non-current borrowings raised	130 805	125 006
Non-current borrowings repaid	-6	-102 316
Current borrowings raised	25 398	5 385
Current borrowings repaid	-182 690	-40 825
Increase/decrease in commercial paper programme	8 962	13 761
Dividends paid	-5 400	-9 345
Redemption of treasury shares	-	-8 000
Group contributions received	-	9 700
Cash flow from financing activities	**-22 931**	**-6 634**
Change in cash and cash equivalents	**25 624**	**3 923**
Cash and cash equivalents on 1 January	27 531	23 608
Cash and cash equivalents on 31 December	**53 155**	**27 531**
CHANGE IN WORKING CAPITAL:		
Increase (-)/decrease (+) in current operating receivables	37	5 707
Increase (+)/decrease (-) in current non-interest-bearing liabilities	811	960
Total	**848**	**6 667**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

BASIC INFORMATION ABOUT THE ENTITY

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

HKScan Corporation comprises Group management and Group administration.

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

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

Copies of HKScan Corporation's financial statements are available at the company's registered office at Lemminkäisenkatu 48, 20520 Turku, Finland.

ACCOUNTING POLICIES

Basis of preparation

The parent company's financial statements have been prepared in compliance with valid Finnish Accounting Standards (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 on 31 December 2013.

The parent company complies with the accounting policies of the Group whenever possible.

The amounts in the parent company income statement and balance sheet are in euros and the amounts in the cash flow statement and notes are in thousands of euros.

Transactions in foreign currency

Foreign currency denominated transactions are recognised at the exchange rates valid on the transaction date. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the functional currency at the closing rate quoted by the European Central Bank on 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 contracts

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted on the balance sheet date. Changes in the value of foreign exchange contracts hedging commercial flows are recognised through profit or loss in other operating income or expenses, and changes in the value of foreign exchange contracts hedging financial items are recognised in the income statement in foreign exchange gains and losses from financing operations. Realised gains or losses on interest rate swaps hedging variable-interest loans are presented under financial expenses in the income statement.

Pension plans

HKScan Corporation employees' statutory pension provision has been 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

Hannu Kottonen started as the company's CEO on 1 March 2012. His predecessor Matti Perkonoja retired on 29 February 2012.

The remuneration of the CEO consists of a fixed monthly salary, benefits, supplementary pension benefits and possible incentive awards under the company's incentive scheme. Under the terms of the CEO's executive agreement, the CEO's employment may be terminated by the company and the CEO at six months' notice. In the event that the company terminates the CEO's executive agreement, the CEO will receive an amount that equals 12 months' salary, in addition to the salary for the period of notice.

In 2013, CEO Hannu Kottonen was paid a total salary and supplementary pension benefits of EUR 0.6 million.

Income taxes

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

Leases

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

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 PARENT COMPANY'S INCOME STATEMENT

(EUR 1 000)

1. BREAKDOWN OF NET SALES

	2013	2012
Sales in Finland	-	-

2. OTHER OPERATING INCOME, TOTAL

	2013	2012
Rental income	15	3
Other operating income	2 724	2 124
Gain on disposal of non-current assets	12	56 264
Other operating income, total	**2 751**	**58 391**
Employees, average	36	27

3. STAFF COSTS

	2013	2012
Salaries and fees	-4 285	-3 633
Pension expenses	-708	-708
Other social expenses	-486	-314
Staff costs	**-5 479**	**-4 655**
Management salaries, fees and benefits		
Managing directors and their deputies	881	945
Members of the Board of Directors	275	226
Total	**1 156**	**1 171**

4. DEPRECIATION AND IMPAIRMENT

	2013	2012
Depreciation according to plan on non-current assets and goodwill	-340	-650
Total depreciation and impairment	**-340**	**-650**

5. OTHER OPERATING EXPENSES

	2013	2012
Rents/leases	-1 016	-827
Losses on disposal of fixed assets, tangible assets total	-	-5
Losses on disposal of non-current assets	**0**	**-5**
Audit fees, ordinary audit	-194	-89
Audit fees, other expert services	-37	-35
Audit fees	**-231**	**-124**
Non-statutory staff costs	-1 039	-374
Energy	-88	-92
Maintenance	-41	-33
Advertising, marketing and entertainment costs	-287	-314
Service, information management and office costs	-3 663	-2 886
Other expenses	-3 146	-1 173
Total other operating expenses	**-9 511**	**-5 828**

6. FINANCIAL INCOME AND EXPENSES

	2013	2012
Financial income		
Dividends from Group companies	-	1 403
Dividends from participating interests	6 112	4 234
Dividends from others	0	0
Income from units	**6 112**	**5 637**
Interest income on non-current financial assets from participating interests	16	19
Interest income from other non-current financial assets	**16**	**20**
Other interest and financial income from Group companies	23 093	22 765
Other interest and financial income from others	1 673	4 128
Other financial income	**24 766**	**26 893**
Foreign exchange gains	**1 422**	**10 499**
Unrealised gains on fair value assessment	**28**	**-364**
Total financial income	**32 344**	**42 685**

	2013	2012
Financial expenses		
Other interest and financial expenses payable to Group companies	-621	-477
Other interest and financial expenses payable to participating interests	-	-
Other interest and financial expenses payable to others	-26 875	-32 484
Total other interest and financial expenses	**-27 496**	**-32 961**
Foreign exchange losses	**-1 842**	**-11 487**
Unrealised losses on fair value assessment	**2 242**	**-397**
Total financial expenses	**-27 096**	**-44 844**
Financial income and expenses, total	**5 248**	**-2 159**

7. EXTRAORDINARY ITEMS

	2013	2012
Extraordinary income, Group contributions	-	-
Total extraordinary items	**-**	**-**

8. APPROPRIATIONS

	2013	2012
Increase (-) or decrease (+) in depreciation difference	-103	-97
Total appropriations	**-103**	**-97**

9. DIRECT TAXES

	2013	2012
Income tax on ordinary operations	-	-
Income tax on extraordinary items	-	-
Tax for previous financial periods	-	3
Change in deferred tax liabilities and assets	1 840	4 172
Other direct taxes	-44	-50
Income tax on ordinary operations	**1 796**	**4 125**

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

10. NON-CURRENT ASSETS

Intangible assets 2013	Intellectual property rights	Goodwill	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	1 572	-	352	1 924
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	274	-	-	274
Decrease	-	-	-	-
Transfers between items	62	-	-	62
Acquisition cost on 31 Dec.	**1 908**	**0**	**352**	**2 260**
Accumulated depreciation on 1 Jan.	-1 481	-	-41	-1 523
Accumulated depreciation on disposals, intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	-	-
Depreciation for the financial period	-52	0	-70	-122
Impairment	-	-	-	-
Accumulated depreciation on 31 Dec.	**-1 533**	**0**	**-111**	**-1 645**
Carrying amount on 31 Dec.	**375**	**0**	**241**	**615**

Intangible assets 2012	Intellectual property rights	Goodwill	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	1 502	-	136	1 638
Decrease intra-Group corporate arrangements	-	-	-	-
Increase	-	-	104	104
Decrease	-	-	-136	-136
Transfers between items	70	-	248	318
Acquisition cost on 31 Dec.	**1 572**	**0**	**352**	**1 924**
Accumulated depreciation on 1 Jan.	-1 102	-	-111	-1 213
Accumulated depreciation on disposals, intra-Group corporate arrangements	-	-	-	-
Accumulated depreciation on disposals and reclassifications	-	-	136	136
Depreciation for the financial period	-75	-	-66	-141
Impairment	-304	-	-	-304
Accumulated depreciation on 31 Dec.	**-1 481**	**0**	**-41**	**-1 523**
Carrying amount on 31 Dec.	**91**	**0**	**311**	**401**

Tangible assets 2013	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	1 383	380	62	1 825
Decrease intra-Group corporate arrangements	-	-	-	-	-	-
Increase	-	-	37	-	13	48
Decrease	-	-	-67	-	-	-67
Transfers between items	-	-	-	-	-62	-60
Acquisition cost on 31 Dec.	**0**	**0**	**1 353**	**380**	**13**	**1 746**
Accumulated depreciation on 1 Jan.	-	-	-313	-309	-	-622
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	-	-	-	-
Accumulated depreciation of disposals and reclassifications	-	-	-	-	-	-
Depreciation for the financial period	-	-	-198	-20	0	-218
Value adjustments	-	-	-	-	-	-
Accumulated depreciation on 31 Dec.	**0**	**0**	**-511**	**-329**	**0**	**-840**
Carrying amount on 31 Dec.	**0**	**0**	**842**	**51**	**13**	**906**

Tangible assets 2012	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	-	-	504	380	863	1 747
Decrease intra-Group corporate arrangements	-	-	-	-	-	-
Increase	-	-	432	-	62	494
Decrease	-	-	-99	-	-	-99
Transfers between items	-	-	546	-	-863	-317
Acquisition cost on 31 Dec.	**0**	**0**	**1 383**	**380**	**62**	**1 825**
Accumulated depreciation on 1 Jan.	-	-	-182	-289	-	-471
Accumulated depreciation of disposals, intra-Group corporate arrangements	-	-	53	-	-	53
Accumulated depreciation of disposals and reclassifications	-	-	-	-	-	-
Depreciation for the financial period	-	-	-184	-20	0	-204
Value adjustments	-	-	0	0	0	0
Accumulated depreciation on 31 Dec.	**0**	**0**	**-313**	**-309**	**0**	**-622**
Carrying amount on 31 Dec.	**0**	**0**	**1 070**	**71**	**62**	**1 203**

Financial assets 2013	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	340 642	-	47	16	340 705
Increase	-	148	-	-	148
Decrease	-	-	-	-	-
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**340 642**	**148**	**47**	**16**	**340 853**
Carrying amount on 31 Dec.	**340 642**	**148**	**47**	**16**	**340 853**

Financial assets 2012	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	373 476	-	47	16	373 539
Increase	6 702	-	-	-	6 702
Decrease	-39 536	-	-	-	-39 536
Decrease intra-Group corporate arrangements	-	-	-	-	-
Transfers between items	-	-	-	-	-
Acquisition cost on 31 Dec.	**340 642**	**0**	**47**	**16**	**340 705**
Carrying amount on 31 Dec.	**340 642**	**0**	**47**	**16**	**340 705**

Intangible assets	2013	2012
Intellectual property rights	374	90
Goodwill	-	-
Other long-term expenditure	241	311
Intangible assets	**615**	**401**
Tangible assets		
Land and water areas	-	-
Buildings and structures	-	-
Machinery and equipment	842	1 070
Other tangible assets	51	70
Payments on account and tangible assets in the course of construction	13	62
Tangible assets	**906**	**1 202**
Financial assets		
Holdings in Group companies	340 642	340 642
Holdings in associates	148	-
Receivables from participating interests	47	47
Other shares and holdings	16	16
Financial assets	**340 853**	**340 705**
Total non-current assets	**342 374**	**342 308**

11. NON-CURRENT RECEIVABLES

	2013	2012
Non-current loan receivables	1 032	2 818
Deferred tax assets	7 673	6 880
Other receivables	697	1 121
Total	**9 402**	**10 819**
RECEIVABLES FROM GROUP COMPANIES		
Non-current Group loan receivables	369 558	426 631
Non-current receivables from Group companies	**369 558**	**426 631**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Non-current loan receivables from participating interests	198	198
Non-current loan receivables from participating interests	**198**	**198**
Total non-current receivables	**379 158**	**437 648**

12. CURRENT RECEIVABLES

	2013	2012
Trade receivables	-	0
Short-term prepayments from accrued income (from others)	1 063	1 444
Total	**1 063**	**1 444**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	127	164
Loan receivables	14 472	8 906
Prepayments and accrued income (within Group)	84	61
Other receivables	283	681
Total	**14 966**	**9 812**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Trade receivables	-	0
Loan receivables	-	168
Other receivables	12	12
Short-term receivables from participating interests	**12**	**180**
Total current receivables	**16 041**	**11 436**
MAIN ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Accrued financial items	288	475
Accrued staff costs	3	3
VAT receivables	349	238
Other prepayments and accrued income	423	728
Total	**1 063**	**1 444**

13. EQUITY

Equity in 2013	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	143 076	-217	54 620	337 681
Increase	-	-	-	0	0	2 508	-	2 508
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-5 397	-5 397
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	37	37
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-5 639	-5 639
Equity on 31 Dec. 2013	**66 820**	**73 420**	**-**	**-38**	**143 076**	**2 291**	**43 621**	**329 190**

Equity in 2012	Share capital	Share premium reserve	Revaluation reserve	Treasury shares	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-	-38	151 076	2 118	14 838	308 234
Increase	-	-	-	-	-	38	-	38
Decrease intra-Group corporate arrangements	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-8 000	-2 373	-	-10 373
Dividend distribution	-	-	-	-	-	-	-9 345	-9 345
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Payments made in treasury shares	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	49 127	49 127
Equity on 31 Dec. 2012	**66 820**	**73 420**	**-**	**-38**	**143 076**	**-217**	**54 620**	**337 681**

Distributable assets	2013	2012
Contingency reserve	398	360
Treasury shares	-38	-38
Reserve for invested unrestricted equity	143 076	143 076
Retained earnings	49 259	5 492
Profit/loss for the period	-5 639	49 127
Distributable assets	**187 056**	**198 017**

14. ACCUMULATED APPROPRIATIONS

	2013	2012
Depreciation difference	244	140
Total appropriations	**244**	**140**

The unrecognised deferred tax liability on depreciation difference is EUR 49 000.

15. STATUTORY PROVISIONS

	2013	2012
Provisions for pensions	3 052	3 113
Statutory provisions, total	**3 052**	**3 113**

16. NON-CURRENT LIABILITIES

	2013	2012
Deferred tax liability	299	367
Loans from financial institutions	242 862	284 255
Other liabilities	9 061	-
Total	**252 222**	**284 622**
Total non-current liabilities	**252 222**	**284 622**

	2013	2012
Interest-bearing		
Intercompany interest-bearing liabilities	9 000	-
Amounts owed to others	242 862	284 255
Non-current interest-bearing liabilities	**251 862**	**284 255**
Non-interest bearing		
Amounts owed to others	360	367
Non-current non-interest-bearing liabilities	**360**	**367**
Total non-current liabilities	**252 222**	**284 622**

17. CURRENT LIABILITIES

	2013	2012
Loans from financial institutions	155 102	162 529
Trade payables	1 487	695
Accruals and deferred income	8 122	10 210
Other liabilities	304	324
Total	**165 015**	**173 758**
AMOUNTS OWED TO GROUP COMPANIES		
Trade payables	67	44
Accruals and deferred income	157	203
Other liabilities	40 783	19 364
Total	**41 007**	**19 611**
AMOUNTS OWED TO PARTICIPATING INTERESTS		
Accruals and deferred income	-	-
Other liabilities	-	-
Total	**0**	**0**
Total current liabilities	**206 022**	**193 369**
Interest-bearing		
Current amounts owed to Group companies	40 783	19 364
Current amounts owed to participating interests	-	-
Amounts owed to others	155 102	162 529
Current interest-bearing liabilities	**195 885**	**181 893**
Non-interest-bearing		
Current amounts owed to Group companies	224	247
Current amounts owed to participating interests	0	0
Amounts owed to others	9 913	11 229
Current non-interest-bearing liabilities	**10 137**	**11 476**
Total current liabilities	**206 022**	**193 369**

	2013	2012
MAIN ITEMS (NON-CURRENT AND CURRENT) INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Accrued staff costs	1 154	951
Accrued interest expenses	1 457	1 815
Accrued income taxes	-	-
Accrued changes in value of derivatives	5 025	7 072
Other accruals and deferred income	486	372
Total	**8 122**	**10 210**
LIABILITIES DUE IN FIVE YEARS OR MORE		
Loans from financial institutions	-	-
Pension loans	2 857	7 857
Other long-term liabilities	-	-
Liabilities due in more than five years	**2 857**	**7 857**

18. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities	2013	2012
DEBTS SECURED BY MORTGAGES AND SHARES		
Loans from financial institutions	269 605	322 190
Total	**269 605**	**322 190**
Real estate mortgages	-	-
Floating charges	5 046	5 046
Pledged securities	-	-
Total	**5 046**	**5 046**
SECURITY FOR DEBTS OF SUBSIDIARIES AND OTHER GROUP COMPANIES		
Guarantees	33 736	52 134
Total	**33 736**	**52 134**
SECURITY FOR DEBTS OF PARTICIPATING INTERESTS		
Guarantees	5 250	5 250
Total	**5 250**	**5 250**
SECURITY FOR DEBTS OF OTHERS		
Guarantees	4 125	4 445
Total	**4 125**	**4 445**
OTHER CONTINGENCIES		
Leasing commitments		
Maturing in less than a year	114	42
Maturing in 1–5 years	203	31
Maturing in over 5 years	-	-
Total	**317**	**73**

Commitments and contingent liabilities	2013	2012
OTHER RENT COMMITMENTS		
Maturing in less than a year	858	847
Maturing in 1–5 years	3 434	3 388
Maturing in over 5 years	6 009	6 998
Total	**10 301**	**11 233**
Other commitments	15	15
Total other contingencies	**10 633**	**11 321**

The parent company has pledged the shares of its subsidiaries, HK Ruokatalo Oy and Scan AB, as collateral for its loans.

19. DERIVATIVE INSTRUMENTS

Nominal values of derivative contracts	2013	2012
FOREIGN EXCHANGE DERIVATIVES		
- Currency forward deals	91 977	71 894
- Currency options	-	-
INTEREST RATE DERIVATIVES		
- Interest rate swaps	211 590	258 408
COMMODITY DERIVATIVES		
- Electricity forward deals	9 311	10 669
Total	**312 878**	**340 971**

Fair values of derivative instruments

	2013 Fair value positive	2013 Fair value negative	2012 Fair value net	2012 Fair value net
Foreign exchange derivatives				
- Currency forward deals	285	-1 116	-831	-1 149
- Currency options	-	-	-	-
Interest rate derivatives				
- Interest rate swaps	18	-16 055	-16 037	-24 124
Commodity derivatives				
- Electricity forward deals	-	-2 091	-2 091	-1 307
Total	**303**	**-19 262**	**-18 959**	**-26 580**

Derivative instruments to which hedge accounting applies

	2013 Nominal value	2013 Fair value eff. portion	2012 Nominal value	2012 Fair value eff. portion
Foreign exchange derivatives				
- Currency forward deals	-	-	-	-
Commodity derivatives				
- Electricity forward deals	9 311	-1 608	10 669	-501
Interest rate derivatives				
- Interest rate swaps	162 727	-12 633	206 566	-18 354
Total	**172 038**	**-14 241**	**217 235**	**-18 855**

SIGNATURES TO THE FINANCIAL STATEMENT AND REPORT OF THE BOARD OF DIRECTORS

Vantaa, 11 February 2014

Juha Kylämäki
Chairman of the Board

Niels Borup
Deputy chairman of the Board

Teija Andersen
Member of the Board

Gunilla Aschan
Member of the Board

Tero Hemmilä
Member of the Board

Henrik Treschow
Member of the Board

Hannu Kottonen
President and CEO

AUDITOR'S REPORT

(Translation from the Finnish original)

To the Annual General Meeting of HKScan Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of HKScan Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

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

Vantaa, 11 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant

HKSCAN'S CORPORATE GOVERNANCE STATEMENT 2013

Compliance with the Corporate Governance Code

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, HKScan's Articles of Association, the Finnish Corporate Governance Code 2010 (the "Code") issued by Securities Market Association, and HKScan Group's Code of Conduct as well as Governance Policy. HKScan furthermore complies with the rules and regulations of the NASDAQ OMX Helsinki Ltd and the Finnish Financial Supervisory Authority.

This corporate governance statement has been drafted in accordance with recommendation 54 of the Code that entered into force on 1 October 2010 and with Chapter 2:6 of the Finnish Securities Markets Act. The corporate governance statement is issued separately from the Board's Review 2013.

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 28: Members of the Nomination Committee may be appointed also from outside the Board of Directors in order to bring additional knowledge and expertise to bear on key appointments within the Company.

Availability of Corporate Governance Code

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

Board of Directors

The Board of Directors is responsible for the administration and the proper organisation of the operations of the Company. The duties and accountability of the Board are determined primarily under the Articles of Association and the Finnish Limited Liability Companies Act. The Board's meetings procedure and duties are described in the charter adopted by the Board for each year.

Board members are elected annually by the AGM based on a proposal put forward by the Board's Nomination Committee. The Articles of Association contain no mention of any special order of Board member appointments.

The AGM held on 24 April 2013 decided on amendments to the company's Articles of Association. According to the amended Article 8, the Company's Board of Directors comprises between five and eight (5–8) members. In addition a maximum of three (3) deputy members may be elected to the Board of Directors.

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

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

The following persons were elected to the Board by the AGM held on 24 April 2013:

Juha Kylämäki (b. 1962)
Chairman of the Board since 2011
Law student
Farm entrepreneur, broiler meat producer, Marttila, South-West Finland

Niels Borup (b. 1964)
Deputy chairman of the Board since 2011
M.Sc. (Econ. & Bus. Admin.)
Farm entrepreneur, pork and milk producer, Lapinjärvi, South Finland

Teija Andersen (b. 1957)
Member of the Board since 2012
M.Sc. (Agr. & For.), eMBA
Adviso TMA Oy, CEO, 2012–
Etelä-Hämeen Lomat Oy, CEO, 10/2013–

Gunilla Aschan (b. 1960)
Member of the Board since 2012
M.Sc. (Agriculture, Econ.)
Farm and forestry entrepreneur, beef producer Southeast Sweden
Farm & Forest Department, Manager, Nordea Sweden, Stockholm

Tero Hemmilä (b. 1967)
Member of the Board since 2011
M.Sc. (Agr. & For.)
Yara Suomi Oy, Managing Director 2010–

Henrik Treschow (b. 1946)
Member of the Board since 2011
MBA, Sweden

Mikko Nikula (b. 1972)
Deputy member of the Board since 2013
M.Sc. (Physics)
Farm entrepreneur, broiler meat producer, Rusko, Finland

Per Nilsson (b. 1973)
Deputy member of the Board since 2013
Lantmästare, Swedish University of Agricultural Sciences (SLU)
Master programme at Agriculture University of St. Paul/Minnesota, USA
Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

All actual and deputy members of the Board of Directors are independent of the Company and of the Company's major shareholders.

During 2013, the Board held 12 meetings. The average attendance rate of Board members was 94 per cent (95 per cent incl. deputy members). The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the deputy CEO, CFO and the Administrative and Legal Director as secretary to the Board also regularly attend the Board meetings.

Charter of the Board

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

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

- appointments and dismissals of the CEO and senior executives, and decisions on the terms of employment of management
- terms of employment of managing directors of Group companies and senior management
- Group management's and personnel's incentive schemes and bonus criteria
- Group and organisation structure, commencement of new business, changes and discontinuation of central business
- Group strategy, business plan and performance targets for the following year, and related underlying assumptions
- Group's significant investments, as well as company, business and real estate arrangements, and sales and outsourcing of significant equipment and machinery
- other significant contracts of the Group
- dividend policy and division proposal to the Annual General Meeting
- principles of risk management and communication related to Group's business and follow up of the legality of business operations
- approving of investment plans and approval of relevant investments deviating from the plan
- taking out Group loans and giving securities
- giving procurations and other representative rights of the Company.

The meetings of the Board of Directors follow the annually agreed management calendar. Extra meetings may be convened if required. The chairman of the Board convenes the Board meetings and prepares the meeting agenda together with the CEO.

Performance evaluation of the Board

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

Board committees

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

Audit Committee

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

The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with recommendation 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan's Board of Directors include, among other things, the following:

- to monitor the reporting process of financial statements;

- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal auditing and risk management system;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- to monitor the statutory audit;
- to evaluate the independence of auditors and the provision of related services to the Company in particular; and
- to prepare the proposal for resolution on the election of the auditors.

The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee and submits for the information of the Board the minutes of the committee's meeting. The CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee is chaired by Tero Hemmilä and its members are Henrik Treschow and Mikko Nikula.

The Audit Committee held 5 meetings during 2013. The average attendance rate of Committee members was 94 per cent. Committee meetings are also regularly attended by the Company's CEO and CFO and by its external auditors. The chairman of the Audit Committee prepares the agenda for the meeting based on a proposal made by the CFO and convenes the meetings, under normal circumstances with at least one week's notice.

Nomination Committee

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

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

The members of the Nomination Committee are Pekka Uusitalo (chair), Lars Gustafsson and Juha Kylämäki.

The Nomination Committee held 2 meetings during 2013. The average attendance rate of Committee members was 100 per cent.

Introductions:

Pekka Uusitalo (b. 1960) as of 24 April 2013
B.Sc. (Agricult.), beef producer, Orimattila, Finland

Lars Gustafsson (b. 1956)
Degree in Economics at Lund University of Agricultural Sciences, Farm entrepreneur, pork producer, Knislinge, Sweden

Tiina Teperi-Saari (b. 1960) until 24 April 2013
BSc (Agriculture), pork producer, Alastaro, Finland

Compensation Committee

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

The duties of the Compensation Committee are defined in its charter adopted by the Board of Directors. The Compensation Committee is tasked with preparing matters pertaining to the Company's compensation schemes. The Compensation Committee convenes at least twice a year and reports on its work to the Board following the meeting of the Committee and submits for the information of the Board the minutes of the Committee's meetings.

The Committee is chaired by Niels Borup and its members are Teija Andersen, Juha Kylämäki and Henrik Treschow.

The Compensation Committee held 4 meetings during 2013. The average attendance rate of Committee members was 94 per cent. The Compensation Committee has used external consultants in its work.

Working Committee

Within the Working Committee the Board considers matters without the presence of the operative management.

The duties of the Working Committee are defined in its charter adopted by the Board of Directors. The Working Committee is tasked with promoting the efficient accomplishment of the duties of the Company's Board of Directors. The aim of the Committee is to advance compliance with the Finnish Corporate Governance Code in HKScan Corporation.

The Committee is chaired by Juha Kylämäki and its members are Tero Hemmilä and Niels Borup. The Working Committee held one meeting during 2013, and all the members attended the meeting.

Meeting attendance of the Board and its Committees

	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Juha Kylämäki 1) 3)	12/12	1/1	2/2	1/1	1/1
Niels Borup 1)	12/12	1/1		4/4	1/1
Gunilla Aschan 1) 4)	12/12	1/1		3/3	
Teija Andersen	11/12			4/4	
Tero Hemmilä	11/12	5/5			1/1
Henrik Treschow 2) 3)	10/12	3/4		0/1	
Mikko Nikula 2)	*)	4/4			
Per Nilsson 4)	*)			3/3	
Lars Gustafsson			2/2		
Tiina Teperi-Saari 5)			2/2		
Pekka Uusitalo 6)					

*) Deputies attend meetings only if a Board member is detained or by separate invitation. Both deputies attended three Board meetings between 24 Apr and 31 Dec 2013.

1) Member of the Audit Committee until 24 Apr 2013. The Committee held one meeting between 1 Jan and 24 Apr 2013.

2) Member of the Audit Committee as of 24 Apr 2013. The Committee held four meetings between 24 Apr and 31 Dec 2013.

3) Member of the Compensation Committee until 24 Apr 2013. The Committee held one meeting between 1 Jan and 24 Apr 2013.

4) Member of the Compensation Committee as of 24 Apr 2013. The Committee held three meetings between 24 Apr and 31 Dec 2013.

5) Member of the Nomination Committee until 24 Apr 2013. The Committee held two meetings between 1 Jan and 24 Apr 2013.

6) Member of the Nomination Committee as of 24 Apr 2013. The Committee held no meetings between 24 Apr and 31 Dec 2013.

Chief Executive Officer (CEO)

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

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

The CEO of the Company is M. Sc. (Econ.) Hannu Kottonen (b. 1957). In managing the Group, the CEO is supported by the Group Management Team.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Internal control framework

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

Control environment

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2013 to developing internal auditing, and updating of the Group's internal policy map, policies and guidelines continued.

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

At HKScan, the internal audit is a management tool for the accomplishment of supervision. In addition to this, the Company's EVP, Administrative and Legal Director especially ensures that all operations are lawful. He reports directly to the CEO of the Company. At the end of 2010, an internal audit development project was initiated. In accordance with the decision of the Board of Directors, internal auditing was carried out with an external partner using the so-called co-sourcing model in 2013.

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

Risk management

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. The risks faced by the Group are by nature strategic (e.g. acquisitions), operative (e.g. animal diseases), financial (e.g. currency exchange rates and interest rates) and risks of damage (e.g. accidents and interruptions in production).

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group, and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The CFO is responsible for the management of financial risks and the Group insurance policies.

The Company implemented a systematic Enterprise Risk Management (ERM) process which comprises consistent principles and systematic practices for risk management. The aim of the ERM process is to promote risk awareness in HKScan and effective risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The ERM process is an integral component of the management system and strategy process. The risk management policy is applied in all of the companies in the HKScan Group which carry out business operations.

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

Control measures

Control measures are designed to ensure that
- the Company's business is managed efficiently and profitably;
- the Company's financial reporting is accurate, transparent and reliable; and
- the Company complies with laws and regulations and all internal principles.

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

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

Monitoring

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

In 2013, the internal control framework development work continued. It includes updating of internal policies and guidelines, specification of the Group processes and preparation of charters for the various bodies. The outcomes of the work will be reported to the Audit Committee and the Group Management Team.

HKSCAN'S REMUNERATION STATEMENT 2013

This remuneration statement has been prepared in accordance with Recommendation 47 of the Finnish Corporate Governance Code.

REMUNERATION OF BOARD MEMBERS

The remuneration and other benefits of the Board of Directors are decided annually by the Annual General Meeting. The AGM on 24 April 2013 resolved the annual remuneration payable to the members of the Board of Directors as follows:
- EUR 21 700 to Board members
- EUR 26 600 to Vice Chairman of the Board
- EUR 53 200 to Chairman of the Board

An annual remuneration of EUR 7 300 is paid to the deputy members of the Board of Directors. To Chairmen of the Board committees (Audit, Nomination, Compensation and Working Committee) will be paid an annual remuneration of EUR 4 900. In addition a compensation of EUR 500 per meeting will be paid for each attended Board and Board committee meetings. Travel expenses will be compensated according to company's travel policy.

All Board remunerations are paid in cash. The company has no share-based incentive scheme for Board members, neither are the members of the Board covered by the company's incentive or pension schemes. Board members receive per diems as outlined in the company's travel policy for travel within and outside Finland. Normal travel expenses are also covered. Board members receive no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

Fees of the Board of Directors and Committees in 2013:

	Board		Committees				Total
	Annual fee	Attendence fees	Audit	Nomination	Compensation	Working	2013
Teija Andersen	21 464	6 000			2 000		29 464
Gunilla Aschan [1,4]	21 464	5 500	500		1 500		28 964
Niels Borup [1]	26 336	6 000	500		6 864	500	40 200
Tero Hemmilä	21 464	5 500	6 864			500	34 328
Juha Kylämäki [1,3]	52 664	6 000	500	1 000	500	5 364	66 028
Henrik Treschow [2,3]	21 464	5 500	1 500				28 464
Mikko Nikula [2]	4 864	1 500	1 500				7 864
Per Nilsson [4]	4 864	1 500			1 500		7 864
Lars Gustafsson				1 000			1 000
Tiina Teperi-Saari [5]				2 600			2 600
Pekka Uusitalo [6]				3 264			3 264
Total	**174 584**	**36 500**	**11 364**	**7 864**	**12 364**	**6 364**	**250 040**

[1] Member of the Audit Committee until 24 April 2013.
[2] Member of the Audit Committee as of 24 April 2013.
[3] Member of the Compensation Committee until 24 April 2013.
[4] Member of the Compensation Committee as of 24 April 2013.
[5] Member of the Nomination Committee until 24 April 2013.
[6] Member of the Nomination Committee as of 24 April 2013.

PRINCIPLES OF REMUNERATION OF THE CEO AND THE GROUP MANAGEMENT TEAM

Remuneration at HKScan Group is based on the principles of remuneration approved by the Board, and attention is paid to the Group's strategic objectives and financial performance. A motivating remuneration scheme is used as a tool to elicit the commitment to the Group of core expertise and key employees. Matters pertaining to remuneration are prepared by the Compensation Committee of the Board. The principles of the remuneration schemes are decided by the Board of Directors on the basis of the Compensation Committee's proposal.

The remuneration and terms of employment of the CEO are decided by the Board of Directors. The remuneration and terms of employment of the Group Management Team are decided by the Board of Directors on the basis of a proposal from the CEO. HKScan Corporation's remuneration scheme consists of a base salary, benefits, as well as short-term and long-term incentive schemes.

Short-term incentive scheme

In 2013, the Group had in place an extensive short-term incentive scheme. It covered the Group's CEO, the other members of the Group Management Team, as well as upper and middle management. Possible fees earned on the basis of the scheme were paid in cash.

The earning criteria of the incentive scheme and the possible performance fees are set for each year by the Board of Directors on the proposal of the Compensation Committee.

Long-term incentive scheme

The Board of Directors of HKScan Corporation approved a new share based incentive plan for the Group key personnel in 2012. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the Company, to commit the key personnel to the Company, to increase their share ownership in the Company, and to offer them a competitive reward plan based on earning and holding the Company's shares.

The Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015. The Board of Directors of the Company decides on the performance criteria and their targets for a performance period at the beginning of each performance period. The potential reward from 2013 is based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE).

Furthermore, the Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on the basis of this performance period is, among other things, that a key employee previously owns or acquires the Company´s series A shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of employment or service upon reward payment.

Rewards from performance periods 2013 and 2013–2015 will be paid partly in the Company's A series shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will mainly be paid, if the key employee's employment or service ends before reward payment. The rewards to be paid are a maximum approximate total of 300 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. The Plan can include new shares as well as the Company's own shares. At the end of 2013, 21 people were included in the Plan.

The Board of Directors recommends that the members of the Management Team would hold 50 per cent of all of the shares received on the basis of the Plan until the value of their share ownerships correspond to their gross annual salaries. This share ownership should be held during the validity of employment or service.

Additional pension benefits

The Finnish Members of the Group Management Team are covered by a contribution-based additional pension insurance. The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years; the pension insurance includes a paid-up policy applicable after four years' employment.

Remuneration of the CEO

The remuneration and terms of employment of the CEO are decided by the Board of Directors.

CEO Hannu Kottonen's remuneration consists of a fixed base salary, benefits, supplementary pension benefits and possible incentive awards under the Group's incentive scheme. Under the terms of the CEO's executive agreement Hannu Kottonen can retire at the age of 62.

Under the terms of the CEO's executive agreement, the agreement can be terminated by both the Group and the CEO. The period of notice for the CEO is six months. In the event that HKScan terminates the agreement, the CEO will be paid a sum corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period. In 2013, Hannu Kottonen was paid a total salary (including benefits) of EUR 0.6 million.

Remuneration of the CEO and the Group Management Team

(EUR thousand)	Salaries	Short-term incentives	Long-term incentives	Total
CEO	638	38	-	676
Other Group Management Team	1 710	52	-	1 762

RISK MANAGEMENT

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

Risk management has been organised as part of the management system at HKScan and it is based on the consistent identification, assessment and reporting of risks throughout the Group. The ERM process of the company aims to promote risk awareness and effective, proactive risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The risk policy approved by the Board is applied in all of the companies in the HKScan Group which carry out business operations.

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The CFO is responsible for the management of financial risks and the Group insurance policies.

At HKScan, risks have been divided into four main categories: strategic risks, operative risks, economic risks and risks of damage. Strategic risks are assessed as a part of the annual strategy process and in connection with major business decisions. Economic risks and risks of damage are minimised to the extent possible by using policies and guidelines drafted for this purpose. Operative risks are assessed not only in connection with the annual plans but also as a part of day-to-day business operations.

HKSCAN'S MOST SIGNIFICANT RISKS

Strategic risks

Fluctuation in the availability and prices of raw materials

The prices and availability of raw materials, such as feed, pork, poultry and beef, which are needed for the production of HKScan products, vary. Global overproduction of feed and raw materials decreases the prices of raw materials and increases their availability, while underproduction leads to lower availability and rising prices of raw materials. Economic cycles, the EU's Common Agricultural Policy, trade barriers and subsidy changes affect the balance of supply and demand in the long term.

Factors rapidly affecting supply, like animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of products sold by the company to retail are agreed months ahead in Finland, Sweden and the Baltics, and under these circumstances, rises in the prices of raw materials cannot potentially be passed on to product prices quickly enough. Passing higher raw material prices on to product prices may also be difficult even in situations where prices have not been agreed in advance.

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

On top of the industry competition in HKScan's market areas, retail chains have increasingly entered the food market to compete with their own products and brands. Besides local competitors, competition is also made fiercer by international companies and companies operating in lower-cost countries. The company is responding to increased competition through, for example, brands and innovation, the efficiency of its core processes, high-quality products, supply reliability, knowing the producer and utilising better the Group synergies.

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

HKScan's operations are regulated by the legislation of the company's respective countries of operation. Regional and supranational regulation, such as EU legislation, also affects the company's operations. The company's management considers that, at present, the company is in compliance with legislation and other regulations. Legislation and other regulations and the interpretations thereof may change, however, and the company cannot guarantee that it would be compliant with such changed requirements without taking material action. In its operations, the company is also dependent on the authorities in its countries of operation. The procedures of the authorities may also vary considerably in the company's various sectors of operation.

Acquisitions and integration of businesses acquired

As a part of the development of its business, HKScan may acquire, either in its current market areas or in new geographical areas, companies which enhance its competitive position. Risks relating to acquisitions include potentially unknown liabilities, possible inability to integrate and manage the business operations and personnel acquired, and the risk of the benefits or synergies of mass production not being realised. In addition, exclusion from industry consolidation might have an adverse effect on HKScan's strategic competitive position. Expansion into new geographical areas might also cause problems relating to exchange rate fluctuations, unexpected changes in statutory requirements, changes in and compliance with local legislation and regulations, as well as political risks.

Operative risks

Animal diseases

An outbreak of animal disease, such as avian influenza, Newcastle disease, foot-and-mouth disease, or BSE, may affect the company's business and demand for its products. Animal diseases may affect consumer behaviour for a long time, although HKScan's management believes that consumption is usually normalised within a reasonable period of time after the discovery of any outbreak of animal disease. The animal disease risk is evened out to some extent by consumption transferring to the company's other meat product groups. In a fully integrated value chain, such as in the bulk of the company's Baltic operations, discovery of an animal disease may temporarily sever, in the worst-case scenario, the supply of raw materials if substitute raw material sources such as imports from abroad do not exist.

Dependence on production plants and the uninterrupted operation of distribution chain

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

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

Possible product quality issues

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

Reliance on skilled management and employees

HKScan's success is materially dependent on the professional expertise of the company's management and other personnel, as well as on the company's ability to foster the commitment of current management and other personnel and recruit new, skilled employees in the future too.

HKScan is also vulnerable to potential legal or illegal strikes in the value chain or in its own operations. The risks are mitigated by developing well-being at work and alternative supply structures and processes.

Risks of damage

Unforeseeable factors

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

Economic risks

Financial risks

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. The company's financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances.

As a rule, HKScan's funding is obtained through the parent company, while funding to subsidiaries is arranged by the Group Treasury through intra-Group loans in the local currency of each subsidiary. External and internal funding of the Group is centralised in the Group Treasury function. Part of the Group's profits and costs are denominated in foreign currencies. Additionally some investments and earnings are denominated in foreign currencies. Thus the Group is exposed to foreign exchange risks arising from movements in exchange rates. The most significant exchange risks in the company's business arise from the euro, Swedish krona, Polish zloty, US dollar and Japanese yen. The largest equities of the companies in the HKScan Group are in euros, Swedish krona, Polish zloty and Danish krone. The Group's financial risks are presented in more detail in Note 25 to the financial statements.

SHARES AND SHAREHOLDERS

Shares

The HKScan Group's registered and fully paid-up share capital at the beginning and the end of 2013 was EUR 66 820 528.10. The total number of shares issued was 55 026 522, and it was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares 5 400 000 (9.81% of the total number of shares). The A Shares are quoted on the NASDAQ OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

According to the Articles of Association, each A Share conveys one vote, and each K Share 20 votes. Each share gives equal entitlement to a dividend. The shares have no nominal value.

HKScan's market capitalisation at the end of the year stood at EUR 206.9 million using the closing price of the last trading day of the period. The Series A shares had a market value of EUR 186.6 million, and the unlisted Series K shares EUR 20.3 million correspondingly.

In 2013, a total of 7 670 318 of the company's shares, with a total value of EUR 28 414 082, were traded. The highest price quoted was EUR 4.28 and the lowest EUR 3.29. The average price was EUR 3.70. At the end of 2013, the closing price was EUR 3.76.

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

Shareholders

At the end of 2013, the shareholder register maintained by Euroclear Finland Ltd included 12 159 shareholders. Nominee-registered and foreign shareholders held 20.2 per cent of the company's shares.

Notifications of changes in holdings

HKScan did not receive any notifications of changes in holdings during 2013.

Treasury shares

At the beginning and at the end of the financial year 2013, HKScan held 1 053 734 treasury A Shares. At the end of 2013, they had a market value of EUR 3.96 million and accounted for 1.91% of all shares and 0.67% of all votes.

Share-based incentive scheme

HKScan has a share-based incentive plan for the Group key personnel for years 2013–2015. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the company, to commit the key personnel to the company, to increase their share ownership in the company, and to offer them a competitive reward plan based on earning and holding the company's shares. The incentive plan and conditions are described in detail in the stock exchange release dated 20 December 2012.

Shareholding of the Board of Directors and the CEO

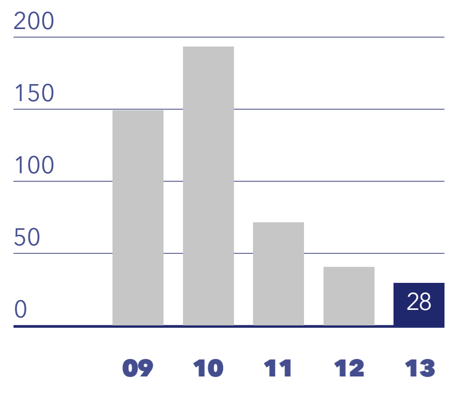
At the end of 2013, members of the Board of Directors and the company's CEO and his deputy as well as their related parties owned a total of 48 950 A Shares, corresponding to 0.09 per cent of the total number of shares and 0.03 per cent of the votes.

Owner breakdown by sector on 31 December 2013

	Share of owners, %	Share of shares, %	Share of votes, %
Corporates	3.95	42.44	71.89
Finance and insurance companies	0.19	3.12	3.30
Public entities	0.08	10.31	3.60
Households	94.86	19.40	6.77
Non-profit organisations	0.66	4.31	1.50
Domestic sectors, total	99.74	79.59	87.06
Abroad	0.26	13.79	12.85
All sectors, total	100.00	93.38	99.91
General account		0.25	0.09

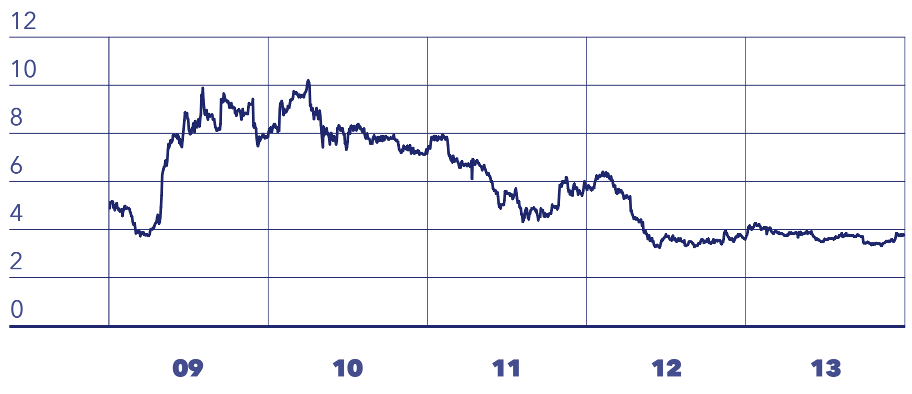
At year end 2013, foreign and nominee-registered shareholders held 20.2% of shares (19.6% at year end 2012).

Shares traded 2009–2013
EUR million



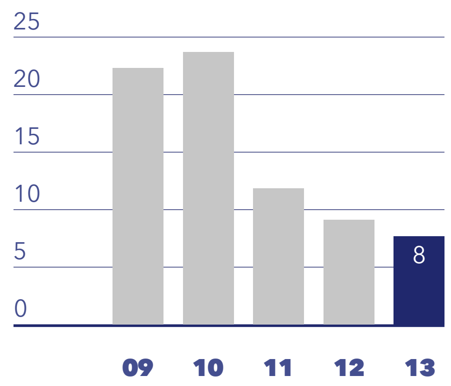
Source: NASDAQ OMX

Share price development 2009–2013
Euros



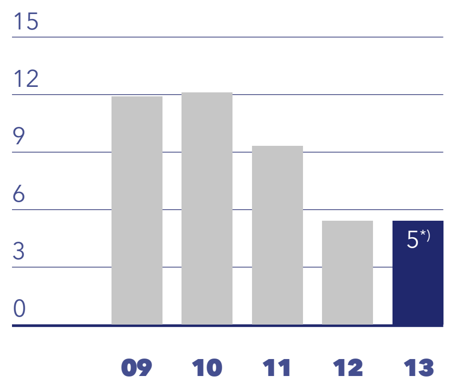
Source: NASDAQ OMX

Shares traded 2009–2013
In millions



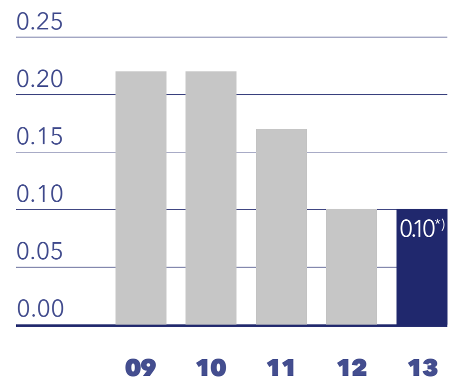
Source: NASDAQ OMX

Dividends 2009–2013
EUR million



*) Board's proposal to AGM.

Dividend/share 2009–2013
Euros



*) Board's proposal to AGM.

Ownership breakdown on 31 December 2013

Number of shares held	Shareholders	Shareholders, %	Shares	Shares, %	Votes	Votes, %
1–100	2 943	24.20	153 161	0.28	153 161	0.10
101–500	4 747	39.04	1 349 581	2.45	1 349 581	0.86
501–1 000	2 071	17.03	1 581 867	2.88	1 581 867	1.00
1 001–5 000	1 997	16.42	4 371 029	7.94	4 371 029	2.77
5 001–10 000	228	1.88	1 642 659	2.99	1 642 659	1.04
10 001–50 000	129	1.06	2 646 871	4.81	2 646 871	1.68
50 001–100 000	20	0.16	1 360 688	2.47	1 360 688	0.86
100 001–500 000	12	0.10	2 886 408	5.25	2 886 408	1.83
500 001–	12	0.10	38 897 998	70.69	141 497 998	89.77
Total	**12 159**	**100.00**	**54 890 262**	**99.75**	**157 490 262**	**99.91**
of which nominee registered	8		3 508 895	6.38	3 508 895	2.23
General account			136 260	0.25	136 260	0.09
Number of shares issued			55 026 522	100.00	157 626 522	100.00

Largest shareholders on 31 December 2013

	A Shares	K Shares	Of total shares, %	Of total votes, %
LSO Osuuskunta	14 458 884	4 735 000	34.88	69.25
Sveriges Djurbönder ek.för.	6 234 750	665 000	12.54	12.39
Varma Mutual Pension Insurance Company	3 752 806	0	6.82	2.38
HKScan Corporation	1 053 734	0	1.91	0.67
Elo Mutual Pension Insurance Company	1 029 640	0	1.87	0.65
The Central Union of Agricultural Producers and Forest Owners (MTK)	836 414	0	1.52	0.53
Fim Fenno Investment Fund	796 000	0	1.45	0.50
Investment fund Taaleritehdas Arvo Markka Osake	750 000	0	1.36	0.46
Nordea Life Insurance Finland Ltd	700 000	0	1.27	0.44
Danish Crown A/S	540 458	0	0.98	0.34
The State Pension Fund	500 000	0	0.91	0.31
Mandatum Life Unit-linked	491 300	0	0.89	0.31
Säästöpankki Kotimaa investment fund	272 061	0	0.49	0.17
Op-Suomi Arvo investment fund	262 545	0	0.48	0.17
Suhonen Jyrki	220 312	0	0.40	0.14
Ilmarinen Mutual Pension Insurance Company	218 298	0	0.40	0.14
4capes Oy	191 000	0	0.35	0.12
Paistipoika Oy	179 826	0	0.33	0.11
Petter och Margit Forsströms stiftelse till Karl och Olivia Forsströms minne	177 000	0	0.32	0.11
Laihonen Sirpa	139 876	0	0.25	0.09
Other shareholders, total	16 821 618	0	30.58	10.67
All shares, total	49 626 522	5 400 000	100.00	100.00

INFORMATION FOR THE SHAREHOLDERS

Annual General Meeting

HKScan Corporation's Annual General Meeting will be held starting at 11 am on Thursday, 10 April 2014 in Helsinki in Congress Hall B of Finlandia Hall, address Mannerheimintie 13 e, Helsinki. Registration of the shareholders who have notified the company of their intention of attending the meeting will commence at 10 am. Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 4 pm Finnish time on 7 April 2014 either through HKScan's website www.hkscan.com or by phone +358 (0)10 570 6218 (weekdays 9 am–4 pm) or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

Eligibility to attend the General Meeting

To be eligible to attend the Annual General Meeting, shareholders should be registered by 31 March 2014 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd.

Dividend

The Board of Directors is to recommend to the Annual General Meeting that a dividend of EUR 0.10 per share be distributed for 2013. 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 15 April 2014. The proposed payment date for the dividend is 24 April 2014. Shareholders whose shares are not registered in the book-entry securities system at the record date, 15 April 2014, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

Shareholder register

The register of HKScan Corporation's shareholders is maintained by Euroclear Finland Ltd, PO Box 1110, FI-00101 Helsinki, Finland (visiting address Urho Kekkosen katu 5 C, 00100 Helsinki), telephone +358 (0)20 770 6000 and email info.finland@euroclear.eu.

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

Financial information

In 2014, HKScan publishes interim reports as follows:

- January-March on Wednesday, 7 May 2014
- January-June on Wednesday, 6 August 2014
- January-September on Wednesday, 5 November 2014.

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

Annual Report

The Annual Report 2013 is published in Finnish and English on week 11/2014. Printed versions of the annual report will be posted automatically to shareholders with at least 750 shares and who are registered in the company's share register kept by Euroclear Finland Ltd.

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

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

Silent period

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

MARKET ANALYSTS

Banks and stockbrokers analysing HKScan as an investment

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

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