HKScan

ANNUAL REPORT 2008

HKScan Corporation Annual Report 2008
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Author Markku Haapio:

Finland at the dinner table

What are the makings of Finnish food culture?

Finnish cuisine draws in equal measure from home-grown tradition, loans from neighbouring countries and global influences. The watchwords for food today are light, healthy and environmentally friendly. Prevailing trends focus on Finnish ingredients and a respect for traditional home-style cooking. A clean natural environment, uncontaminated soil and healthy livestock are emphasised in the marketing of food. Functional foods, meaning foods that actually promote health, are rapidly evolving into a new staple in the suite of Finnish know-how.

In the historical perspective, Finnish food has been largely uncomplicated, taking its cues from the bounties of field, forest and waters: grain, dairy products, game, mushrooms, berries and fish. The change of the seasons provided the rhythm for food management. Particularly valued among food items were those that would keep through the long winter months.

Over the centuries, Finnish cuisine has been informed equally by its hundreds of years under Swedish rule and its century-long history as a part of Russia. The Swedish connection is evident in the similarities of the two nations' everyday food preferences: herring, meatballs, ring sausage and split pea soup are to be found on dinner plates in Sweden as well as Finland. Influences from the foods of other parts of the world also filtered to Finland through Sweden, first adopted by the gentry and in urban areas and gradually carried by servants to their native countryside. The evacuee population from Russian Karelia in particular brought along their cooking heritage in the form of pasties, mushroom dishes, roe and blinis, cabbage dishes, slow-cooking casseroles and quark-infused desserts. In the imperial courts of St Petersburg, Finnish chefs learned at the feet of European master chefs.

After World War II, a wholly new world of cuisine opened up for the Finnish population. The increasing popularity of travel, the mass media and the free movement of goods have made just about any food item, ingredient and exotic cuisine as accessible to Finns as the local grocery store. Despite this explosion in supply, day-to-day food preferences have remained largely unchanged.

Pizza and pasta, hamburgers and kebabs have all smoothly established their standing as a part of Finnish everyday cuisine although various surveys in recent years suggest that Finns still remain very partial to some highly traditional foods. Consistent favourites include meatballs, fried Baltic herring or vendace, sausage or pork in gravy, bakes and soups – and pizza. In the weekends, Finns treat themselves to steaks and roasts. Milk remains the most popular beverage with meals; only a few percent of the Finnish population report having wine with their meals even at the weekend.

There are distinct regional differences in Finnish cuisine, yet a more homogenised culinary culture is emerging in Finland as well. Local delicacies such as Lappish reindeer are cooked in homes across the nation, ready-to-cook packets of traditional Karelian stew can be found at groceries and supermarkets in all parts of the country and Karelian pasties are churned out by industrial bakeries. Two regional favourites to have retained their local flair despite wider availability are the kalakukko *pasty typical to the Savo region (fish and pork baked in rye dough) and the* mustamakkara *blood sausage much loved in the environs of Tampere.*

Finnish cuisine has always been inextricably linked to the cycle of the seasons and although climate and nature can now easily be overcome through technology and trade, a seasonal variation remains evident in the culinary calendar of the year. The year in food starts out with burbot either in a soup or in the form of roe served with blini. Shrovetide in February is celebrated with split pea soup and Shrove buns. Easter would not be complete with a roast leg of lamb followed by a dessert of mämmi*, arguably the most peculiar manifestation of Finnish cuisine.*

Summer is rung in with the crop of new potatoes, often served with pickled herring or gravadlax. In summer, thousands upon thousands of barbecues light up to grill steaks and chops, and most of all sausage. Hundreds of varieties of grilling sausages have been developed in Finland for this very purpose.

Crayfish and lamprey come into season as the summer draws to a close. This is also prime time for picking wild mushrooms and berries. The year in food culminates in Christmas, when most Finns sit down to a traditional meal starring ham, bakes and various sorts of marinated fish.

But what might be the national dish of Finland? None has ever been officially declared, yet if one had to determine the one food that is enjoyed by just about all Finns irrespective of age, sex or social status, that is equally popular across the nation, that is distinctively Finnish by nature and is consumed in massive quantities all through the year, that one food would have to be the ring sausage.

Author Markku Haapio:

Sweden at the dinner table

The basic premises of culinary culture in Sweden are much alike those of northern and north-eastern Europe in general. Food was traditionally simple, often in scarce supply, and food preferences were dictated by the seasons. Provision had to be made for the long cold winter in particular. The vegetable selection was limited and focused on those varieties that would keep through the winter. Before the potato was introduced in Sweden, the two most widely cultivated winter root vegetables came from the family Brassica: turnip and swede, the name alone of the latter belying its Swedish heritage.

The geography of Sweden is nonetheless more forgiving than of neighbouring Finland. In the south of Sweden the climate is temperate, in the south-west lie the plentiful catches of the North Sea, and access to central Europe and parts further afield is much less cumbersome. Influences and ingredients have travelled effortlessly along trade routes since the times of the Hanseatic League, with luxury items such as wine a royal court staple since the Early Middle Ages.

Swedish culinary culture has been influenced by the nation's centuries as a hub of European power politics, the many wars fought by Sweden in Europe, and the close links maintained between European courts. It was by these means that the Ottoman Empire's dolma *were transformed into the Swedish cabbage rolls, and French cuisine was also well established in Sweden by the 18th century. In more recent years, the high standard of living in Sweden has attracted a large immigrant population who have spiced up traditional cuisine with a generous sprinkling of its more exotic counterparts.*

The staples of Swedish everyday cooking today are a blend of traditional national cuisine and international influences. Swedish produce, berries and mushrooms, game and fish are well represented in the rustic style of cooking that has come to be known as husmanskost.

In recent years, husmanskost has been elevated to the ideal for Swedish food. Recipes have been revised to reflect current nutritional requirements and the menus of high-end restaurants feature the modern takes of numerous top chefs on the traditional originals. The New Scandinavian Cuisine, the target of recent pan-Nordic marketing efforts, is largely based on husmanskost, which has served as the inspiration for many an internationally acclaimed Swedish chef competition winner.

Typical husmanskost dishes include popular favourites such as Swedish meatballs with mashed potatoes, cabbage rolls, fish balls and herring balls, Biff a la Lindström i.e. patties of minced meat and beetroot, potato and meat hash, split pea soup, veal or lamb in dill sauce, liver bake and gravadlax — and one must not forget the quintessentially Swedish falukorv *sausage.*

Yet another manifestation of the Swedish culinary tradition is the smorgasbord*, a buffet-style spread of dishes ranging from chilled pickled fish to hot main courses. The buffet meals served on the vast ferries-cum-hotels plying the sea routes between Finland and Sweden have also been modelled on the sheer abundance of the smorgasbord.*

Fish plays an important role in Swedish cuisine and fish dishes in many shapes and forms can be found in husmanskost as well as the smorgasbord. Swedes have access to a wide range of fresh and saltwater fish from the land's many lakes and long shoreline extending from the North Sea to the Gulf of Bothnia. Besides herring, Baltic herring, perch and salmon, Swedish cuisine also embraces crayfish, other shellfish and mussels. Fish also accounts for Sweden's most curious specialty: the tins of surströmming*, or fermented Baltic herring, that are traditionally cracked open on the third Thursday in August.*

Prosperous throughout its history and spared from war for the past 200 years, Sweden has always enjoyed an extensive selection of imported foods. The supply has only grown since World War II as the nation's ethnic diversity has increased and new immigrants have introduced their native cuisines and ingredients to the Swedish culinary pool. These exotic additions have been seamlessly assimilated alongside the traditional ingredients of husmanskost.

Another feature characteristic of modern culinary culture in Sweden, besides the wealth of supply, is its focus on healthy, environmentally friendly and ethical food. These days, even the unofficial national dish of Swedish meatballs served with gravy and mashed potatoes is more often than not made from lean cuts of meat.

Author Markku Haapio:

The Baltics at the dinner table

The Baltics comprise three states: Estonia, Latvia and Lithuania. Though each has its distinctive cuisine and culinary specialties, the Baltics are such a homogenous region in terms of climate and history that overall the cuisines of all three bear striking similarities.

All three Baltic states have also been exposed to the same external stimuli over the centuries. The changes in ruling powers introduced influences from German as well as Russian cuisine into the cooking customs of these peninsular nations. Historically speaking, the differences are attributable to the Swedish having ruled over Estonia and Latvia in the Middle Ages, whereas Lithuania has interacted more closely with Poland, the Ukraine and its other neighbours to the south.

The culinary culture of all three states was harmonised and impoverished by the decades-long post-war Soviet rule, which nonetheless failed to completely eradicate the fundamentals of traditional cuisine. When the three again claimed their independence in the early 1990s, culinary culture was one of the building blocks used in the construction of a new national identity. Historical aspects have helped retain the traditional diet and cuisine as a part of everyday life and celebrations in the Baltic states, although the more recent orientation towards Europe and the rise in living standards have introduced pan-European and international elements into the approach to food and also paved the way for modern convenience foods.

In all three Baltic states, food culture has traditionally been built around a framework of rustic culture shaped by the seasons. Grain and vegetables formed the staples: the land provided barley, rye, wheat and buckwheat as well as turnip, swede, beetroot, cucumber, cabbage and onion. The potato arrived in the Baltics in the late 18th century and quickly became a cornerstone of the diet in all three states. Capable of withstanding long storage, the potato was a valuable addition to the scarcity of winter food supplies. It remains popular in many forms and plays an essential role in everyday meals.

Cattle husbandry provides the dairy products typical to the region such as unripened cheeses, sour cream and quark. Pork in all shapes and forms is by far the most popular meat. While a rising standard of living in Finland and Sweden has steered consumer preferences towards more choice cuts of meat that are easier to prepare, all parts of the animal are still regularly used for cooking in the Baltics. Displays of pig snouts, heads and trotters are par for the course in any market hall, and organ meats are also popular.

The forest has always provided the Baltic people with valuable supplements to the diet: bilberries, lingonberries, cranberries, raspberries and nuts, as well as the mushrooms that are practically a national dish and are preserved in a variety of ways. The forests were also home to a wider selection of game animals than farther up north: deer, elk, wild boar, geese and other game fowl. Fishing has always been an important source of food along the Baltic coast. Baltic herring remains the most important catch, yet the seas also yield cod, eel and lamprey. Smoked and dried fish is widely available across the Baltic states.

The food on the Baltic dinner table has traditionally been simple and sparsely seasoned, rich in energy content and quite a bit saltier than in the nations' western neighbour states. Modern times have introduced modern trends but everyday cooking retains many of its traditional characteristics. The foundation of the diet is bread and particularly the dark, leavened rye bread most expatriate Balts say they miss the most from home. Hearty porridges are another popular favourite.

Certain staples can be encountered all across the Baltic states. Simmered sauerkraut is the side dish of choice alongside potatoes, and sour cream is used in both cooking and as a condiment. Pasties with a variety of fillings are prepared in all three countries, and unripened cheeses and quark with different flavourings are widely available. Thick and filling soups are a well-liked everyday dish, and anywhere one goes in the Baltics, the markets are sure to offer a wide selection of vegetable preserves in addition to the ubiquitous pickled cucumbers. Sausages are valued highly in all three countries and mostly come in the German style, meaty and fairly salty. The Christmas spread in none of the countries would be complete without sausage — for the Estonians, a Christmas without verivorst *blood sausage is no Christmas at all.*

Author Markku Haapio:

Poland at the dinner table

The geographical location of Poland has exposed the country to influences from all directions through the centuries. The meanderings of history, comprising three centuries of Poland ruling a region of numerous peoples and cultures as well as another three of being ruled, split and annexed, plus the short-lived independence of the early 20th century subsequently forfeited to Soviet rule have only furthered the melding of culinary conventions originating in Russia, Germany, the Ukraine, Belarus, Lithuania, Czechoslovakia, Austria and the Jewish tradition alike.

The deepest layer of Polish cuisine is Slavic, made up of ingredients obtained by working the land and harvesting the riches of nature. The oldest cultivated crops included rye, wheat, barley and millet along with oats, buckwheat and lentils, all of which were used to make porridge as well as the bread that has always held an emphatically religious symbolic value in Catholic Poland. All of these elements survive in Poland's food culture to this day.

In its centuries of greatness, Poland was the largest nation of the continent, to which soldiers and tradesmen carried influences from far further afield than just the neighbouring countries. The marriage of a 16th-century Polish King to the Italian Bona Sforza introduced an important Italian flair to the country's diet. The new Queen taught her subject Poles, until then no huge fans of greens, to enjoy vegetables such as leek, celeriac, carrot and lettuce. Even today, the Polish words for many vegetables — such as pomidory *meaning tomato, from the Italian* pomodoro *— echo this historical heritage.*

The size and geographical variety of Poland have given rise to a number of distinctive regional cuisines, from the Baltic shorelines with their teeming fish to the plentiful game and other forest bounty in the wooded and mountainous regions of the south. Towards the east, the culinary tradition features heavy Russian influences while to the south, the prevailing characteristics can be traced to Austria–Hungary — for example kotlet schabowy, *which is just like a Wiener schnitzel but made with pork instead of veal.*

Pork is indeed clearly the most popular meat in Poland, used widely and in a variety of ways, less expensive cuts included. A case in point is golonka, *a whole cooked pork shank. Pork also features prominently in* bigos, *'hunter's stew,' sometimes claimed to be the national dish of Poland. Although there are as many recipes for this dish as there are cooks, the three vital elements of cabbage, meat and sausage are always present. Cabbage finds its way into numerous other Polish dishes as well, often in the form of sauerkraut. The many soups which are an inextricable part of food culture in Poland are also often built around cabbage.*

A staple of Polish cooking is the potato, whether made into pancakes or mixed with flour to cook the famous Polish pierogi, *dumplings in the fashion of pelmeni or ravioli. All eastern European cuisines feature a similar dish, yet the Poles hold adamant in their claim to this culinary innovation. Pierogi may be sweet or savoury, deep-fried or boiled, and although only the imagination is the limit as far as fillings go, the most common are pork and other meats, cabbage, mushrooms and cheese. Sweet pierogi often contain raisins or plums, in summer also strawberries or bilberries.*

Pork also provides the foundation for Poland's rich and varied sausage tradition. Local specialities abound, but perhaps the most famous sausage of all is kielbasa, *the 'national sausage' available all across the country with different seasonings and cooked in different dishes. Kielbasa is equally at home in the street vendor's cart as in five-star restaurants, and is even used as a pizza topping.*

The Soviet era impoverished Polish food culture by putting any number of ingredients beyond the reach of the common people. The liberation of the 1990s again filled grocery stores and restaurants with extensive selections of domestic and foreign foods. Poland nonetheless remains true to its roots; despite the prevalence of hamburgers and pizza, local traditional cuisine is both a part of everyday life and a source of national pride in Poland today.

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- *MA (literature, Finnish) from the University of Turku*
- *food journalist with weekly food pages in the tabloid* Iltalehti *since 1984*
- *author of several books on the topic of food and cooking*
- *Grand Master of the Finnish* Makkaraklubi *sausage appreciation association in 2002*
- *lives in Turku*

HKScan – a leading northern European food company

HKScan

HKScan in brief

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

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

The company has production facilities in six countries and employs a workforce of some ten thousand employees.

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

Mission statement and aims

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

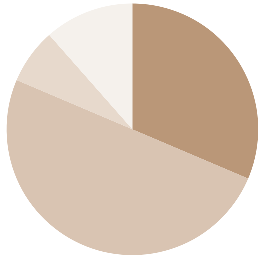
HKScan seeks to enhance the everyday life of consumers by providing alongside traditional classic products also increasing numbers of innovations that make cooking easier and more enjoyable.

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

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

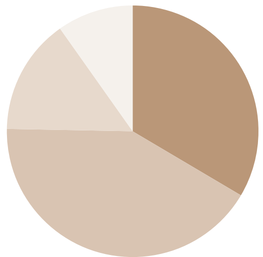
HKScan
Breakdown of net sales and EBIT in 2008

Net sales EUR 2 294.6 million



Finland	31.4%
Sweden	50.0%
The Baltics	7.1%
Poland	11.5%

EBIT EUR 38.1 million



Finland	33.5%
Sweden	41.8%
The Baltics	14.9%
Poland	9.8%

Key Financial Targets

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

HKScan
Financial highlights 2008

- net sales: EUR 2 294.6 million
- EBIT: EUR 38.1 million
- EBIT margin, %: 1.7
- employees 10 000

HKScan Corporation
Net sales in 2008: EUR 2 294.6 million*, CEO Matti Perkonoja

Finland
Net sales in 2008:
EUR 740.4m

- HK Ruokatalo Oy
Managing director
Jari Leija

Sweden
Net sales in 2008:
EUR 1 179.3m

- Scan AB
Managing director
Olli Antniemi

The Baltics
Net sales in 2008:
EUR 168.2m

- AS Rakvere Lihakombinaat
Managing director
Anne Mere
- AS Tallegg
Managing director
Teet Soorm

Poland
Net sales in 2008:
EUR 270.9m**

- Saturn Nordic Holding AB
-> Sokolów S.A.
Managing director
Boguslaw Miszczuk

* Between segments EUR –64.3 million
** Saturn Nordic Holding, a joint venture owned 50/50 by HKScan and Danish Crown, is the sole shareholder in Sokolów. In 2008, half of Sokolów's net sales, i.e. EUR 270.9 million, were accounted for in HKScan Group figures.

LOCATIONS

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

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

Headlines in 2008

Business restored to more even keel towards end of year

The entire year 2008 was a challenging one from the business perspective. Operations in all of HKScan's markets were hampered by the difficulties in the international meat market, which first arose in autumn 2007, persisting well into the summer of 2008. The intense rise in manufacturing costs seen in the early part of the year was also a contributing factor. The high final costs of the industrial restructuring in Finland and substantial expenses arising from frozen meat destocking recognised in the second quarter along with the writedowns taken by the pork primary production unit in Poland dragged performance in the early part of the year into the red.

Performance picked up in the third quarter and Q4 turned out to be the best of the year as HKScan finished the year 2008 according to plans.

The HKScan Group's net sales increased by 8.9% in the year under review and came to EUR 2 294.6 million (EUR 2 107.3m in 2007).

Group EBIT at EUR 38.1 million was down 31.1 percent from the previous year's figure of EUR 55.3 million.

HKScan's earnings performance was inadequate: instead of the company's target of five percent, an EBIT margin of only 1.7% was achieved. The ongoing rise in the cost of financing eroded net earnings to the point that earnings per share only came to EUR 0.12.

The Board proposes a dividend of EUR 0.24 per share.

Industrial restructuring in Finland completed

In Finland, the largest industrial restructuring programme in the company's history was successfully completed. However, the implementation of the programme gave rise to disruptions in supply and additional overlap expenditure in the early part of the year.

It was only in the latter half of the year that the investments made and the revised industrial structure along with the fine-tuned procedures could be leveraged in full. The steps taken were reflected in the favourable performance of the Finnish business and its stronger market standing towards the end of the year.

The demand for traditional processed meats, a product category important to the company, rose sharply in the last few months of the year.

Streamlining measures continue in Sweden

Scan AB's business performed as anticipated in the year under review and the company strengthened its market standing towards the end of the year.

As outlined in its efficiency programme, Scan closed down the Kävlinge plant in southern Sweden and slaughterhouses in Skellefteå and Uppsala during the year under review. The expansion of Scan's Swinoujscie plant came online in Poland.

With restructuring completed in Finland, resources will be shifted to the overall development of the Swedish business.

Basic products gained popularity in the Baltics

The decline in the Baltic economies was the swiftest and sharpest seen in all of HKScan's market areas. The decline in consumer purchasing power manifested as lower consumption and a shift towards more economically priced basic products. Thanks to its solid market standing, HKScan is well positioned to weather the current economic downturn.

Steady development in Poland

Unlike the company's other market areas, Poland retained a mood of relative optimism throughout the year. GDP growth slowed down but stood at a fairly healthy four percent in November.

The core business of Sokolów S.A. developed at a steady pace, Agro-Sokolów's loss-making business was evened out and Pozmeat climbed into the black in late autumn 2008.

Key indicators

	2008	2007
Net sales, EUR million	2 294.6	2 107.3
EBIT, EUR million	38.1	55.3
- % of net sales	1.7	2.6
Profit before tax, EUR million	9.0	36.3
- % of net sales	0.4	1.7
Return on equity, %	2.3	9.2
Return on investment, %	5.2	7.2
Equity ratio, %	29.5	29.3
Gross investments, EUR million	84.0	129.3
Earnings per share, EUR	0.12	0.72
Dividend per share, EUR *)	0.24	0.27
Employees	7 421	7 840
*) Based on the Board of Director's dividend recommendation		

CEO's review

The year 2008 as a whole was a highly challenging period due to the extensive gyrations in the business environment. HKScan's EBIT at EUR 38.1 million was down from the previous year's figure of EUR 55.3 million as anticipated.

The modest EBIT figure is largely attributable to the narrowing in sales margins seen in the year under review. The costs of primary meat production and manufacturing rose sharply especially in the early part of the year, yet increases in sales prices to reflect cost pressures could only be successfully negotiated at a lag extending in part until 2009.

Profitability in the early part of the year was furthermore eroded by the difficult situation in the international pork market persisting in all of HKScan's market areas. The lingering supply glut only started to level out towards the end of 2008.

HKScan's earnings performance was inadequate: Instead of the company's target of five percent, an EBIT margin of only 1.7 percent was achieved. With the cost of financing continuing to rise, net earnings were depressed to the point that earnings per share only came to EUR 0.12, compared to the EPS figure of EUR 0.72 a year earlier.

The international financial crisis has given rise to sharp exchange rate fluctuations in the company's central currencies. The Swedish krona and Polish zloty fell exceptionally low against the euro in late 2008 and the early months of 2009 have brought no reversal to this trend. This will serve to tax both net sales and earnings for the Group in the future, and its effects are already evident in the financial statements for 2008 in the form of lower balance sheet values. The profitability of exports to Russia has also been hampered since the final months of the year under review by the devaluation of the Russian rouble.

Foundation for improved performance in place

In Finland, the largest industrial restructuring programme in the company's history was successfully completed though in the early part of the year, its implementation still gave rise to disruptions in supply and additional overlap expenditure. It was only in the latter half of the year that the investments made and the revised industrial structure could be leveraged to an increasing degree.

The steps taken were reflected in the favourable development in the performance of the Finnish business towards the end of the year. Brisk sales in the Christmas and New Year season boosted EBIT as the year drew to a close. Yet another positive development was the considerable rise in the demand for traditional processed meats, a category of some importance to the company, seen in the final months of the year. The first months of 2009 have shown the trend to continue.

> ***"The fourth quarter outperformed Q3 in terms of Group EBIT as projected, based especially on the stronger performance of the Finnish business."***

The company currently sees no need to make any significant new moves in Finland, intending instead to focus on further fine-tuning operations and reaping the full benefits of the investments already made.

The decline in the Baltic economies was the swiftest and sharpest seen in all of HKScan's market areas. The decline in consumer purchasing power manifested as lower consumption and a shift towards more economically priced basic products. The long-running robust performance of the Group's business slackened somewhat towards the end of the year. As the regional market leader, HKScan is well positioned to ride out the recession.

Unlike the company's other market areas, Poland retained a mood of relative optimism throughout the year. GDP growth slowed down from the six-plus percent of the early part of the year but still stood at nearly four percent in November. HKScan's business in Poland saw steady development in line with targets and performance also picked up at the previously loss-making subsidiaries. The year 2008 on the whole in Poland was in line with the previous year in terms of financial performance.

Development to focus on Sweden

Now that restructuring is complete in Finland, resources will be shifted to the overall development of the Swedish business. The development programmes implemented in Sweden earlier and currently underway have not proved effective enough to bring financial performance and earnings to the standard required.

An extensive development programme was put into motion in March 2009 with the aim of achieving a clear improvement in Scan AB's profitability by the year 2012. Introducing a much leaner cost structure at Scan is one of the fundamental elements of the programme, which also includes streamlining commercial operations and raising the value added of products. New executives and a new management organisation were introduced at Scan in early March to bolster the planning and execution of the programme.

Scan AB's size, its firm standing as the Swedish market leader and its leading brands provide a solid foundation for competitiveness-enhancing measures. This way, Scan can be built into an even more attractive partner for customers, consumers and other stakeholders alike.

> **_"The international financial crisis has given rise to sharp exchange rate fluctuations in the company's central currencies."_**

The current year 2009

Despite the prevailing climate of exceptional uncertainty having to do with the global financial and economic crisis, the company estimates that HKScan's Group EBIT for the current year, excluding non-recurring items, will surpass that for 2008.

HKScan's development in the latter half of 2008 proved that the performance of the company's own business was growing stronger, and early 2009 shows the trend to have continued. The first steps to improve performance in Sweden have already been taken while in the Baltics, production will be adjusted as necessary to cater for the customer base's changing financial circumstances.

The Group's earnings may be affected by gyrations in exchange rates, if sustained, as well as by the devaluation of currencies. Changes in national economies and employment that may affect the buying habits of consumers are difficult to anticipate. Nonetheless, the company is moving ahead on the premise that consumer demand for food in Finland and Sweden will remain unchanged although perhaps considerable shifts in demand may be seen between product groups. Signs of faltering demand may be seen in other markets as well as in exports.

HKScan's extensive product range features foods and food ingredients to satisfy the gamut of needs faced by a diverse consumer base in these unpredictable times. In good times or bad, people still need to buy, prepare and consume food. In the current year of 2009, when predicting the future has become even more difficult than usually, this axiom imparts a positive message to all of HKScan's shareholders, clients and producers as well as our employees and other stakeholders.

Turku, March 2009

Matti Perkonoja

Solid foundation for further progress in Finland

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

Finland	2008	%	2007	%
Net sales, EUR million	740.4	31.4	674.3	31.3
EBIT, EUR million	14.4	33.5	22.8	37.8
EBIT margin, %	1.9		3.4	
Employees at 31.12.	2 234	31.5	2 241	30.6

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

The extensive industrial restructuring implemented in Finland has provided a foundation for profitable growth and further solidification of market standing.

The year 2008 was clearly divided in two in Finland. The investments made as part of the industrial restructuring were being brought on stream in the difficult market setting of the early part of the year; as the market evened out in the latter half of the year, the efficiencies wrought by the new structures could be leveraged in full. Much the same trend has continued into 2009.

INTERNATIONAL MEAT SUPPLY GLUT BALANCED OUT

The situation in the international meat market, which started to deteriorate in autumn 2007, remained extremely tense through early 2008. Soaring costs in the primary production and processing of meat would have necessitated considerable increases to sales prices, yet there was a glut in the market supply of meat and higher sales prices could only be negotiated at a lag extending in part until 2009. Price competition in consumer products was exceedingly fierce.

Despite the weak market and low export prices, the company needed to destock its frozen pork stores and the volume of meat exports was higher than anticipated. The international meat market remained extremely tense through the summer. The long-running pork supply glut started to balance out towards the end of the year, and the company achieved record-breaking Christmas ham sales.

Domestic demand for choice cuts of beef outstripped supply in the early part of the year because the EU, citing traceability issues, imposed restrictions on Brazilian beef imports in February. The short supply was addressed in the final quarter of the year.

Owing to the above reasons, HK Ruokatalo's meat business suffered from poor profitability in the early part of the year in particular. The profitability crisis long persisting in the pork economy also contributed to weak performance.

SOURCING OF RAW MEAT MATERIAL

Procurement company LSO Foods Oy is in charge of procuring the live pork and beef raw materials required by HK Ruokatalo for its industry. LSO Foods is also in charge of animal logistics and advisory services relating to farm development. Järvi-Suomen Portti cooperative has furthermore outsourced its pork and beef procurement to the company. LSO Foods' operations are based on production contracts with producers. At year-end 2008, the company had some 6 000 producers under contract.

During the year under review, LSO supplied 108.2 million kg of pork and beef (110.5 million kg). At year-end, its market share in pork procurement was 40 percent and 27 percent in beef procurement. Over the course of the year, LSO Foods supplied farms with 660 000 piglets and 35 000 calves for rearing.

Poultry meat is supplied to HK Ruokatalo by some 135 contract suppliers who met in full the company's demand of 47.6 million kg of chicken (42.5 million kg), equal to a share of 53 percent of all poultry procurement. Associated company Länsi-Kalkkuna Oy responsible for turkey procurement supplied HK Ruokatalo with 5.5 million kg sourced from its own contract producers, equal to nearly 56 percent of all turkey meat produced in Finland.

INDUSTRIAL PROCESS EFFICIENCY INCREASED

The industrial restructuring of the past few years has consolidated HK Ruokatalo's processed meat and convenience food production to Vantaa and Säkylä. Early 2008 saw the production lines transferred to Vantaa from other plants being run in. Owing to its scope, the industrial restructuring proved more demanding than anticipated and caused industrial processes to fall short of target in the early part of the year. Procedures were fine-tuned once the lines came on stream and production efficiency has since been successfully brought to the desired level. The steps taken were reflected in the favourable development in the performance of the Finnish business towards the end of the year.

The costs of raw materials, materials and energy soared in early 2008, and a considerable increase was also seen in the cost of deliveries due to higher fuel prices. Although oil prices fell in the latter half of the year, overall energy expenditure was little affected.

LOGISTICS CENTRE FINALISED FOR DEPLOYMENT

In order to ensure deliveries, temporary parallel arrangements had to be put in place during the ramp-up of the new logistics centre in Vantaa, giving rise to higher than anticipated overlapping expenditure. Even despite these back-up arrangements, occasional disruptions in supply could not be avoided. The ramp-up stage was completed in June. Once the disruptions were eliminated, delivery dependability improved markedly and the standard required by our customers was achieved in the autumn.

A higher rate of automation has improved the cost-effectiveness of HK Ruokatalo's logistics. Occupational safety and ergonomics were also areas of particular emphasis in the design of the new centre.

The centralisation of logistical functions to Vantaa and the deployment of the logistics centre concluded the company's substantial industrial restructuring programme in Finland. As outlined in the programme, the June 2008 closures of the production plant and terminal in Tampere followed the earlier shuttering of the Turku plant. The programme cut the number of the company's production facilities from eight to six.

A reorganisation corresponding to the industrial restructuring was implemented in the late summer. As of August 2008, HK Ruokatalo's core business functions under the new organisation have been sales, marketing, the order/supply process and industrial processes.

CONSUMERS HAVE INCREASING TASTE FOR CHICKEN

The poultry meat market experienced its second consecutive year of robust growth. The market developed favourably throughout the early part of the year and only slowed down marginally come autumn. All in all, the annual increase in both chicken consumption and production came to roughly eight percent in Finland.

The turkey market presents a greater challenge, and consumption can only be boosted with a higher number of products responding to consumer needs. Turkey accounts for some 11 percent of all poultry meat consumption and it is chiefly used as raw material in processed meat and convenience food production.

HK Ruokatalo's deliveries of poultry products increased on the year in terms of both volume and value.

In June, HK Ruokatalo Oy and Ruoka-Saarioinen signed an agreement under which HK Ruokatalo would source the raw materials for bone-in chicken leg and split breast products as well as its whole broilers from Ruoka-Saarioinen. Conversely, Ruoka-Saarioinen would acquire its boned chicken raw material from HK Ruokatalo. The arrangement enhances production capacity utilisation at HK Ruokatalo's Eura plant, thus boosting the competitiveness of the company's poultry business, and also serves to secure access to domestic raw materials.

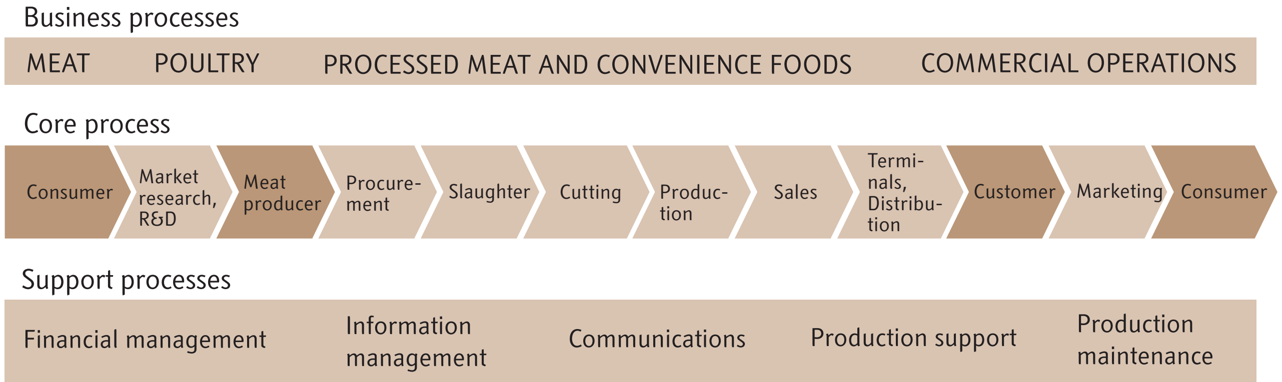
EXPORTS

HK Ruokatalo successfully increased its exports in terms of both volume and value. The company sold Finnish meat directly to its foreign customers and also supplied Swedish meat produced by sister company Scan AB to other countries. The largest export destination by far was Russia. The difficult situation in the international meat market and high inventories of meat in the EU kept export prices depressed until the autumn. The exceptional fluctuation of the US dollar and Japanese yen against the euro also played a role in the profitability of exports.

HK VIA RANGE OF CONVENIENCE FOODS GOES FROM STRENGTH TO STRENGTH

The HK Via range of convenience foods launched by HK Ruokatalo in 2007 gained further acclaim. In May, the range was voted Food Product (Tähtituote) of 2008 in the Finnish Food Product of the Year competition organised by the Finnish Food and Drink Industries Federation. In January 2008, the advertising campaign for HK Via swept to victory in the Best Launch category of the AdProfit competition, in autumn the same campaign was awarded a Silver Effie in the Food category in the 2008 EFFIE Finland competition. The two competitions are designed to honour the year's most effective advertising and marketing communications.

Core process in Finland



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

HK Via is a revolutionary range of convenience foods featuring delicious and healthful meals developed in cooperation with nutritionists and chefs. The new and innovative production and packaging technologies enable absolute preservation of all the flavours, freshness and texture of the ingredients – without using any additives. The Heart Symbol granted for all products in the range testifies to their proper nutritional makeup. The range currently comprises ready meals, soups and salads.

Other important new products in 2008 included the Kariniemen chicken hot wings and Kariniemen chicken skewers launched for the summer barbecue season. In the sector of convenience foods, new products were added to the HK Mummon range of ready meals while in the processed meat sector, a larger-size HK Iso Sininen Lenkki ring sausage was introduced. The HK Ripeät range launched late in the year features ready-to-cook cuts of grain-fed pork.

FOCUS ON NUTRITION

With wellbeing and healthy eating rising as powerful trends in the consumer market, HK Ruokatalo is heavily invested in providing consumers with suitable products. During the year under review, the company extended its selection of heart-healthy products to more than thirty.

In a bid to facilitate the day-to-day choices of consumers, HK Ruokatalo started providing the GDA (Guideline Daily Amount) labels already used in the HK Via range on other product packages as well. GDA labelling is a method developed by the Confederation of Food and Drink Industries of the EU (CIAA) to indicate the nutrition content of a single serving of any food item and its percentage of the guideline daily amount. GDA labelling on packages advises consumers about the amount of certain nutrients contained in a single serving of the product and the serving's contribution towards the guideline daily amount, which has been calculated on the basis of the average daily energy requirement of women, i.e. 2000 kcal.

Another expression of HK Ruokatalo's nutrition strategy was its consumer website www.tiesydameen.fi opened in November to provide information and entertainment to everyone interested in food, cooking and nutrition.

HK RUOKATALO BECOMES SPONSOR TO FINNISH OLYMPIC TEAM

HK Ruokatalo and the Finnish Olympic Committee signed a sponsorship agreement in autumn making HK Ruokatalo a nutrition partner to the Finnish Olympic team and one of the team's main sponsors. The arrangement will boost HK Ruokatalo's visibility and above all solidify the company's standing as a nutrition expert and maker of tasty and healthful food. The company also wished to use the sponsorship as a means to encourage Finns to eat right and exercise more.

The first tangible outcomes of the cooperation between HK Ruokatalo and the Finnish Olympic Committee – the fully revised Athletes' Nutrition Guide and Nutrition for Athletes website – were unveiled at the Wellbeing seminar arranged by the two partners in Helsinki in September.

CERTIFIED PRODUCT SAFETY

HK Ruokatalo has a keen interest in the ongoing improvement of its standard of operations, product safety and environmental consideration.

A set of mutually agreed policies and principles is observed throughout the company's chain of operations.

HK Ruokatalo and procurement company LSO Foods have ISO 9001:2000 quality certification covering the entire production chain as well as ISO 14001:2004 environmental management certification. Both certifications extend to all of the company's production facilities.

The product safety management system at HK Ruokatalo's plants in Vantaa, Forssa and Mellilä was furthermore granted ISO 22000 certification at the beginning of 2008. The same certification will be obtained for other plants in early 2009. MicVac convenience food production in Vantaa also holds BRC (British Retail Consortium) certification.

Strong market standing and leading brands in Sweden

The HKScan Group's business in Sweden is carried on by Scan AB and its subsidiaries. Scan engages in the diverse processing and marketing of pork, beef and lamb, processed meats and convenience foods. The company's industrial base is in Sweden, with some industrial activity also taking place in Poland and Denmark.
Scan has been a part of the HKScan Group since 2007. Its most important and best-known brands are Scan and Pärsons.

Sweden	2008	%	2007	%
Net sales, EUR million	1 179.3	50.0	1 111.9	51.7
EBIT, EUR million	18.0	41.8	23.0	38.1
EBIT margin, %	1.5		2.1	
Employees at 31.12.	3 035	42.8	3 200	43.6

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

Resources have now been shifted to the overall development of the Swedish business. The new three-year programme is designed to deliver a considerable improvement in competitiveness.

The two main prongs of Scan AB's business are its meat business unit and processed meat and convenience food unit. Complementing these are Scan's industrial subsidiaries, the largest of which is SLP Pärsons AB.

The high-volume meat business belonging to the company's core business performed in 2008 as anticipated although the disruptions in the international meat markets were reflected especially in the performance of Scan's industrial sales and exports.

In the sector of processed meats, fairly good sales were achieved by Pärsons and its sandwich meats. The newly introduced yet traditional wallet-shaped packages in particular were received extremely well, whereas the production and marketing of Scan's other processed meats did not perform as well as expected. The only partial success in client negotiations to raise sales prices to reflect the sharp rise in production costs seen in the early part of the year was the major reason underlying this below-par performance. The price talks conducted in the autumn, during which a significant proportion of Scan's product range was unavailable in the selections of a major retail chain for several weeks, are indicative of the formidable nature of the situation.

The difficult market situation and oversupply in the international pork market extending well into the summer eroded profitability also in the Swedish market especially in the early part of the year. Financial performance picked up in the autumn and Scan AB posted its best result in the final quarter of the year. On the whole, EBIT for 2008 was only modest and fell short of the previous year's level.

In order to accelerate development, the company launched a new three-year programme in March 2009 to achieve a considerably leaner cost structure, raise the value added of products and streamline commercial operations in a bid to bring Scan AB's profitability up to the target level. According to the Group's financial indicators, this means an EBIT margin of 5 percent of net sales. In 2008, the EBIT margin only stood at 1.5 percent.

CONSOLIDATION AND STREAMLINING

In recent years, Scan has sought even more closely to focus on the very centre of its core expertise.

As a part of the streamlining programme announced in spring 2007, slaughtering operations were transferred in the year under review from the Uppsala and Skellefteå facilities to Scan's other slaughterhouses. Operations at the Kävlinge production plant in southern Sweden were discontinued in September 2008. Consumer-packed meat production personnel in Uppsala were downsized in autumn owing to changes in the structure of the customer base. Despite the cutbacks, Scan intends to retain its strong focus on customer-packed meat.

In October, Scan AB acquired a minority holding in Bertil Erikssons Slakteri AB, a smallish slaughtering business. The acquisition harmonises the suite of services provided to meat producers in central Sweden and also serves to secure the availability of Swedish meat raw material.

In investments, the most important undertaking in terms of Scan's future was the new logistics centre under construction in Linköping. Construction progressed to plan and on schedule, with equipment installation started in the first weeks of 2009. When it becomes fully operational in early 2010, the Linköping logistics centre will be the hub of the company's entire national delivery system.

The expansion of the Scan production plant located in Swinoujscie on the Baltic coast of Poland came online in June. The Swinoujscie plant specialises in the slicing and packaging of bacon for companies in the HKScan Group as well as external customers.

CONSUMERS VALUE SCAN

Surveys show that consumers rate Scan Sweden's third-strongest brand in the food sector, as was established in a study conducted as Lund University linking consumer views on profitability and sales growth. For the company, a strong brand translates into a steady positive cash flow, which in turn provides a more stable basis for pricing. Scan's strong brand name and market standing have been achieved through years of hard work and now form the foundation for further development of the business.

With an eye to sustained consumer marketing efforts, Scan partnered with the Swedish BBQ Team and launched an impressive range of prime barbecue meats in the spring. Unlike many other countries, in Sweden barbecuing has not achieved quite the popularity to which it could aspire. This is an opportunity Scan wished to seize. The international prize-sweeping Swedish BBQ Team is made up of Swedish food professionals with a background in top-of-the-line restaurants across Europe.

The Group also achieved successful sales in the season of Christmas and New Year, including the crucial Christmas ham trade. The hit of the season was the Scan Piggham organic ham, the sales of which increased by a factor of 2.5 from the previous year. All in all, Scan strengthened its market standing towards the end of the year in terms of both volume and value.

For a few years now, Scan AB has been working together with the Foundation for the Astrid Lindgren Children's Hospital, providing both financial support and contributions to events. The Christmas fundraising drive in 2008 brought in more than half a million crowns. As part of the drive, Scan donated a percentage of the proceeds from each Scan product package to the Children's Hospital.

HEIGHTENED INTEREST IN THE ENVIRONMENT AND NUTRITION

In 2008, food and the food industry was a topic of lively debate in the Swedish media, where the focus was on the health aspects of food, a long-running topic of interest, as well as climate issues, which have only more recently risen to the fore in the public consciousness.

Scan Ab for its part decided to respond to these topical challenges by setting in motion in June a long-running climate programme, under which Scan aims to cut its greenhouse gas emissions by 35 percent by the year 2010 and by 50 percent by the year 2020 against the benchmark year of 2003. The principal means of achieving these goals will be to achieve lower emissions in in-house industrial processes as well as more effective energy consumption and deliveries. The proper allocation of purchases is another means of locating optimal solutions in terms of emissions.

Scan AB is an environmental management pioneer in the Swedish meat sector. It is also the bellwether in its attention to ethical concerns and animal welfare in its day-to-day operations. Sweden is an acknowledged world leader in terms of legislation governing animal welfare. Scan monitors its success in these areas through its annual report on ethical and environmental concerns (Etik- och Miljöredovisning), in which the steps taken each year are reviewed and future action outlined. In addition to ethics and environmental management, the report also addresses personnel and workplace development.

Consumers are to an increasing degree concerned about the healthfulness of their food choices. In response to these concerns, the company decided in early 2008 to reduce the salt content of its popular Må Gott range of light products by up to 25 percent. Besides low salt content, the products also feature low energy content: none of the twenty-odd products in the range have a fat content of over nine percent. All Må Gott products carry the Nyckelhålet symbol granted by the Swedish National Food Administration to indicate their superiority in terms of healthier eating.

Scan also conquered new territory with the introduction of a range of sausages and other processed meats for people with food allergies. The products contain no gluten, lactose or egg, nor are any soy proteins, milk proteins or pea proteins used in their production. The plants in Linköping and Örebro have obtained food-allergy certification for the production of these speciality items.

Basic products gained popularity in the Baltics

HKScan's Baltic Group is active in Estonia, Latvia and Lithuania. The Baltic Group comprises Rakvere Lihakombinaat and its subsidiaries along with AS Tallegg, the largest producer of eggs and poultry in Estonia. Rakvere has three subsidiaries: the Estonian AS Ekseko, the Latvian Rigas Miesnieks and the Lithuanian Klaipedos Maisto Mesos Produktai. The companies sell under their own brands in all three countries. The best known brand in Estonia is Rakvere, in Latvia Rigas Miesnieks and in Lithuania Klaipedos Maistas. Tallegg also operates in Latvia and Lithuania under its own brands.

Estonia: Latvia: Lithuania:

The Baltics	2008	%	2007	%
Net sales, EUR million	168.2	7.1	145.3	6.8
EBIT, EUR million	6.4	14.9	10.7	17.7
EBIT margin, %	3.8		7.4	
Employees at 31.12.	1 826	25.7	1 892	25.8

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

The decline in the Baltic economies was the swiftest and sharpest seen in all of HKScan's market areas. Thanks to its solid market standing, HKScan has every chance of weathering the current economic downturn.

The changes in the business environment during the year under review verged on the dramatic. After rising steadily through 2007, the inflation rate slowed down in early 2008. The robust economic growth seen for years sputtered and turned negative first in Estonia and Latvia, soon to be followed by Lithuania. The economic downslide grew only steeper in the summer, with a further acceleration seen in the already climbing unemployment rate.

Both volumes and sales value took a turn down in the grocery sector. Demand for more economical products had been rising since the beginning of the year as the economic outlook for consumers grew darker. The summer barbecue season still went as planned for Rakvere Lihakombinaat, but once the summer was over, demand for processed red meat faltered.

ON TARGET FOR EIGHT MONTHS OF THE YEAR

For HKScan, the first eight months of the year were precisely on plan in terms of sales in the Baltics, and overall performance up to that time was on target. A factor contributing to target achievement was the successful control of operational costs, yet performing to target grew increasingly difficult and the final quarter turned out to be the weakest of the year.

This was above all due to the flagging profitability of the Group's own raw material production as well as sharply rising costs. With competition growing fiercer, passing higher costs on to sales prices became increasingly difficult as the year progressed. This resulted in tighter sales margins, which in turn contributed to the market area of the Baltics delivering only slightly over half of the EBIT achieved a year earlier.

COST PRESSURES IN PRIMARY PRODUCTION

Feed costs climbed sharply across the world in autumn 2007 and remained high through the early part of 2008. At the same time, the price of pork was depressed due to the international supply glut. This unfavourable equation had a direct impact on Rakvere Lihakombinaat subsidiary and pork supplier Ekseko, which ploughed clearly in the red in the first as well as second quarter of the year.

Tallegg, which meets its demand for chicken with in-house production, was fairly successful at balancing prices and expenditure despite rising production costs in the poultry business as well.

As outlined in its investments programme, Rakvere Lihakombinaat brought online its new frankfurter line in September, markedly increasing its skinless frankfurter production capacity and enabling it to start exports to Russia. Tallegg modernised its poultry breeding facilities and made investments to enhance the efficiency of packing.

CHANGES IN CONSUMER BUYING HABITS

The summer season was a commercial success for Rakvere. The selection of barbecue products was skilfully put together to match seasonal demand. At Tallegg, sales volumes remained good and marinated products sold well in the summer months. Demand for poultry products and ready-to-cook products also held steady.

Fiercer price competition in Latvia put severe strain on financial performance. At Rigas Miesnieks, the emphasis was on improving the efficiency of operations. New product launches centred on the segment of more affordable products such as pelmeni, sausages and certain ham products, where demand rose as the year progressed.

Competition on price was fierce also in Lithuania, the largest of the Baltic economies, and the signs of the impending recession were already written on the wall. The trend in Klaipedos Maistas products was therefore one of 'back to basics' such as fresh meat, sausages and smoked products. Sales developed favourably throughout the year.

The deepening economic slowdown in the Baltics was reflected in stronger consumer preference for more affordable products. By the end of the year, numerous consumers had switched over to local and traditional basic products such as less expensive meat cuts for making soup and unprocessed meat in general, frankfurters, minced meat and organ meats. The differences between urban and rural regions also grew considerably more pronounced.

SOLID MARKET PRESENCE

Rakvere Lihakombinaat is the Estonian market leader and together with Tallegg, the companies hold a 35-percent share of the Estonian processed meat market. In Latvia, Rigas Miesnieks is head and shoulders above rival enterprises with its market share of 21 percent, while in Lithuania, Klaipedos Maistas is the sector's third-largest player with a 10 percent share of the market.

Several food businesses are feeling the squeeze from the tight market and bitter price competition, especially in Latvia and Lithuania. A positive result was delivered in the year under review by only a handful of enterprises, one of these being HKScan's Baltic Group. Further shakeouts may be expected in the industry.

Prominent player in evolving Polish meat industry

In line with its internationalisation strategy, HKScan acquired in 2002 a minority holding in meat company Sokolów. It was the Polish market leader, had good growth potential and held some of the nation's best known brands.
Owing to the size of the Polish market and to balance the risks involved, in summer 2004 HKScan entered into partnership with Danish Crown. The joint venture Saturn Nordic Holding established to this end started to systematically increase its holding, and since summer 2006 Sokolów has been completely in Finnish–Danish hands.

Poland	2008	%	2007	%
Net sales, EUR million	270.9	11.5	220.9	10.3
EBIT, EUR million	4.2	9.8	3.7	6.1
EBIT margin, %	1.6		1.7	
Employees at 31.12.	5 732	-	5 419	-

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

In Poland, the year 2008 on the whole was much in line with the previous year. The most pleasing aspect of the year was the stronger performance achieved towards the end of the year.

The meat industry's business environment in Poland was informed by the same phenomena prevailing in HKScan's other countries of operation. Rising sharply throughout the previous autumn, the price of feed grain resulted in higher costs in the early part of the year and eroded the profitability of enterprises in the industry. From where Sokolów stands, the amplification of domestic market disruptions by the economic recession of the United States and the slowing economies of the EU countries was also a regrettable development.

All in all, the mood in Poland was nonetheless more optimistic than in the Group's other market areas. Having climbed to over six percent, economic growth stalled somewhat as the year progressed but still stood at a fairly healthy four percent in November, when the Baltic economies had already plunged into negative figures.

CORE BUSINESS AGAIN DELIVERS STRONGEST PERFORMANCE

The best progress towards targets in HKScan's Polish business continued to be made by Sokolów's core business, the production and sales of meat and processed meats in the Polish market. Export potential and profitability improved towards the end of the year with the sharp deterioration in the value of the Polish currency, the zloty, in yet another manifestation of the international financial crisis.

The market area of Poland achieved growth of upwards of 20 percent in euro-denominated net sales, but with raw material and production costs also spiralling, the final full-year EBIT figure for 2008 ended up in line with the previous year. Against the backdrop of longer-term targets, this performance must be deemed inadequate.

The situation in the international meat market and the rising pork supply glut first arising in autumn 2007 persisted throughout early 2008. The poor profitability of livestock production burdened primary production company Agro-Sokolów, which ran a loss in the early part of the year. The writedown of EUR 1.5 million on inventories taken by Agro-Sokolów in the spring dragged the entire second quarter into the red in Poland. Absent the writedown, Sokolów's EBIT for 2008 would have surpassed the previous year's level. Substantial investments to raise the standard of operations were made at Agro-Sokolów during the year under review, which also saw a heightened focus on enhancing the capabilities of employees.

It is worthy of note that Sokolów picked up the pace gradually towards the end of the year and delivered the year's best performance in the final quarter. Subsidiary Pozmeat's successful reversal of its loss-making trend with the help of a long-running cost-effectiveness and streamlining programme was another positive development in the year under review. Pozmeat climbed into the black in late autumn 2008. In Sokolów's hands, the company and its brands have staked their claim in the Polish retail sector and the improved financial performance has been based on an achievement of sufficiently high sales volumes.

DOMESTIC SALES ON TARGET

The greatest increase in sales in Poland was seen in Sokolów's deliveries to modern retail chains (supermarkets and hypermarkets), the importance of which is projected only to rise in the future. Sokolów's own network of stores and traditional retail outlets nonetheless also remains of key importance. In a bid to enhance the efficiency of sales, Sokolów merged the organisations of the latter two sales channels in early October.

All in all, domestic sales in Poland were on target whereas exports shrank slightly from the previous year mainly as a result of the zloty growing stronger until early August.

In one of the major product launches of the year, Sokolów introduced the new thin sausages made at the newly deployed frankfurter and grilling sausage line of the Kolo plant. A distinguishing feature of the new line is the simultaneous sausage meat extrusion and preparation of the sausage casing. The new sausages made at the Kolo plant have a casing made of alginate, a binding agent derived from seaweed.

A second, more mundane yet commercially significant new frontier in 2008 was the market launch of fresh meats in standard-weight gas packages.

SHAKEOUTS TO BE EXPECTED IN THE ENTIRE INDUSTRY

The crisis of 2007–2008 in the international pork economy slashed production considerably also in Poland, which is one of the largest pork producers in the EU. Livestock numbers fell to the lowest in years, which together with rising food prices resulted in meat consumption per capita declining by approximately one kg in Poland.

Narrower margins have driven even medium-sized meat industry enterprises into bankruptcy in Poland, and many more are struggling. The problems in the economy overall are thus hastening the structural consolidation of Poland's traditionally fragmented meat industry. Similar developments are also underway in the retail sector, among both small local and large national chains. The ongoing structural changes in the meat sector provide strong industry players – among which Sokolów numbers – with prime opportunities for further business development.

Employees in the HKScan Group

The HKScan Group has employees in nine European countries. Group companies directly employ some 7 100 blue-collar and white-collar personnel, in addition to which there are another 5 700 employed indirectly through a joint venture. The adjacent table presents a breakdown of employees by country.

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

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

EMPLOYEES IN FIGURES

The HKScan Group had an average of 7 421 employees in 2008 (7 840 in 2007). The reduction of some 400 employees is attributable to the ongoing streamlining and cost-effectiveness measures by which the Group companies are seeking to enhance their competitiveness and profitability.

The average number of employees in each market area was as follows: 3 200 in Sweden, 2 377 in Finland and 1 844 in the Baltics. In addition, Sokolów had an average of 5 515 employees.

Wages, salaries and remuneration paid by the Group in 2008 totalled EUR 263.3 million (EUR 249.1 million). When pension costs and other social security costs are included, the total rises to EUR 319.0 million (EUR 319.0m).

Employees by country at year-end

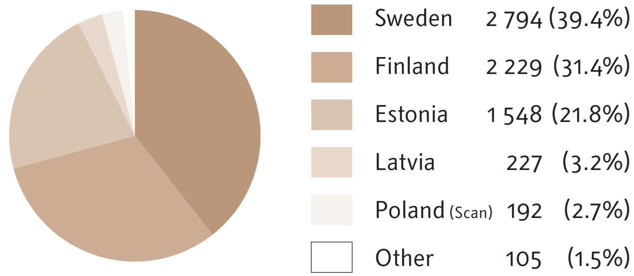
	2008	%	2007	%	2006	%
Sweden	2 794	39.4	3 050	41.6	-	-
Finland	2 229	31.4	2 236	30.5	2 328	56.0
Estonia	1 548	21.8	1 630	22.2	1 580	37.9
Latvia	227	3.2	219	3.0	201	4.3
Poland (Scan)	192	2.7	100	1.4	-	-
Lithuania	51	0.7	43	0.6	51	1.2
Denmark	44	0.6	45	0.6	-	-
UK	5	0.1	5	0.1	-	-
Russia	5	0.1	5	0.1	5	0.1
HKScan total	7 095	100.0	7 333	100.0	4 165	100.0
Sokolów	5 732	-	5 419	-	4 968	-

Employees by company at year-end

	2008	2007	2006
HKScan Corporation	13	14	13
Scan Group	3 035	3 200	-
HK Ruokatalo Oy	2 084	2 080	2 177
Rakvere Lihakombinaat Group	1 378	1 402	1 346
AS Tallegg	448	490	486
LSO Foods Oy	67	75	91
Other	70	72	52
HKScan Group total	7 095	7 333	4 165
Sokolów Group	5 732	5 419	4 968

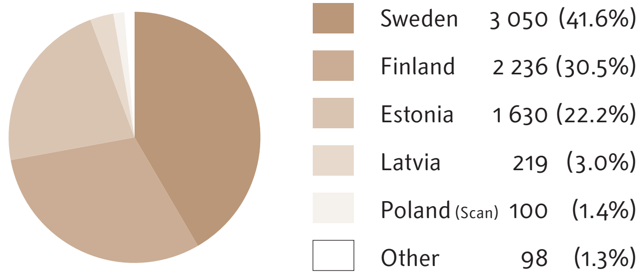
Scan AB and its subsidiaries have been a part of the HKScan Group since 2007.

Employees by country at the end of 2008



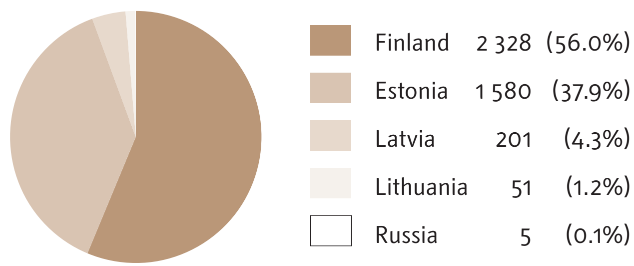
Additionally, the Sokolów Group employed 5 732 persons.

Employees by country at the end of 2007



Additionally, the Sokolów Group employed 5 419 persons.

Employees by country at the end of 2006



Additionally, the Sokolów Group employed 4 968 persons.

Responsible environmental management

HKScan manufactures high-quality products that make up part of a tasty, well-rounded diet and are safe to use. As responsible food manufacturers, HKScan and its subsidiaries in all their market areas seek to operate on the principle of causing minimum environmental impact during production. This principle is put into practice in Finland, Sweden, the Baltics and Poland, taking into account existing regulations and certification processes at the local and EU level.

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

CERTIFIED WAY OF WORKING

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

An ISO 14001-certifed environmental management system is in place at all HK Ruokatalo production plants in Finland, the Rakvere Lihakombinaat and Tallegg plants in Estonia and six Scan plants in Sweden. Other Scan facilities apply the BAS system, in which environmental efforts are managed by a local steering group responsible for setting environmental targets for plants and monitoring compliance. In Poland, the Sokolów plants operate according to good production practice under the ongoing supervision of the Polish veterinary authority. Sokolów also holds the AQAP 2110 certificate entitling it to supply the NATO forces with meat and meat products.

All plants operated by the HKScan Group in Finland, Sweden and the Baltics have in place a quality management system conforming to ISO 9001. A few also hold ISO 22000 certification for their product safety management system. In Poland, the Jaroslaw production plant holds ISO 9002 certification while other Sokolów plants are in the final stages of obtaining certification under ISO 9001. The British Retail Consortium's BRC certification is held to some extent in all Group markets, Poland included.

Product safety and its ongoing improvement are becoming more and more of a priority for Group companies. This represents but a part of HKScan's commitment to responsibility. Rising consumer interest in product ingredients and nutritional values as well as the increasingly prevalent trend of healthy eating is catered for in both production and marketing.

TARGETS AND RESULTS

Among Group companies, Scan AB and HK Ruokatalo Oy have engaged in systematic environmental efforts since the mid-1990s. Scan's contributions in this field include the provision of an annual report presenting environmental information, examining the achievement of ethical concerns and outlining targets for future development. Reporting at this level of detail is unique to Scan in the entire industry.

In Finland, much effort has been put into the consistent and systematic operation of production plants with regard to environmental issues. This effort is greatly facilitated by the certified environmental management system in place at all HK Ruokatalo plants. During the year under review, the company's extensive industrial restructuring programme also delivered environmental benefits: a considerable decline in the consumption of both heat and water.

In the interests of reducing carbon dioxide emissions, HK Ruokatalo has switched over to Carbon Free electricity, the generation of which gives rise to no CO2 emissions. The Carbon Free electricity purchasing contract extends through 2009. Scan has set the target of reducing its greenhouse gas emissions by 35 percent by the year 2010 and by 50 percent by the year 2020 in all sectors within Scan's control, primarily energy consumption, deliveries, purchases and production processes. The benchmark year is 2003. Climate efforts are divided into three parts: plant-specific action plan, instructions to personnel and requirements imposed on producers and suppliers.

HKScan is involved in biofuel power plant projects in Finland, Sweden and Estonia, where the organic biowaste from production plants is used to generate heat and electricity and also to make compost soil and fertilisers. An associate of the Group has plans to build a third gas production unit in Sweden.

Environmental management development measures taken by HKScan at Group level include harmonising environmental indictors and their monitoring, for example carbon dioxide emissions at HK Ruokatalo and Scan.

Achievement of environmental indicators at HK Ruokatalo locations

	2008	2007	Change, %
Electricity			
- total consumption (MWh)	93 706	91 873	+ 2.0
- specific consumption (kWh / kg)	0.42	0.44	-5.5
Heat			
- total consumption (MWh)	85 551	93 386	-8.4
- specific consumption (kWh / kg)	0.38	0.45	- 15.2
Water			
- total consumption (m3)	1 435 800	1 459 691	-1.6
- specific consumption (l / kg)	6.36	6.98	- 8.9
Waste			
- total, tonnes / yr	28 697	25 464	+12.7
- amount (g / kg)	127.2	121.9	+4.4

Specific consumption means electricity, heat and water consumption relative to external sales measured in kg.

Achievement of environmental indicators at Scan locations

	2008	2007	Change, %
Electricity			
- total consumption (MWh)	105 188	113 387	-7.2
- specific consumption (kWh / kg)	0.20	0.21	-4.8
Heat			
- total consumption (MWh)	83 383	98 097	-15.0
- specific consumption (kWh / kg)	0.16	0.18	-12.7
Water			
- total consumption (m3)	1 846 109	2 057 365	-10.3
- specific consumption (l / kg)	3.47	3.77	-7.9
Waste			
- total, tonnes / yr	24 065	22 982	+4.7
- amount (g / kg)	45.2	42.1	+7.5

Specific consumption means electricity, heat and water consumption relative to production volume.

Report of the Board of Directors for the financial year ending 31 December 2008

• The entire year 2008 was a challenging one for HKScan from the business perspective. At EUR 38.1 million, EBIT fell short of the level seen in 2007 as expected and was clearly inadequate.

• The final part of the year was much as planned. The fourth quarter outperformed Q3 in terms of Group EBIT as anticipated, largely due to the stronger performance of the Finnish business.

• Consumer demand for food is expected to remain steady in Finland and Sweden, although shifts may be seen in emphasis between product groups. HKScan offers extensive product ranges featuring foods and food ingredients suitable for all times and occasions.

• The financial crisis has given rise to sharp exchange rate fluctuations in the company's central currencies.

Earnings development and financial standing

DEVELOPMENT OF NET SALES

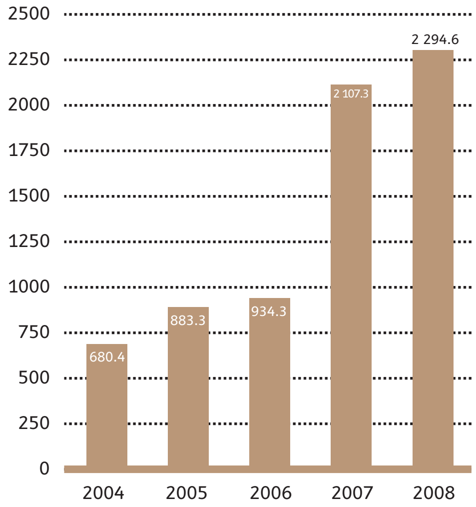
The HKScan Group's net sales increased by 8.9% in the year under review and came to EUR 2 294.6 million (EUR 2 107.3m in 2007). The largest increase in absolute terms was seen in the Finnish and Swedish markets while in relative terms, net sales grew the most in Poland. No mergers or acquisitions impacting on net sales were concluded in the year under review.

Breakdown of Group net sales by market area in 2008: Sweden 50.0%, Finland 31.4%, the Baltics 7.1% and Poland 11.5%.

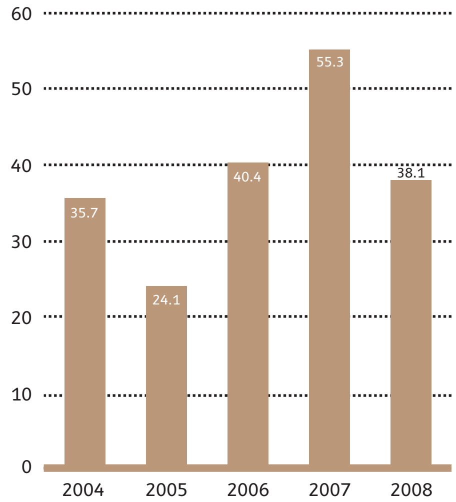
FINANCIAL PERFORMANCE

As anticipated, Group EBIT at EUR 38.1 million was down from the previous year's figure of EUR 55.3 million (-31.1%). The modest EBIT figure is largely attributable to the narrowing in sales margins seen in 2008. The sharply rising costs of primary meat production and manufacturing brought pressure to raise prices, yet higher prices could only be successfully negotiated at a lag extending until 2009 in respect of certain products.

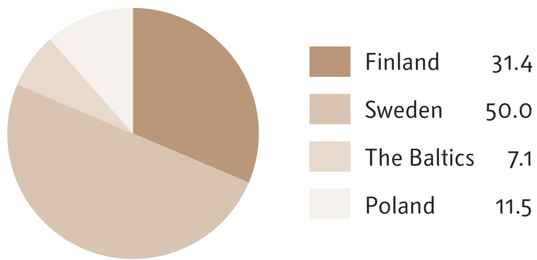
Net sales 2004–2008 (EUR million)



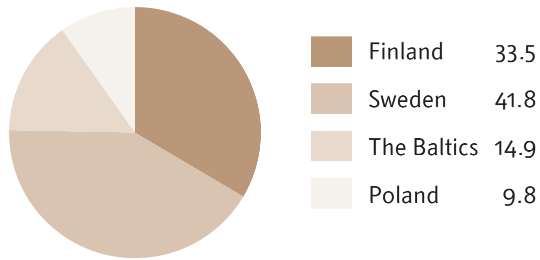
EBIT 2004-2008 (EUR million)



Breakdown of net sales by market area in 2008 (%) EUR 2294.6 million



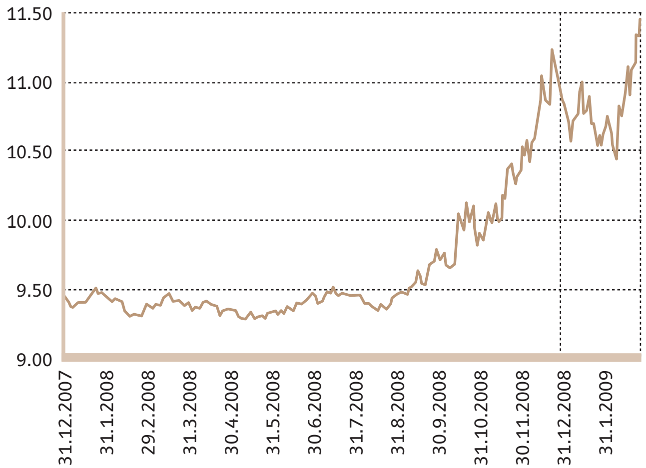
Breakdown of EBIT by market area in 2008 (%) EUR 38.1 million



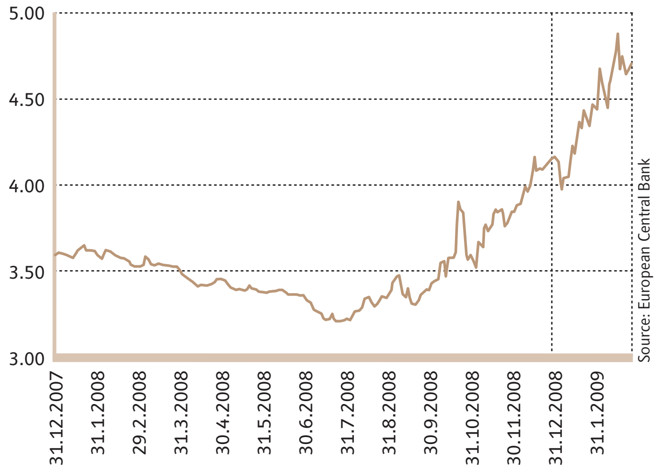
Net sales and EBIT by segment (EUR million)				
	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Net sales				
-Finland	197.3	176.3	740.4	674.3
-Sweden	301.6	295.7	1 179.3	1 111.9
-The Baltics	43.0	37.6	168.2	145.3
-Poland	66.3	54.8	270.9	220.9
-Between segments	-16.0	-12.2	-64.3	-45.0
Total	592.3	552.2	2 294.6	2 107.3
EBIT				
-Finland	6.4	3.3	14.4	22.8
-Sweden	8.6	7.7	18.0	23.0
-The Baltics	0.6	0.9	6.4	10.7
-Poland	1.9	0.1	4.2	3.7
-Between segments	0.0	0.0	0.0	0.0
-Group administration costs	-2.2	-0.4	-4.9	-5.0
Total	15.3	11.5	38.1	55.3

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

Euro/Swedish krona (EUR/SEK)



Euro/Polish zloty (EUR/PLN)



The difficulties in the international meat market which first arose in autumn 2007 persisted well into the summer of 2008. Manufacturing costs also climbed in the early part of the year. The high final costs of the industrial restructuring in Finland and substantial expenses arising from frozen meat destocking recognised in the second quarter along with the writedowns taken by the pork primary production unit in Poland dragged performance in the entire early part of the year into the red.

Performance picked up slightly in the third quarter and Q4 turned out to be the best of the year under review. Fourth-quarter EBIT at EUR 15.3 million equalled 40% of the entire year's EBIT. Performance in Finland, Sweden and Poland improved from the previous quarter while in the Baltics, the fourth quarter was the weakest of the year.

Instead of the company's target of five percent, a full-year EBIT margin of only 1.7 percent was achieved. Financing costs continued to climb, depressing net earnings to the point that earnings per share only came to EUR 0.12 (EUR 0.72).

Breakdown of Group EBIT by market area in 2008: Sweden 41.8%, Finland 33.5%, the Baltics 14.9% and Poland 9.8%.

EFFECT OF CURRENCY EXCHANGE RATES

Of the Group's central currencies, both the Swedish krona and the Polish zloty fell exceptionally low against the euro towards the end of the review period in the wake of the global economic and financial crisis. This decline will in future tax both net sales and earnings for the Group and its effects are already evident in these financial statements in the form of lower balance sheet values.

In accordance with the hedging policy adopted by the company's Board, approximately two thirds of the foreign subsidiaries' equities are hedged at present.

HEADLINES IN 2008

In Finland, the largest industrial restructuring programme in the company's history was successfully completed. The investments made and the revised structure could be leveraged in full in the latter half of the year.

In Sweden, business performed as anticipated. The company's market standing grew stronger towards the end of the year.

In the Baltics, the decline in the national economies was the swiftest and sharpest. Consumer purchasing power fell. As the regional market leader, HKScan is well positioned to ride out the recession.

In Poland, the long-sustained positive undertone of the national economy was dampened. Nonetheless, the economy remained clearly more robust than in the Baltics. For HKScan, the year 2008 on the whole was in line with the previous year.

Material events in 2008

MARKET AREA: FINLAND

The situation in the international pork market, which started to deteriorate in autumn 2007, remained extremely tense through summer 2008 as anticipated. In Finland, the worst affected was the meat business, which ran clearly in the red in the early part of the year. The most problematic quarter was that of March–June when the entire Finnish business returned a negative EBIT. Functional issues having to do with logistics and delivery dependability as well as unanticipated expenditure, both arising from the completion of the restructuring effort, also fell on this quarter.

The new logistics centre, essential to future development, was completed in Vantaa. Temporary parallel arrangements had to be put in place during the centre's ramp-up to ensure deliveries.

These arrangements gave rise to higher than anticipated overlapping expenditure and disruptions in supply. The ramp-up stage was successfully completed in June. Once the disruptions were eliminated, delivery dependability improved markedly and the standard required by our customers was achieved in the autumn. With performance growing stronger, HK Ruokatalo improved its market standing in Finland towards the end of the year.

The centralisation of logistical functions to Vantaa along with the completion and deployment of the logistics centre concluded HK Ruokatalo's substantial industrial restructuring programme in Finland. The Tampere production plant and terminal were closed in June 2008 at outlined in the programme. All in all, the number of the company's production facilities decreased from eight to six.

The demand for traditional processed meats, a product category important to the company, rose sharply in the last few months of the year. In the consumer-packed meats sector, sales were boosted by the company's participation in private-label production.

The poultry market also developed favourably. Though the rate of growth slowed down in autumn, the annual increase in chicken consumption and production in Finland was some eight percent. HK Ruokatalo's deliveries of poultry products grew in terms of both volume and value.

MARKET AREA: SWEDEN

Scan AB's meat business performed as anticipated in the review period. Persisting well into the summer, the difficult situation in the international pork market was nonetheless reflected especially in the profitability of industrial sales and exports. In beef, the situation was more stable with regard to profitability and the market easier to manage. Scan is the most important supplier of raw material to the Swedish food industry.

In the convenience food and processed meats business, Scan performed below par with the exception of cold cuts producer Pärsons, which delivered fair performance throughout the year.

The difficulties in Scan's convenience food and processed meats business were mainly due to the only partial success in negotiating sales prices to reflect the sharp rise in production costs. Sales as well as profitability were furthermore eroded by the price talks with retail conducted in the autumn, during which a significant proportion of Scan's product range was unavailable in the selections of a major retail chain for several weeks.

The expansion of Scan's Swinoujscie plant, which answers for the entire HKScan Group's bacon slicing and packing needs, came online in Poland in June. Construction of the future logistics centre in Linköping also progressed as planned.

As outlined in its efficiency programme, Scan closed down the Kävlinge plant in southern Sweden and slaughterhouses in Skellefteå and Uppsala during the year under review.

MARKET AREA: THE BALTICS

The first eight months of the year went as planned in the Baltics in terms of sales, yet performance was hampered above all by the weakening profitability of the Group's own raw material production.

Intensely rising feed costs depressed Group company Ekseko, pork supplier to Rakvere, clearly into the red in Q1 as well as Q2. Despite costs also rising in the poultry business, Tallegg was fairly successful at balancing prices and expenditure.

The economies in the Baltic states plunged into deeper recession towards the end of the summer. The high inflation rate was halted and economic growth turned negative first in Estonia and Latvia, soon to be followed by Lithuania. Both volumes and sales value took a turn down in the grocery sector. Demand for more economical products had been rising since the beginning of the year as the economic outlook for consumers grew darker. By the end of the year, a large number of consumers had switched over to traditional local basic products.

With competition growing fiercer, passing higher costs on to sales prices became increasingly difficult as the year progressed. This was reflected in tighter sales margins, which in turn contributed to the market area of the Baltics delivering only slightly over half of the EBIT achieved a year earlier. The current EBIT includes some EUR 1.2 million in non-recurring gains on the disposal of fixed assets.

As outlined in its investments programme, Rakvere Lihakombinaat brought online its new frankfurter line in September. Tallegg modernised its poultry breeding facilities.

Several food businesses are feeling the squeeze from the tight market and intense competition, especially in Latvia and Lithuania. Further shakeouts may therefore be expected in the industry. As the regional market leader, HKScan's Baltic Group is well positioned to ride out the recession.

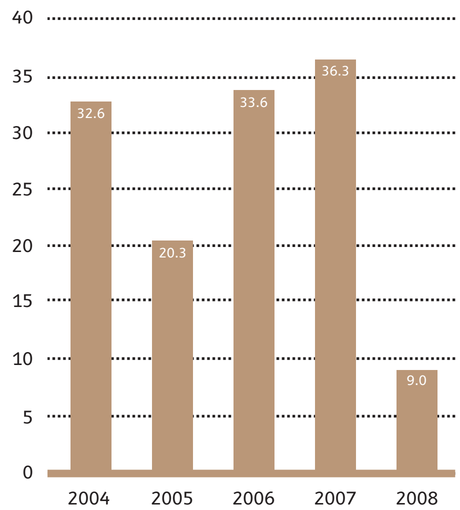
MARKET AREA: POLAND

The year 2008 started out in line with target for Sokolów's core business, the production and sales of meat and processed meats in the Polish market. Euro-denominated net sales at EUR 270.9 million showed a bump of 20% from the previous year. The fourth quarter of the year proved the best for Sokolów in terms of earnings and the year 2008 overall was in line with the previous year.

The long-sustained positive undertone of the Polish national economy was dampened and the country's economic expectations grew weaker in the final quarter of the year. Nonetheless, the economy remained clearly more robust than in the Baltics, for example.

The difficult situation in the European pork market due to international market disruptions and the sharp rise in meat production costs hampered business in Poland as well. This was especially the case with primary production company and Sokolów pork raw material producer Agro-Sokolów, where a writedown of EUR 1.5 million taken on inventories in spring dragged second-quarter earnings into the red for the entire market area. Agro-Sokolów had

Profit before tax 2004-2008 (EUR million)



been reducing its losses but animal production profitability remained poor.

Second subsidiary Pozmeat meanwhile rose into the black in late autumn 2008 thanks to a long-running cost-effectiveness and streamlining programme.

Deliveries to modern retail chains, which as a distribution channel have come to rival its own traditional network of retail outlets, accounted for the largest rise in Sokolów's sales. In Poland as well, the significance of Western-style retail chains as partners to industry is on the rise.

INVESTING ACTIVITIES

The Group's gross investments in 2008 totalled EUR 84.0 million (EUR 129.3m). Breakdown of investments by market area: Finland EUR 27.5 million, Sweden EUR 28.0 million and the Baltics EUR 14.9 million. HKScan's share of Sokolów investments in Poland added a further EUR 13.6 million. Investments in the comparison year 2007 were exceptionally high owing to the acquisition of Scan AB and a substantial amount of investment in the Finnish industrial restructuring programme falling on that year.

In Finland, the key target of capital expenditure was finishing and bringing online the logistics centre in Vantaa. This was accomplished by early summer. In Sweden, construction of the Linköping logistics centre progressed and installation work commenced late in the year. The Swinoujscie bacon plant expansion became operational in Poland in June. In Estonia, the new frankfurter line at Rakvere Lihakombinaat was brought online in September. A new frankfurter and grilling sausages line was completed at Sokolów's Kolo plant.

FINANCING ACTIVITIES

The Group's interest-bearing debt at year-end, excluding the hybrid bond issued on 23 September 2008, stood at EUR 524.4 million (EUR 514.5m). The euro-equivalent liabilities in the balance sheet declined at the very end of the year due to the sharp decline in the Swedish krona and Polish zloty. Average debt in 2008 stood at EUR 543 million (EUR 514m). Group net financial expenses totalled EUR 30.1 million (EUR 19.4m). The substantial rise in financial expenses is due to higher gearing, higher interest rates in the first three quarters of 2008 compared to the same period a year earlier, and higher margins on loans. In addition, the Group had an average of EUR 60 million (EUR 6m) in trade receivables sold to financing companies and the financing expenses paid on these are included in full in total financing expenses.

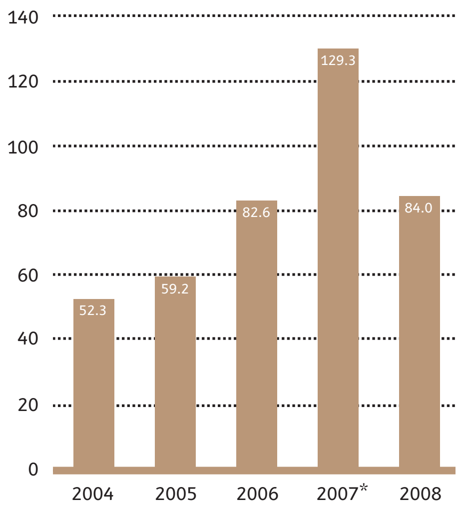
Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, comprising a EUR 275 million seven-year amortising term loan and a EUR 275 million five-year credit limit with two one-year extension options. Untapped credit facilities at 31 December 2008 stood at EUR 140 million (EUR 184m). In addition, the Group had other untapped overdraft and other facilities of EUR 37 million (EUR 33m). The EUR 100 million commercial paper programme had been drawn upon in the amount of EUR 0 million (EUR 23m). The commercial paper market came to a virtual standstill at the end of the year. Matured commercial paper was refinanced using the existing untapped credit facilities.

The company sees no significant need for refinancing before the year 2012. The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are net gearing ratio and ratio of net debt to EBITDA.

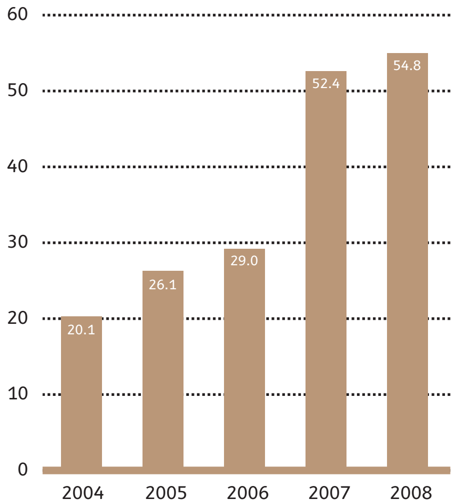
The equity ratio was 29.5 percent (29.3%) at year-end. The

Gross investments 2004-2008
(EUR million)

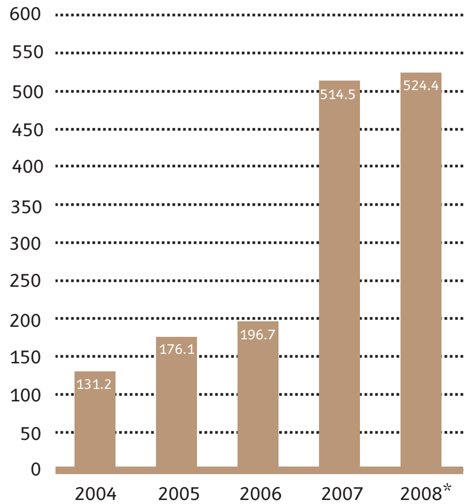
* Exclusive of enterprise value on Scan AB acquisition



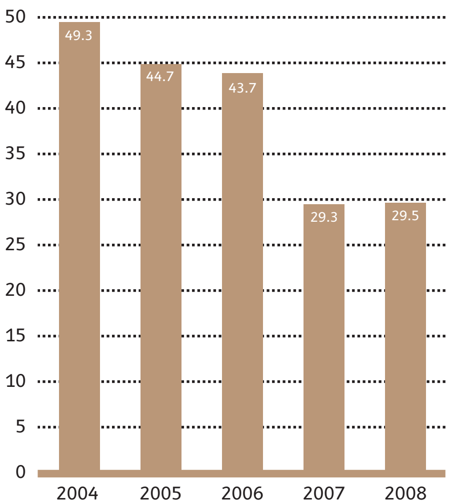
Depreciation 2004-2008
(EUR million)



Interest-bearing liabilities 2004-2008
(EUR million) * Exclusive of the capital loan



Equity ratio 2004-2008 (%)



Group will continue to focus on achieving a stronger cash flow and reducing net liabilities. More effective working capital management and extremely careful consideration of which investments to implement will be among the tools of choice in this undertaking.

TAXES

The Group's taxes for January to December 2008 totalled EUR -1.4 million (EUR -6.8m). The effective tax rate was 15.3 percent (18.7%). Effective tax rate was reduced by the application in the financial statements of earlier losses in Poland and Sweden and the deferred tax assets recognised on the loss-making companies in Finland and Sweden. The tax rate was on the other hand raised by the losses of Poland-based companies, which could not be applied in the sub-Group's internal tax equalisation. This was particularly evident in the high tax rates reported in the Group's earlier interim reports for 2008.

HYBRID BOND ISSUE

On 23 September 2008 HKScan issued a EUR 20 million hybrid bond aimed at its majority shareholders, LSO Osuuskunta cooperative and Swedish Meats ek.för. The bond has a coupon rate of 8.5% p.a. The bond has no maturity but the company may call it after six years. The bond, aimed at strengthening the company's capital structure, will be treated as equity in the company's IFRS financial statements. The dates of interest payment are at the discretion of the company. The payment can be made either in cash or as HKScan's Series A shares. The right of exchange only applies in the first six years. The payment of interest as new shares will dilute the shareholding of the company's current shareholders over six years by no more than 1 190 160 A Shares, equal to 3.5% of all A Shares and 3.0% of all shares. The rate of exchange is calculated according to a share price of EUR 8.57.

CHANGES IN MANAGEMENT AND GROUP STRUCTURE

There were no changes in HKScan's management or the Group's Management Team during the year under review. Changes in Group structure were minimal.

In Sweden, Scan AB discontinued the hide business after selling subsidiary Kontrollhudar International AB to the Danish Scan Hide cooperative in May. The company had 26 employees.

In October, Scan AB acquired a 35-percent holding in Bertil Erikssons Slakteri AB, a smallish slaughtering business based in central Sweden. The deal was effective 2 January 2009. Scan has the option of acquiring the company's remaining shares at a later date.

Material events after 31 December 2008

The company's Board of Directors relieved CEO Kai Seikku of his duties on 5 January 2009. Earnings in early 2009 will be eroded by the non-recurring expense of some EUR 1.3 million relating to the termination of the CEO's employment. The 27 000 A Shares assigned to the CEO based on the share incentive scheme reverted to the company in January 2009.

CFO Matti Perkonoja was appointed CEO effective 12 January 2009. He has been the CFO of HKScan since 2000 and before this, served in both commercial and industrial executive positions in the Group which he joined in 1993. Mr Perkonoja has agreed to serve for a term extending until the end of 2010, at which time he will retire.

Matti Perkonoja's background gives him an excellent understanding of the company, and he was also one of the key contributors to HKScan's internationalisation. Mr Perkonoja's wealth of experience along with the state of the company's business, which was restored to a more even keel in late 2008, provides a prime foundation for the further development of the company.

The Group's Management Team was joined on 14 January 2009 by Ms Irma Kiilunen, (BSc, Econ & Bus Admin), who was appointed CFO, and by Mr Tero Hemmilä, (MSc, Agr & For), who was appointed senior vice president of strategic business planning. Ms Kiilunen was formerly finance director for HKScan while Mr Hemmilä's earlier posts include managing director of LSO Foods Oy and senior VP for strategic planning in HK Ruokatalo. Management Team member, CMO Antti Lauslahti resigned from HKScan in January 2009.

Employees, research and environmental management

EMPLOYEES

The HKScan Group had an average of 7 421 employees in 2008 (7 840). The reduction is attributable to the ongoing streamlining and cost-effectiveness measures by which the Group companies are seeking to enhance their competitiveness and profitability.

The average number of employees in each market area was as follows: 3 200 in Sweden, 2 377 in Finland and 1 844 in the Baltics. In addition, Sokolów had an average of 5 515 employees.

Employees at year-end by market area

Market area	2008	2007	2006
Sweden	3 035	3 200	-
Finland	2 234	2 241	2 333
The Baltics	1 826	1 892	1 832
HKScan total	7 095	7 333	4 165
Poland *)	5 732	5 419	4 968

*) The figure for Poland refers to the workforce of the Sokolów Group.

INCENTIVE SCHEME FOR KEY EMPLOYEES

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

Any bonuses under the scheme are tied to Group net sales and return on capital employed (ROCE). A maximum of 528 000 A Shares and cash in the amount needed to reimburse the key employees for taxes and fiscal charges arising at the time of transfer of the shares will be granted on the basis of the entire scheme. The persons shall hold on to the shares earned for at least three years from the end of the earning period.

The share element of the bonus payable to the approximately ten key employees designated for the first earning period (2006) came to 64 974 A Shares in HKScan. These were assigned to their recipients in December 2007 and December 2008. In the 2007 earning period, the scheme concerned 20 key employees who were assigned a total of 45 552 shares in April 2008. In the 2008 earning period, the scheme concerned 25 key employees and the number of shares was not to exceed 180 000 A Shares in HKScan. The criteria were not met in 2008 and no shares will be distributed.

RESEARCH AND DEVELOPMENT

Practically all research and development in the HKScan Group concern involves normal product development, meaning the development of new products over a span of one to two years and the updating of products already on the market. A total of EUR 13.1 million (EUR 15.6m) was spent on R&D in 2008.

ENVIRONMENTAL MANAGEMENT

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

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

All plants operated by the Group in Finland, Sweden and the Baltics furthermore have in place a quality management system conforming to the ISO 9001 standard. A few also hold ISO 22000 certification for their product safety management system. In Poland, the Jaroslaw plant holds ISO 9002 certification while other Sokolów plants are in the final stages of obtaining certification under ISO 9001.

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS' EXISTING AUTHORISATIONS

(1) The Board holds the authorisation granted by the AGM on 22 April 2008 to decide on acquiring a maximum of 3 500 000 Series A shares as treasury shares, equivalent to approximately 8.9% of total registered shares and 10.3% of total A Shares.

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

The Board of Directors shall resolve upon the method of purchase. Among other means, derivatives may be utilised in purchasing the shares. The shares may be purchased in a proportion other than that of the shares held by the shareholders (directed purchase). The authorisation is valid until 30 June 2009. To date, the Board of Directors has not exercised this authorisation.

(2) The Board of Directors also holds an authorisation to resolve on an issue of shares, options as well as other instruments entitling to shares as referred to in Chapter 10:1 of the Finnish Limited Liability Companies Act. The original authorisation concerned a maximum issue of 5 500 000 A Shares. On 23 September 2008 the Board exercised the authorisation and issued a hybrid bond with option rights, entitling to a maximum of 1 190 160 A Shares, corresponding to approximately 3.0% of all registered shares in the company.

The Board may resolve upon all the terms and conditions of the issue of shares and other special rights entitling to shares. The authorisation to issue shares shall cover the issuing of new shares as well as the transfer of the company's own shares. The issue of shares and other special rights entitling to shares may be implemented as a directed issue. The authorisation is valid until 30 June 2009. A minimum of 4 309 840 A Shares of the authorisation remain unexercised.

The future

MAJOR RISKS AND UNCERTAINTY FACTORS

The most significant business risks faced by the HKScan Group in all market areas involve developments in the price of raw materials and pork in particular, in future possibly the availability of these as well, and raising sales prices to correspond to rising costs. There are also country-specific uncertainties relating to the success of the business development programmes in Sweden and the development of the national economies in the Baltics.

The current crisis in the international financial markets increases the risk of customer credit losses. The problems experienced by customers are due to the state of the economy in their country of operation as well as the availability of financing. Ongoing major fluctuations in the Group's central currencies may affect the Group's net sales, earnings and balance sheet. Any devaluation of local currencies in particular may have a negative effect on the Group's Baltic operations.

Changes in demand attributable to the financial climate may occur in the Group's market areas or its export markets, which may erode Group net sales and earnings.

The Group is currently involved in certain legal proceedings and civil litigation. At present, the outcomes are impossible to predict but it is estimated that these will not have any significant impact on the Group's financial standing.

ESTIMATE FOR 2009

Consumer demand for food is anticipated to remain unchanged in Finland and in Sweden, which provides the foundation for stable business development in the Group's main market areas. Signs of diminishing demand are visible in the Group's other market areas as well as its export markets.

Despite the prevailing climate of exceptional uncertainty having to do with the global financial and economic crisis, the company estimates that Group EBIT for the current year, excluding non-recurring items, will surpass that for 2008.

Board of Directors' proposal on distribution of profit

The parent company's distributable assets stand at EUR 78.9 million including the reserve for invested unrestricted equity (RIUE), which holds EUR 66.7 million. The Board of Directors recommends that the company pays a dividend of EUR 0.24 per share for 2008, i.e. a total of EUR 9.4 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 indicators

Financial indicators

	2008	2007	2006	2005	2004
Net sales, EUR million	2 294.6	2 107.3	934.3	883.3	680.4
Operating profit/loss (EBIT), EUR million	38.1	55.3	40.4	24.1	35.7
- % of net sales	1.7	2.6	4.3	2.7	5.2
Profit/loss before taxes, EUR million	9.0	36.3	33.6	20.3	32.6
- % of net sales	0.4	1.7	3.6	2.3	4.8
Return on equity (ROE), %	2.3	9.2	11.9	7.7	14.6
Return on investment (ROI), %	5.2	7.2	10.1	7.4	12.3
Equity ratio, %	29.5	29.3	43.7	44.7	49.3
Net gearing ratio, %	132.0	137.0	76.2	71.0	55.3
Gross investments, EUR million	84.0	129.3	82.6	59.2	52.3
- % of net sales	3.7	6.1	8.8	6.7	7.7
R&D expenses, EUR million	13.1	15.6	8.5	8.0	6.4
- % of net sales	0.6	0.7	0.9	0.9	0.9
Employees, average	7 421	7 840	4 418	4 541	4 713

Per share data

	2008	2007	2006	2005	2004
Earnings per share, EUR					
Earnings per share, (EPS), undiluted, EUR	0.12	0.72	0.79	0.46	0.76
Earnings per share, (EPS), diluted, EUR	0.12	0.72	0.79	0.46	0.76
Equity per share	8.10	8.36	6.86	6.36	6.09
Dividends					
Dividend paid per share, EUR	0.24 1)	0.27	0.27	0.27	0.29
Dividend per share, EUR	0.24 1)	0.27	0.27	0.27	0.29
Dividend payout ratio, undiluted, %	199.3 1)	37.7	34.2	58.2	38.4
Dividend payout ratio, diluted, %	205.3 1)	37.7	34.2	58.2	38.4
Effective dividend yield, %	5.4 1)	1.9	1.9	2.7	3.9
Price/earnings ratio (P/E)					
- undiluted	36.7	19.6	18.4	21.2	9.7
- diluted	37.8	19.6	18.4	21.2	9.7
Highest trading price, EUR	14.48	21.02	15.19	10.05	7.40
Lowest trading price, EUR	3.90	12.22	8.35	7.23	5.53
Middle price during the financial period, EUR	7.88	16.54	11.02	9.17	6.28
Market capitalisation, EUR million	173.7	551.9	499.7	339.8	253.6
Trading volume (1000 shares)	9 028	17 841	21 389	11 395	10 359
Trading volume, %	26.6	53.4	73.6	39.2	43.1
No. of shares during the financial period (1000 shares)					
- adjusted weighted average	39 286	38 784	34 463	34 463	29 428
- adjusted number of shares at 31.12.	39 306	39 306	34 463	34 463	34 463
- fully diluted	40 476	39 306	34 463	34 463	34 463

1) Based on the Board of Directors' recommendation

Formulae for financial indicators

Return on equity (%)

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

Return on investment (%)

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

Equity ratio (%)

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

Net gearing ratio (%)

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

Earnings per share

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

Equity per share

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

Dividend per share

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

Dividend payout ratio (%)

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

Effective dividend yield (%)

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

P/E ratio

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

Market capitalisation

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

Employee numbers

Average of workforce figures calculated at the end of calendar months

IFRS Consolidated Income Statement for 1 January to 31 December (EUR million)

	Note	2008	2007
Net sales	1	**2 294.6**	**2 107.3**
Change in inventories of finished goods and work in progress		0.4	1.6
Work performed for own use and capitalised		1.3	1.8
Other operating income	3	14.0	9.7
Share of associates' results		0.6	1.5
Materials and services	4	-1 642.6	-1 461.4
Employee benefits expenses	5	-319.0	-319.0
Depreciation and amortisation	6	-54.8	-52.4
Impairment	6	0.8	0.8
Other operating expenses	7	-257.1	-234.5
EBIT		**38.1**	**55.3**
Financial income	8	5.4	4.7
Financial expenses	8	-34.4	-23.8
Currency exchange gains and losses and changes in fair values	8	-1.1	-0.3
Share of associates' results		0.9	0.4
Profit/loss before taxes		**9.0**	**36.3**
Income taxes	9	-1.4	-6.8
Profit/loss for the financial period		**7.6**	**29.5**
Profit attributable to:			
Equity holders of the parent		4.7	27.8
Minority interests		2.9	1.7
Total		7.6	29.5
Earnings per share calculated on profit attributable to equity holders of the parent			
EPS, undiluted, continuing operations, EUR/share		0.12	0.72
EPS, diluted, continuing operations, EUR/share		0.12	0.72

IFRS Consolidated Balance Sheet at 31 December (EUR million)

	Note	2008	2007
Assets			
Intangible assets	10	57.8	65.5
Goodwill	11	81.7	85.1
Tangible assets	12	479.3	476.6
Shares in associates	13	17.8	20.3
Trade and other receivables	14	17.4	18.0
Available-for-sale investments / Other long-term investments	14	9.9	11.4
Deferred tax asset	15	10.1	8.3
Total non-current assets		**673.9**	**685.1**
Current assets			
Inventories	16	128.3	140.2
Trade and other receivables	17	198.4	244.9
Income tax receivable	17	1.5	2.5
Other financial assets	18	2.2	3.7
Cash and cash equivalents	18	92.2	53.2
Total current assets		**422.6**	**444.5**
Total assets		**1 096.5**	**1 129.6**
Equity and liabilities			
Share capital	19	66.8	66.8
Share premium reserve	19	73.5	73.4
Treasury shares	19	-0.0	-0.7
Revaluation reserve and other reserves	19	106.0	80.6
Translation differences	19	-25.1	3.0
Retained earnings	19	97.0	105.5
Equity attributable to equity holders of the parent		318.3	328.5
Minority interest		5.4	2.9
Total shareholders' equity		**323.7**	**331.5**
Non-current liabilities			
Deferred tax liability	15	33.6	34.0
Interest-bearing liabilities	22.23	442.1	421.6
Non-interest bearing liabilities	22	7.9	6.9
Pension obligations	20	3.7	4.7
Provisions	21	1.4	0.0
Total non-current liabilities		**488.7**	**467.2**
Interest-bearing liabilities	22.23	82.4	92.9
Trade payables and other liabilities	22	199.4	236.6
Income tax liability	22	0.5	0.1
Provisions	21	1.9	1.3
Total current liabilities		**284.2**	**330.9**
Total equity and liabilities		**1 096.5**	**1 129.6**

IFRS Consolidated Cash Flow Statement (EUR million)

	2008	2007
Operating activities		
EBIT	38.1	55.3
Adjustments to EBIT	-1.3	-1.1
Depreciation and amortisation	54.0	51.6
Change in provisions	1.4	-8.1
Change in net working capital	1.3	50.1
Financial income and expenses	-29.9	-19.3
Taxes	-1.4	-6.8
Net cash flow from operating activities	**62.2**	**121.7**
Investing activities		
Gross investments in fixed assets	-84.1	-131.6
Disposals of fixed assets	12.0	15.8
Investments in subsidiary	0.0	-70.1
Loans granted	-0.2	-4.0
Current borrowings repaid	2.0	2.1
Net cash flow from investing activities	**-70.3**	**-187.8**
Cash flow before financing activities	**-8.1**	**-66.1**
Financing activities		
Capital loan payments received	20.0	0.0
Current borrowings raised	187.9	207.4
Current borrowings repaid	-164.2	-310.0
Non-current borrowings raised	27.4	522.1
Non-current borrowings repaid	-7.3	-297.1
Dividends paid	-10.6	-9.3
Purchase of own shares	-0.1	-1.8
Net cash flow from financing activities	**53.0**	**111.3**
Change in cash and cash equivalents	**44.9**	**45.2**
Cash and cash equivalents at 1.1.	56.8	12.1
Effect of changes in exchange rates of cash and cash equivalents	-7.3	-0.5
Cash and cash equivalents at 31.12.	**94.4**	**56.8**

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Share premium reserve	Revalu-ation reserve	RIUE	Other equity items	Treasury shares	Other res.	Transl. diff.	Ret. earnings	Tot.
Shareholders' equity 1.1.2008	66.8	73.4	3.0	66.7	0.0	-0.7	10.8	3.0	105.5	328.5
Cash flow hedging										
Gains and losses										
recognised in shareholders' equity	-	-	5.0	-	-	-	-	-	-	5.0
Translation difference	0.0	-0.1	0.0	0.0	0.0	0.0	-0.2	-28.1	-1.1	-29.5
Other changes	-	-	-	-	20.0	-	-0.6	-	-	19.5
Direct recognition in ret. earnings	-	-	-	-	-	-	-	-	-0.3	-0.3
Transfers between items	0.0	0.0	0.0	-	-	-	1.2	0.0	-1.2	0.0
Net gains and losses										
recognised directly in equity	0.0	-0.1	5.0	0.0	20.0	0.0	0.4	-28.1	-2.5	-5.3
Profit for the period									4.7	4.7
Total gains and losses	0.0	-0.1	5.0	0.0	20.0	0.0	0.4	-28.1	2.2	-0.6
Dividend distribution	-	-	-	-	-	-	-	-	-10.6	-10.6
Share issue	-	-	-	-	-	-	-	-	-	0.0
Purchase of own shares	-	-	-	-	-	-0.1	-	-	-	-0.1
Payments made in treasury shares	-	-	-	-	-	0.8	-	-	-	0.8
Share options exercised	-	0.2	-	-	-	-	-	-	-	0.2
Total shareholders' equity 31.12.2008	66.8	73.5	8.1	66.7	20.0	0.0	11.2	-25.1	97.0	318.2

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

IFRS Notes to the consolidated financial statements for 2008

Basic information about the company

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

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

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

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

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

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 26 February 2009. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting is also entitled to modify the financial statements.

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

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS and IFRS standards and SIC and IFRIC interpretations effective at 31 December 2008. International Financial Reporting Standards refers, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

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

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

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

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

COMPARABILITY WITH PREVIOUS YEARS

The years 2008 and 2007 are mutually comparable. With regard to the five-year historical data, it should be noted that the consolidated figures for Scan AB have been consolidated into the Group as of 1 January 2007.

ESTIMATE OF FUTURE IMPACT OF NEW STANDARDS

The IASB has published the standards and interpretations listed below to take effect in 2009 or later. The Group has decided against early adoption of these standards and interpretations, which it will adopt in coming financial years.

The Group will adopt the following standards and interpretations in 2009:

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

IAS 23 (revised) Borrowing Costs. The standard requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, such as a production facility, are included in the cost of that asset. The Group has previously recognised borrowing costs as an expense during the period in which they are incurred, in the manner permitted. The revised standard means that borrowing costs concerning construction projects undertaken on or after 1 January 2009 are allocated to the project and capitalised in the balance sheet.

IFRS 9 Joint Ventures. The current IAS 31 Interests in joint ventures permits the proportionate consolidation of the figures for a joint venture (line by line consolidation). The standard (the new IFRS 9) is likely to be amended to permit the application of the equity method only. The new standard will significantly alter both Group figures and the treatment of the Poland segment. No effective date has yet been determined.

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

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENTS AND FACTORS OF ESTIMATION UNCERTAINTY

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

Accounting policies for consolidated financial statements

SUBSIDIARIES

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

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

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

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

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

ASSOCIATES

Associates are companies over which the company exercises a significant influence, which arises when the Group holds 20–50% of a company's voting rights. Associates have been consolidated using the equity convention. If the Group's share of the losses of an associate exceeds the investment's carrying value, the investment is recognised as having no value and, unless the Group is committed to meeting the obligations of associates, no losses exceeding the carrying value are consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 27, "Related party transactions", have been consolidated into the consolidated financial accounts. As a rule, the share of associates' results is presented below EBIT. If a function important to the Group's business is managed by an associate, the share of the associate's results is presented above EBIT. Scan AB associates Siljans Chark AB (from 1 January 2007), Höglandsprodukter AB (from 1 January 2007), daka a.m.b.a (from 1 January 2008) and Conagri AB (from 1 January 2008) are associates of this kind. The status of Nyhléns & Hugosons Chark AB has changed from an associate presented above EBIT to a subsidiary, resulting in a change in its consideration on 30 September 2008 with cumulative effect from the beginning of the financial period.

JOINT VENTURES

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

THE FOLLOWING EXCHANGE RATES HAVE BEEN USED IN CONSOLIDATION

	Income statement *)		Balance sheet	
	2008	2007	2008	2007
EEK	15.6466	15.6466	15.6466	15.6466
SEK	9.6169	9.2521	10.8700	9.4415
PLN	3.5151	3.7831	4.1535	3.5935

*) calculatory value of monthly average rates

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

Non-current assets

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Depreciation on property, plant and equipment ends when an item is classified as being for sale in accordance with IFRS 5, Non–Current Assets Held for Sale and Discontinued Operations. Gains and losses arising on the disposal and discontinuation and assignment of property, plant and equipment are included either in other operating income or expenses.

Maintenance and repair costs arising from normal wear and tear are recognised as an expense when they occur. Major refurbishment and improvement investments are capitalised and depreciated over the remaining useful life of the main asset to which they relate.

CAPITALISATION OF BORROWING COSTS

As a rule, borrowing costs are recognised as an expense during the period in which they are incurred. In future, borrowing costs will be allocated to projects and capitalised in the balance sheet as provided in IAS 23.

GOVERNMENT GRANTS

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

INVESTMENT PROPERTIES

Investment properties are properties that are held because of their rental income or a rise in value. The Group has no property classified as investment properties.

Intangible assets

GOODWILL

Goodwill is that part of the acquisition cost exceeding the Group's share of the fair value of the net assets of a company acquired after 1 January 2004 at the time acquisition took place. Goodwill on the combination of transactions prior to this corresponds to the carrying value based on the earlier accounting norm which has been used as the deemed cost. The classification or accounting treatment of these acquisitions was not adjusted when preparing the opening IFRS balance sheet of 1 January 2004. Most of the business mergers giving rise to consolidated goodwill took place prior to 1 January 2004. Goodwill increased in the comparison year due to the acquisition of Scan AB.

Goodwill (and other intangible items that have an unlimited period of financial impact) is no longer subject to regular depreciation but is tested yearly for impairment. For this reason goodwill is allocated to cash-generating units (CGU) or, in the case of an associate, is included in the acquisition cost of the associate concerned. Goodwill is measured according to the historical cost convention less impairments. Impairment losses are recognised in the income statement. Impairments recognised in respect of goodwill are not cancelled. See "Impairment" and "Impairment testing".

RESEARCH AND DEVELOPMENT COSTS

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

OTHER INTANGIBLE RIGHTS AND ASSETS

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

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

INVENTORIES

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

BIOLOGICAL ASSETS

Biological assets, which in the case of the HKScan Group mean living animals, are recognised in the balance sheet at fair values less estimated sales-related expenses, in accordance with IAS 41. The group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, mother hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing.

LEASES

Leases applying to tangible assets where the Group assumes a substantial part of the risks and benefits of ownership are classified as finance leases. These items are recognised in the balance sheet at the fair value of the asset leased at the commencement of the lease or at the present value of minimum lease payments, whichever is the lower. Assets acquired under finance leasing are subject to depreciation within the financial impact of the asset or the lease period, whichever is the shorter. Lease payments are divided into finance expenses and debt amortisation during the lease period. Leasing commitments are included in interest-bearing liabilities. It is mostly companies in the Baltics that have finance leasing agreements.

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

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each balance sheet date to see whether or not there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised if the carrying value of the asset exceeds the recoverable amount for the asset. The recoverable amount is estimated annually for goodwill and intangible assets with unlimited useful life regardless of whether there are indications of impairment. The need for impairment is reviewed at the level of cash-generating units, in other words the smallest group of assets that includes the asset under review, which is largely independent of other units and has a cash flow that can be separated from other cash flows. See "Accounting policies requiring management judgments and factors of estimation uncertainty" and "Goodwill".

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

Employee benefits

PENSION OBLIGATIONS

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

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local regulations and practice. In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are 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 has no defined benefit plans apart from the pension liability for the former CEO of the parent company. The company's pension commitment in respect of the defined benefit relating to this was EUR 3.2 million at 31 December 2008.

Owing to the outsourcing of pension funds, the insurance company invoices the future index-linked increments on pensions each year. The pension obligations in the balance sheet mostly comprise the pension commitment in respect of the parent company's former CEO and of provisions for changes in the disability pension business.

SHARE-BASED PAYMENTS

Share incentive scheme

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

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

Basic information at 31 December 2008

	Earning period 2006	Earning period 2007	Earning period 2008
Grant date	30.11.2006	23.4.2007	27.6.2008
Nature of award	Shares and cash	Shares and cash	Shares and cash
Target group	Key employees	Key employees	Key employees
Maximum number of incentive shares *	96 000	180 000	180 000
Amount of cash corresponding to incentive shares (no. of shares) *	113 109	195 444	211 304
Trading price at grant date	€13.90	€17.28	€9.24
Fair value at grant date **	€13.63	€17.01	€8.97
Trading price at end of financial year	€4.42	€4.42	€4.42
Earning period begins, date	1.1.2006	1.1.2007	1.1.2008
Earning period ends, date	31.12.2006	31.12.2007	31.12.2008
Release date of shares	31.12.2009	31.12.2010	31.12.2011
Criteria	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)	EBIT (70%) and ROCE (30%)
	Term of employment	Term of employment	Term of employment
Obligation to hold shares, years	3	3	3
Remaining binding period, years	1	2	3
Persons (31 December 2008)	5	17	25

* Cash element of share award expressed in shares
** Trading price at grant date less anticipated dividend for earning period: EUR 0.27 per year

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

A total of 391 000 shares were allocated to the 2008 earning period in the financial year, but the criteria were not met and no shares will be distributed to the target group. Share awards valued at 103 500 shares, i.e. 50 500 shares and cash in the amount of EUR 461 000 to cover taxes and fiscal charges arising from the shares at the grant date were paid in the year under review on the basis of the 2006 and 2007 earning periods. The combined earnings impact of the share awards in effect in the year under review came to EUR –0.38 million (EUR 1.8m in 2007).

Events in 2008

Gross figures *)	Earning period 2006 1.1.2008	Earning period 2006 Change in financ. year, no.	Earning period 2006 31.12.2008	Earning period 2007 1.1. 2008	Earning period 2007 Change in financ. year, no.	Earning period 2007 31.12. 2008	Earning period 2008 1.1. 2008	Earning period 2008 Change in financ. year, no.	Earning period 2008 31.12. 2008	Financial year 2008 tot. 1.1. 2008	Financial year 2008 tot. 31.12. 2008
Awards granted (shares+cash)											
expressed as shares	219 521	0	219 521	375 444	0	375 444	0	391 304	391 304	594 965	986 270
Shares forfeited	24 000	0	24 000	0	24 000	24 000	0	0	0	24 000	48 000
Shares paid	130 641	10 579	141 220	0	92 056	92 056	0	0	0	130 641	233 276
Shares lapsed (incl. forfeited shares)	78 301	0	78 301	0	283 388	283 388	0	391 304	391 304	78 301	752 993

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

Parameters used in calculating fair value	Earning period 2006	Earning period 2007	Earning period 2008
Awards granted (share + cash) expressed as shares (no.)	219 521	375 444	391 304
Trading price at grant date	€13.90	€17.28	€9.24
Presumed dividend	€0.27	€0.27	€0.27
Fair value at grant date **	€13.63	€17.01	€8.97
Trading price at date of award payment/balance sheet date	€12.51	€8.18	€4.42
Assumed shares to be forfeited before allocation	11.9 %	6.7 %	0.0 %
Assumed shares to be forfeited during binding period	50.0 %	30.8 %	0.0 %
Exercise assumption of criteria ***	72.8 %	29.2 %	0.0 %
Fair value of share award at grant date, €	€1 938 543	€3 679 736	€1 532 516
Fair value of share award at 31 Dec 2008, €	€1 422 411	€1 013 399	€0
Impact on earnings in 2008 financial year, €	€ -64 908	€ -317 863	€0

** Trading price at grant date less anticipated dividend for earning period: EUR 0.27 per year.
*** The amount of the award for the earning period is determined by the end of the April following each earning period on the basis of achievement of targets. The table is based on the best possible estimate available to the company at 31 December 2008 of the number of shares it expects to be granted.

PROVISIONS

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

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

INCOME TAXES

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

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

The deferred tax liability relating to the retained earnings of foreign Group companies has not been recognised, as the assets are used to safeguard the foreign companies' own investment needs. The distributable assets of the Baltic companies came to a total of EUR 55.0 million.

Recognition policies

GOODS SOLD AND SERVICES PROVIDED

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

FINANCIAL ASSETS AND LIABILITIES

Depending on their nature, the Group's financial assets are classified on acquisition into the following categories: 1) financial assets held for trading, 2) loans and other receivables and 3) available-for-sale financial assets. The Group recognises financial assets and liabilities in the balance sheet when it becomes party to the contract terms of the instrument. Derivatives that do not satisfy hedge accounting are classified as held for trading. The items in the category are measured at fair value. Profits and losses arising from changes in fair value, whether realised or unrealised, are recognised in the income statement in the financial year in which they arise. The majority of the Group's financial assets consist of loans and other receivables in non-current assets. Loans receivable are recognised in the balance sheet at the acquisition cost and are regularly and systematically assessed in relation to the security available. Interest on receivables is included in financial items. Available-for-sale financial assets consist of assets not belonging to derivative assets which have been specifically designated into this category or which have not been classified in another category. These comprise e.g. shares and interest-bearing investments.

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

The Group's financial liabilities consist primarily of short- and long-term bonds and credit limit facilities from financial institutions and exercise of the commercial paper programme. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the balance sheet date.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

DERIVATIVES AND HEDGE ACCOUNTING

Profits and losses arising from the assessment of fair value are treated in the income statement in the manner determined by the purpose of the derivative. Derivatives excluded from hedge accounting as defined in IAS 39 are recognised in the income statement. Derivatives treated as hedge accounting instruments and which are effective are shown congruently with the hedged item.

HEDGE ACCOUNTING

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

The change in the fair value of the effective portion of derivative instruments that meet cash flow hedging requirements are recognised directly in shareholders' equity in the hedging reserve and in the income statement in respect of the ineffective portion. The cumulative gains or losses accumulating in the hedging reserve are recognised in the income statement under financial income and expenses when the hedged business operation takes place. When a hedging instrument matures, is sold, the hedging relationship is noted as being ineffective or is closed, the cumulative gain or loss on the hedging instrument earlier recognised in equity when the hedge was effective remains separate recognised in equity until the transaction forecast occurs. The cumulative gain or loss is recognised immediately in the income statement if the transaction forecast is no longer expected to occur. The ineffective portion of the hedging relationship is recognised in the income statement under financial income and expenses. The fair values of derivatives are shown in the balance sheet as current assets and liabilities.

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

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

SHARE CAPITAL

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

EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the financial year attributable to shareholders of the parent company by the weighted average number of shares issued. The payment of interest on the hybrid bond using company shares has been taken into account in the fully diluted number of shares. EPS for the financial year is not altered by catering for the dilution effect.

DIVIDEND

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

EBIT

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

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

Notes to the income statement

1. Segment information

The division of segments is based on the Group's organisation and Board of Directors and Group management reporting. The management of the HKScan Group tracks the profitability of business operations by market area. The Group's primary reporting segments are geographical segments: Finland, Sweden, the Baltics and Poland. The Polish market has been shown as a separate segment since 1 January 2005 and the Swedish market since 1 January 2007.
The HKScan Group has one business segment: meat processing. The upcoming IFRS 8 will not give rise to changes in the Group's segment reporting.
The assets and liabilities of the segments are items that are either directly or fairly allocated to the business of the relevant segment. Segment assets include tangible and intangible assets, shares in associates, inventories and zero-interest receivables. Segment liabilities include current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Primary segment 2008 (EUR million)

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

Primary segment 2007 (EUR million)

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

2. Businesses acquired

The Group made no significant business acquisitions in 2008. In the comparison year 2007, the Group expanded significantly with the acquisition by HKScan Corporation of the entire business of Swedish Meats, which was incorporated into Scan AB prior to the sale. The deal was signed on 29 January 2007 but operational responsibility transferred to HKScan Corporation already on 1 January 2007.

3. Other operating income	**2008**	**2007**
Rental income	1.8	2.4
Gain on disposal of non-current assets	2.2	1.7
Other operating income	10.0	5.6
Other operating income	14.0	9.7
4. Materials and services		
Purchases during the financial year	-1 518.2	-1 392.3
Increase/decrease in inventories	27.8	64.1
Materials and supplies	-1 490.4	-1 328.2
External services	-152.2	-133.2
Materials and services	-1 642.6	-1 461.4
5. Employee benefits expenses		
Salaries and fees	-263.3	-249.1
Pension expenses, defined contribution plans	-48.1	-63.4
Pension expenses, defined benefit plans	-0.1	0.1
Total pension expenses	-48.2	-63.3
Other social security costs	-7.6	-6.6
Other social security costs	-7.6	-6.6
Employee benefits expenses	-319.0	-319.0
Managing directors and vice presidents	3.5	4.3
Board members	1.2	0.7
Management salaries, fees and benefits	4.7	5.0
Average number of employees during the financial year		
White-collar staff	1 747	1 582
Blue-collar staff	5 674	6 258
Total	7 421	7 840

Additionally, the Sokolów Group in Poland employed an average of 5 515 persons in 2008.

6. Depreciation and impairment		
Depreciation according to plan	-54.8	-52.4
Depreciation and amortisation	-54.8	-52.4
Impairment charge for non-current assets	0.0	-0.2
Impairment charge reversals for non-current assets	0.8	1.0
Impairment	0.8	0.8
Total	-54.0	-51.4
7. Other operating expenses		
Rents/leases	-8.0	-9.0
Loss on disposal of non-current assets	-0.2	-0.2
R&D costs	-13.1	-15.6
Non-statutory staff costs	-4.9	-4.8
Energy	-38.4	-31.7
Maintenance	-33.1	-33.2
Advertising, marketing and entertainment costs	-56.1	-56.6
Service, information management and office costs	-24.2	-20.9
Other costs	-79.1	-62.5
Total other operating expenses	-257.1	-234.5

Audit fees

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

	2008	**2007**
Audit fees	-0.6	-0.6
Other expert services	-0.4	-0.6
Audit fees, total	-1.0	-1.2

8. Financial income and expenses	2008	2007
Other interest and financial income from others	5.4	4.7
Other interest and financial expenses to parent entity	-0.1	-0.1
Other interest and financial expenses	-34.3	-23.7
Total other interest and financial expenses	-34.4	-23.8
Currency exchange gains and losses and changes in fair values	-1.1	-0.3
Total financial income and expenses	-30.1	-19.4

EBIT in 2008 includes translation differences of EUR 0.2m (EUR –0.4m). The Group had an average of EUR 60 million (EUR 6m) in trade receivables sold to financing companies and the Group's financing expenses include the EUR 2.5 million (EUR 0.2m) in financing expenses paid on these.

9. Income taxes		
Cumulative tax rate reconciliation	12 / 2008	12 / 2007
Income taxes		
Income tax on ordinary operations	-3.8	-2.9
Tax for previous financial years	0.2	-0.4
Change in deferred tax liabilities and assets	2.2	-3.5
Other direct taxes	0.0	0.0
Income tax on ordinary operations	-1.4	-6.8
Accounting profit/loss before taxes	9.0	36.3
Deferred tax at parent company's tax rate	-2.3	-9.4
Effect of different tax rates applied to foreign subsidiaries	1.3	2.4
Tax-free income	0.2	0.3
Non-deductible expenses	-0.8	0.3
Tax for previous financial years	0.2	-0.4
Tax expense in the income statement	-1.4	-6.8

Notes to the balance sheet

10. Intangible assets 2008	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost at 1.1.	75.1	0.1	75.2
Translation differences	-8.0	-	-8.0
Increase	0.3	-	0.3
Decrease	-0.2	-	-0.2
Transfers between items	1.9	0.1	2.0
Acquisition cost at 31.12.	69.1	0.2	69.3
Accumulated depreciation at 1.1.	-9.8	-	-9.8
Translation differences	0.3	-	0.3
Accumulated depreciation on disposals and reclassifications	0.1	-	0.1
Depreciation for the financial year	-2.0	-0.1	-2.1
Accumulated depreciation at 31.12.	-11.4	-0.1	-11.5
Carrying value at 31 Dec 2008	57.7	0.1	57.8

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

11. Goodwill 2008

Acquisition cost at 1.1.	97.8
Translation differences	-5.6
Increase	0.7
Decrease	-2.8
Acquisition cost at 31.12.	90.1
Accumulated depreciation at 1.1.	-12.7
Translation differences	1.5
Accumulated depreciation on disposals	2.8
Accumulated depreciation at 31.12.	-8.4
Carrying value at 31 Dec 2008	81.7
Specification of goodwill 2008	
Finnish red meat	12.6
Business in Sweden	27.6
Baltic white meat	5.5
Baltic red meat	13.6
Business in Poland	22.4
Total	81.7

Goodwill 2007

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

Impairment testing

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

The sums recoverable have been estimated for all cash generating units. Cash flow estimates are based on management expectations as to development in each market area over the next five years. The cash flow after the forecast period has been extrapolated using cautious growth factors (1.0%–2.0%). The growth factors of cash generating units have been defined at a level lower than historical growth.

Realisation of the projected cash flow is conditional upon the EBIT level with regard to Finnish red meat rising to the level seen in 2005–2006. A continuation of the EBIT level trend of 2007–2008 will lead to a writedown on goodwill.

With regard to Sweden, the realisation of the projected cash flow is conditional upon a moderate improvement from the current level of financial performance and the risk of writedown in this respect is thus not significant.

As concerns Baltic red meat, the historical level of earnings has clearly exceeded the level required in testing and the risk of writedown is minimal.

In Baltic white meat, EBIT has been depressed in recent years by problems with animal disease and by restructuring. Management holds that subsequent to the disease issues, earnings have developed according to plan. Ongoing improvement is nonetheless expected in Baltic white meat to avoid the need for a writedown from being realised.

The performance of the business in Poland has been hampered in the past few years by the ramp-up of Pozmeat and production issues at Agro-Sokolów. Management believes that the problems of the aforementioned subsidiaries are a thing of the past and that profitability in Poland will be restored to the level seen in 2006.

Interest rates before taxes have been defined taking into account market area risks. The interest rate has been defined as the weighted average cost of capital (WACC) so that the equity ratio of all cash generating units has been calculated in line with the Group's long-term average capital structure target excluding Poland, where actual capital structure has been used in the calculations. The interest rates used are 7.6% for Finland, 8.6% for Sweden, 8.8% for the Baltics and 10.7% for Poland.

The WACC sensitivity analysis conducted indicates that a hypothetical increase of 1 percent in interest rates with the cash flows from operating activities projected would result in undervaluation in respect of Baltic white meat and Poland. For Finnish and Baltic red meat, a 2-percent change in the interest rate leads to undervaluation.

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 changes in the business environment of cash generating units may result in an increase in capital costs or in a situation where a cash-generating unit is forced to assess falling cash flows. Recognition of an impairment loss is likely in such situations.

12. Tangible assets 2008

	Land and and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and works in progress	Tot.
Acquisition cost at 1.1.	6.6	387.2	395.5	12.9	72.9	875.1
Translation differences	-0.3	-21.3	-21.7	-0.5	-2.7	-46.5
Increase	0.5	1.1	12.8	0.6	64.9	79.9
Decrease	-0.1	-10.5	-25.6	-0.8	-0.1	-37.1
Transfers between items	0.1	51.9	71.2	1.3	-110.8	13.7
Acquisition cost at 31.12.	6.8	408.4	432.2	13.5	24.2	885.1
Accumulated depreciation at 1.1.	-0.1	-165.8	-222.6	-10.0	-	-398.5
Translation differences	-	11.8	10.4	0.4	-	22.6
Accumulated depreciation on disposals and reclassifications	-	2.1	15.8	0.5	-	18.4
Depreciation for the financial year	-	-13.8	-34.2	-1.1	-	-49.1
Impairment charge reversals	-	-	0.8	-	-	0.8
Accumulated depreciation at 31.12.	-0.1	-165.7	-229.8	-10.2	-	-405.8
Carrying value at 31 Dec 2008	6.7	242.6	202.4	3.3	24.2	479.3

Tangible assets 2007

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

13. Shares in associates 2008

Acquisition cost at 1.1.	20.3
Translation differences	-2.0
Increase	0.5
Decrease	-1.9
Impairment	-0.2
Transfers between items	-0.1
Acquisition cost at 31.12.	16.6
Share of associates' results	1.5
Dividends from associates	-0.3
Carrying value at 31 Dec 2008	17.8

Shares in associates 2007

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

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

14. Non-current receivables

	2008	2007
Non-current loan receivables	8.0	10.4
Other non-current receivables	9.3	7.6
Non-current loan and other receivables	17.4	18.0
Other long-term investments	9.9	11.4
Deferred tax asset	10.1	8.3
Total non-current receivables	37.4	37.7

Associates 2008

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

Associates 2007

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

15. Deferred tax assets and liabilities

Specification of deferred tax assets

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

Specification of deferred tax liabilities

Depreciation difference and voluntary provisions	9.5	-0.9	-	-	-	8.6
Other matching differences	10.4	-1.0	-0.2	2.5	-	11.7
From consolidation	13.7	-1.3	0.6	-	-	13.0
Recognised directly in ret.earnings	0.4	-	-	-	-	0.4
Pension benefits	-	-	-	-	-	-
Total	34.0	-3.2	0.4	2.5	-	33.6

Specification of deferred tax assets

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

Specification of deferred tax liabilities

Depreciation difference and voluntary provisions	9.5	0.4	-0.4	-	-	9.5
Other matching differences	1.2	0.1	0.7	1.1	7.3	10.4
From consolidation	1.1	-	-	-	12.6	13.7
Recognised directly in ret.earnings	0.4	-	-	-	-	0.4
Total	12.2	0.5	0.3	1.1	19.9	34.0

16. Inventories

	31.12.2008	31.12.2007
Materials and supplies	80.9	85.5
Unfinished products	7.1	10.8
Finished products	25.6	28.5
Goods	0.0	0.0
Other inventories	4.2	3.9
Prepayments for inventories	2.2	0.6
Live animals, IFRS 41	8.2	10.9
Total inventories	128.3	140.2

17. Trade and other short-term receivables

	31.12.2008	31.12.2007
Trade receivables from associates	0.4	0.4
Loan receivables from associates	0.6	0.6
Short-term receivables from associates	1.0	1.0
Trade receivables	135.5	180.7
Other receivables	47.1	46.5
Short-term receivables from others	182.6	227.2
Commodity derivatives, hedge accounting	0.0	1.2
Short-term derivative receivables	0.0	1.2
Interest receivables	1.0	0.6
Matched staff costs, short-term receivables	0.8	1.2
Other prepayments and accrued income	13.0	13.7
Short-term prepayments and accrued income	14.9	15.5
Tax receivables (income tax)	1.5	2.5
Income tax receivable	1.5	2.5
Total short-term receivables	199.9	247.4

Breakdown of trade receivables by age

	31.12.2008	31.12.2007
Trade receivables not yet due [1])	113.7	163.9
Trade receivables overdue by 1–30 days	14.4	11.8
Trade receivables overdue by 31–60 days	2.0	2.6
Trade receivables overdue by more than 60 days [2])	5.4	2.4
Trade receivables, total	135.5	180.7

[1]) The sale of receivables to financing companies must be taken into account in the amount of trade receivables.
[2]) comprise i.a. receivables to be set off against payments for animals

Short-term receivables by currency:

	31.12.2008	31.12.2007
EUR	73.7	66.6
SEK	64.8	120.8
PLN	28.4	26.7
EEK	18.5	11.4
GBP	1.0	10.2
USD	2.6	3.2
Other	9.4	6.0
Total short-term receivables	198.4	244.9

18. Liquid assets

	31.12.2008	31.12.2007
Cash and cash equivalents	74.6	38.9
Short-term money market investments	17.6	14.2
Other financial instruments	2.2	3.7
Total liquid assets	94.4	56.8

Liquid assets according to the cash flow statement equal those in the balance sheet.

19. Notes relating to equity

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

	Number of shares (thousands)	Share capital EUR million	Share premium reserve EUR million	RIUE EUR million	Treasury shares EUR million	Tot. EUR million
1.1.2007	34 463	58.6	72.9	-	-	131.5
Share issue	4 843	8.2	-	66.7	-	74.9
Purchase of own shares	-100	-	-	-	-1.8	-1.8
Assignment of treasury shares	60	-	-	-	1.1	1.1
31.12.2007	39 266	66.8	72.9	66.7	-0.7	205.7
Purchase of own shares	-15	-	-	-	-0.1	-0.1
Assignment of treasury shares	51	-	-	-	0.8	0.8
31.12.2008	39 302	66.8	72.9	66.7	0.0	206.4

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

The equity reserves are described below.

Share premium reserve

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

Reserve for invested unrestricted equity

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

Treasury shares

At the beginning of 2008, HKScan held 40 024 A Shares as treasury shares. Pursuant to an authorisation granted by the Annual General Meeting on 20 April 2007, the company acquired in March another 15 000 of its own A Shares in public trading on NASDAQ OMX for use in its share incentive scheme. The purchase price came to EUR 0.13 million. The Board assigned on 22 April 2008 free of charge a total of 45 552 A Shares held as treasury shares to the key employees covered under the Share Incentive Scheme 2006 as the share contribution of the bonus payable for the 2007 earning period. In addition, the Board assigned on 4 December 2008 free of charge a total of 4 998 A Shares held as treasury shares as the share contribution of the bonus payable for the 2006 earning period. The assignments were made pursuant to the authorisation granted by the AGM.

At year-end, the company held a total of 4 474 of its A Shares. These had a market value of EUR 0.02 million and accounted for 0.01% of all shares and less than 0.01% of all votes. The remaining acquisition cost is presented in the balance sheet as a deduction from equity.

Translation differences

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

Revaluation reserve and other reserves

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

20. Pension obligations

	31.12.2008	31.12.2007
Pension liability/receivable in balance sheet, defined benefit		
Pension obligations	3.7	4.7
Pension liability (+)/ receivable (-) in balance sheet	3.7	4.7
Defined benefit pension expense in income statement		
Pension obligations	1.0	0.1
Defined benefit pension expense in income statement (IFRS)	1.0	0.1
Movement in liabilities/receivables arising from benefits		
Balance at 1.1.	4.7	5.2
Defined benefit pension expense in income statement (IFRS)	-1.0	-0.1
Other change	0.0	-0.4
Liabilities/receivables at end of financial year	3.7	4.7

21. Provisions

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

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

22. Liabilities

	31.12.2008	31.12.2007
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	441.6	421.6
Other liabilities	0.4	0.0
Non-current interest-bearing liabilities	442.1	421.6
Non-interest bearing		
Other liabilities	7.9	6.9
Non-current non-interest bearing liabilities	7.9	6.9
Non-current provisions	1.4	0.0
Deferred tax liability	33.6	34.0
Pension obligations	3.7	4.7
Non-current liabilities	488.7	467.2
Current liabilities		
Interest-bearing		
Loans from financial institutions	70.5	69.5
Other liabilities	11.9	23.4
Current interest-bearing liabilities	82.4	92.9
Trade payables and other liabilities		
Advances received	0.7	0.2
Trade payables	113.0	150.2
Accruals and deferred income		
- Short-term interest payable	2.4	0.9
- Matched staff costs	45.6	49.9
- Other short-term accruals and deferred income	19.8	18.8
Derivatives	1.8	0.0
Other liabilities	16.1	16.6
Trade payables and other liabilities	199.4	236.6
Income tax liability	0.5	0.1
Current provisions	1.9	1.3
Current liabilities	284.2	330.9
Liabilities	772.8	798.1

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

23. Finance lease liabilities

	31.12.2008	31.12.2007
Long-term interest-bearing finance lease liabilities	1.5	1.0
Short-term interest-bearing finance lease liabilities	0.6	0.4
Total finance lease liabilities	2.1	1.4
Broken down by property, plant and equipment		
Buildings and structures	0.5	0.7
Machinery and equipment	1.3	0.7
Vehicles	0.3	0.0
Total finance lease liabilities	2.1	1.4

24. Financial risk management

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

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

Refinancing and liquidity risk

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

Group funding is based on a EUR 550 million syndicated credit facility signed in June 2007, comprising a EUR 275 million seven-year amortising term loan and a EUR 275 million five-year credit limit with two one-year extension options. Untapped credit facilities at 31 December 2008 stood at EUR 140 million (EUR 184m). In addition, the Group had other untapped overdraft and other facilities of EUR 37 million (EUR 33m). The EUR 100 million commercial paper programme had been drawn upon in the amount of EUR 0 million (EUR 23m). The commercial paper market came to a virtual standstill at the end of the year. Matured commercial paper was refinanced using the existing untapped credit facilities. The loans to be drawn in this arrangement are subject to variable interest rates.

The company sees no significant need for refinancing before the year 2012. The company's current loan agreements are subject to ordinary terms relating to profit and the balance sheet. The financial covenants are net gearing ratio and ratio of net debt to EBITDA.

Binding credit facilities and commercial paper programmes by credit type at year-end

31.12.2008

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

31.12.2007

Credit type	Scope	Exercised	Available
Overdraft facility	52.2	19.2	33.0
Credit limit	325.2	141.2	184.0
Commercial paper programme	100.0	22.7	77.3
Total	477.4	183.1	294.3

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

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

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

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

		Maturity					
	31.12.2007	2008	2009	2010	2011	2012	>2012
EUR	212.9	43.9	18.4	23.2	13.9	12.1	101.4
SEK	247.2	0.0	18.9	18.9	18.9	18.9	171.6
PLN	44.7	21.3	1.5	1.4	0.1	0.0	20.4
EEK	3.1	2.1	0.2	0.2	0.2	0.4	0.0
LVL	4.8	4.8	0.0	0.0	0.0	0.0	0.0
DKK	1.8	0.0	0.0	0.0	0.0	0.0	1.8
Total	514.5	72.1	39.0	43.7	33.1	31.4	295.2

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

Counterparty risk

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

Foreign exchange risk

The HKScan Group has productive activities in Finland, Sweden and the Baltics and, through a joint venture in Sweden, in Poland. Group companies also engage in foreign trade. Owing to income and expenses denominated in foreign currencies and equity investments and earnings denominated in foreign currencies, the Group is exposed to foreign exchange risk arising from movements in exchange rates. The US dollar, Japanese yen and Swedish crown are the most significant exchange risks affecting the Group's commercial operations. Currency futures, options and swaps can be used to hedge foreign exchange risks. The basic guideline is that an average of 50% of the anticipated net currency flow is hedged.
The largest equities of Group companies are in Swedish crowns, Polish zloty and Estonian crowns. Intense fluctuation in the Swedish crown exposes Group equity to high volatility. The aim is to even out volatility through hedging of at least 50% and at most 75%. As economic uncertainty rises in the Baltic States, pressure on currencies has continued to increase sharply. The aim is to hedge at least 50% and at most 75% of equity held in Estonian crowns. The Polish zloty weakened considerably during the final quarter of the financial year. The net investment was not hedged during the financial year. Balance sheet risk may be hedged by taking out a loan in the relevant currency or through the use of derivative instruments. The equities and hedging relationships of the Group's non-euro-denominated subsidiaries and associates are presented in the table below.

Hedging of the Group's net investments

	2008 Equity	Hedging	Degree of hedging, %	2007 Equity	Hedging	Degree of hedging, %
SEK	98.0	73.5	75.0	113.5	73.3	64.6
PLN	46.9	0.0	0.0	54.9	0.0	0
EEK	88.3	61.3	69.4	82.7	50.0	60.5
Tot.	233.2			251.1		

Interest rate risk

The Group's short-term money market investments expose it to cash flow interest rate risk. The impact of these is not significant, however. Group revenues and operative cash flows are mainly independent of fluctuations in market rates. The Group's main exposure to interest rate risk arises from interest-bearing liabilities. The aim of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement.
To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at either fixed interest rates or variable interest rates and use interest swaps to achieve a result in keeping with the finance policy. The goal of the policy is to have some 40% of the Group's borrowings tied to a fixed interest rate. At the balance sheet date, fixed-interest borrowings accounted for 41% (39%) and the interest rate maturity was approximately 6 (9) months. Interest rate maturity becomes approximately 12 months when calculated based on the term structure of interest rates at the balance sheet date. At the balance sheet date, the Group's open interest rate derivative contracts stood at EUR 276.8 million. The average interest rate on the Group's interest-bearing debt, taking into account derivatives and margins on loans, stood at 5.3% at the balance sheet date (4.4%). The sensitivity of net financial expenses at the balance sheet date to an increase/decrease of one percent in interest rates, all other things being equal, was ca. EUR 3.7 million over the next months.

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

	31.12.2008	31.12.2007
Under 6 months	392.3	321.1
6–12 months	62.3	98.0
1–5 years	64.2	95.4
Over 5 years	5.6	0.0
Total	524.4	514.5

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

Amounts of the Group's finance liabilities and their contractual repricing periods according to term structure of interest rates

	31.12.2008	31.12.2007
Under 6 months	308.1	321.1
6–12 months	8.9	98.0
1–5 years	201.8	95.4
Over 5 years	5.6	0.0
Total	524.4	514.5

The interest rate maturity of interest rate derivative contracts to be terminated has been calculated according to the term structure of interest rates at the balance sheet date. It ends when the term structure of interest rates reaches the fixed rate of the interest rate derivative contract.

Credit risk relating to trade receivables

The Group's trade receivables are spread across a broad customer base. Almost all customers have credit limits that are systematically monitored. Some customers are insured through credit insurance. Additional methods used include financial security, bank guarantees, confirmed letters of credit, advance payments, title retention clauses, mortgage sureties and secondary pledges. The age breakdown of trade receivables in presented in Note 17.

Commodity risk

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

25. Derivative instruments

Nominal values of derivative instruments

	31.12.2008	31.12.2007
Foreign exchange derivatives		
- Foreign exchange contracts	84.4	64.9
Interest-rate derivatives		
- Interest swap contracts	276.8	162.1
Commodity derivatives		
- Electricity futures	8.6	5.1
Total	369.8	232.1

Fair values of derivative instruments

	2008 Fair value positive	2008 Fair value negative	2008 Fair value net	2007 Fair value net
Foreign exchange derivatives				
- Foreign exchange contracts	0.1	-2.1	-2.0	0,0
Interest-rate derivatives				
- Interest swap contracts	0.0	-11.5	-11.5	0.1
Commodity derivatives				
- Electricity futures	0.0	-1.9	-1.9	1.1
	0.1	-15.5	-15.4	1.2

Derivative instruments to which hedge accounting applies

	2008 Nominal value	2008 Fair value effective portion	2007 Nominal value	2007 Fair value effective portion
Commodity derivatives				
- Electricity futures	8.6	-1.6	5.1	1.2

Capital management

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

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

The tools to monitor the development of the Group's capital structure are the equity ratio and net gearing ratio. Equity ratio refers to the ratio of equity to total assets.

Net gearing ratio is measured as net liabilities divided by shareholders' equity. Net liabilities include interest-bearing liabilities less liquid assets.

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

Net gearing ratio (EUR million)

	2008	2007
Interest-bearing liabilities	524.4	514.5
Interest-bearing loans receivable	3.3	3.7
Liquid assets	94.4	56.8
Net liabilities	426.7	454.0
Total shareholders' equity	323.7	331.5
Net gearing ratio	132%	137%

26. Conditional liabilities

Contingent liabilities

	31.12.2008	31.12.2007
Debts secured by mortgages and shares		
Loans from financial institutions	41.3	36.0
Total	41.3	36.0
Real estate mortgages	36.0	31.4
Pledged securities	15.4	19.1
Floating charges	19.7	10.9
Total	71.1	61.4
Security for debts of participating interests		
Guarantees	5.5	7.0
Total	5.5	7.0
Security for debts of others		
Guarantees and pledges	9.6	9.6
Total	9.6	9.6
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	3.4	3.4
Lease liabilities maturing in 1-5 years	15.0	5.6
Lease liabilities maturing in over 5 years	4.6	1.5
Other rent liabilities	42.4	17.2
Other liabilities	4.7	2.2
Total other contingencies	70.1	29.9

Rent receivables on other non-cancelled lease agreements

	31.12.2008	31.12.2007
Maturing in less than a year	0.3	0.3
Maturing in 1–5 years	0.2	0.2
Maturing in over 5 years	0.0	0.0
Rent receivables, total	0.5	0.5

27. Related party transactions

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

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

The sale of animals to the Group by persons on the group's Board of Directors and on the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 6.9 million in 2008 (EUR 5.6m in 2007). Animal purchases from the Group by the persons in question totalled EUR 2.5 million in 2008 (EUR 1.9m in 2007).

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

Shares in subsidiaries

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by the Group's parent company			
HK Ruokatalo Oy, Turku	1 000	16 946	100.00
LSO Foods Oy, Turku	3 000	946	100.00
Helanderin Teurastamo Oy, Loimaa	1 000	3 179	100.00
Lihatukku Harri Tamminen Oy, Vantaa	49	316	49.00
Linocon Oy, Helsinki	100	4	100.00
HK International Ab, Sweden	10	12	100.00
AS Rakvere Lihakombinaat, Estonia	37 721 700	39 536	100.00
AS Tallegg, Estonia	5 853 200	16 755	100.00
Scan AB, Sweden	500 000	161 649	100.00
Total		239 343	
Owned by LSO Foods Oy			
Lounaisfarmi Oy, Turku	8 000	8	40.00
Total		8	
Owned by AS Rakvere Lihakombinaat *)			
AS Ekseko, Estonia	8 466	272	100.00
AS Rigas Miesnieks, Latvia	57 974	12 228	94.86
UAB Klaipedos Maisto Mesos Produktai, Lithuania	135 644	2 010	100.00
Total		14 510	

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

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by Scan AB			
Esca Food Fastighets AB, Linköping	35 700	110	51.00
Esca Food Solutions KB, Linköping		770	48.50
Kontrollhudar International AB, Stockholm	1 000	9	100.00
Quality Genetics HB, Stockholm	926	341	92.60
Scan Produktion AB, Stockholm	1 000	-	100.00
Scan ek. för., Stockholm	200	-	95.20
Scan Foods AB, Stockholm	1 000	9	100.00
Scan Syd Livsmedel AB, Kävlinge	200 000	2 453	100.00
Nyhléns Chark AB, Kramfors	19 608	-	100.00
SQM Spedition AB, Skara	1 000	9	100.00
SM Support Stenstorp AB, Stockholm	10 200	1 051	100.00
Kreatina A/S, Denmark	30 000	-	100.00
Kreatina Sp, Poland	5 000	-	100.00
Swedish Meats AB, Stockholm	1 000	9	100.00
Swedish Meats Support AB, Stockholm	80 000	4 140	100.00
Samfod S.A., Belgium	24 999	-	100.00
Scan Foods UK Ltd., UK	999	-	100.00
Swedish Meats RE AG, Switzerland	1 997	1 160	99.90
Svenska Djur AB, Stockholm	200	18	100.00
Swedish Meats Charkproduktion AB, Stockholm	200	18	100.00
Annerstedt Holding AB, Stockholm	10 000	2 127	100.00
SLP Pärsöns AB, Helsingborg	45 000	36 949	100.00
Skånekött AB, Skurup	30 000	276	100.00
Slakteriprodukter I Helsingborg AB, Helsingborg	6 000	1 852	100.00
Ystad Slakteri AB, Ystad	15 000	138	100.00
Nyhléns & Hugosons Chark AB, Luleå	10 000	1 474	50.00
Flodins Kött AB, Stockholm	1 000	9	100.00
Annerstedt Flodins AB, Stockholm	46 250	1 107	100.00
AB O. Annerstedt, Stockholm	30 000	4 614	100.00
Swedish Meats Underhåll AB, Stockholm	1 000	626	100.00
Total		59 269	

Joint ventures

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by the Group's parent company			
Saturn Nordic Holding AB, Sweden	59 283 399	64 435	50.00

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

	2008	2007
Non-current assets	80.4	85.1
Current assets	46.7	54.1
Non-current liabilities	-8.5	-11.3
Current liabilities	-49.0	-47.2
Net sales and other operating income	273.1	222.8
Operating expenses	-268.8	-219.1

Shares and holdings in associated undertakings

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by the Group's parent company			
Honkajoki Oy, Honkajoki	690	708	38.33
Envor Biotech Oy (formerly Etelä-Suomen Multaravinne Oy), Forssa	128	22	24.62
Pakastamo Oy, Helsinki	660	564	50.00
Finnish Meat Research Institute, LTK osuuskunta, Hämeenlinna	22 400	0	44.80
Best-In Oy, Kuopio	500	50	50.00
Länsi-Kalkkuna Oy, Turku	250	250	50.00
Total		1 594	

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by LSO Foods Oy			
Finnpig Oy, Vaasa	40	354	50.00

	Number of shares	Carrying value (EUR 1 000)	Ownership %
Owned by Scan AB			
Bondens Bästä i Svalöv AB, Kävlinge	500	2	50.00
SDT Sveriges Djurproducenters Tillväxt AB, Stockholm	135 500	2 640	50.00
Conagri AB, Malmö	98	85	49.00
daka a.m.b.a, Denmark		5 211	33.60
Fastighets AB Tuben, Stockholm	1 200	11	48.00
Höglandsprodukter AB, Halmstad	1 500	692	30.00
Siljans Chark AB, Mora	3 680	380	39.30
Svensk Köttinformation AB, Stockholm	500	2	50.00
Svensk Köttrasprövning AB, Skara	1 750	16	35.00
Svenskt Lantbrukstjänst AB, Lidköping	650	0	26.00
Svenska Djurhälsövården AB, Stockholm	4 400	577	50.00
Taurus Köttrådgivning AB, Stockholm	118	11	39.33
M R L Transport AB, Simrishamn	300	-	30.00
Skånska Andelsslakterier ek för, Malmö	1	-	20.00
Industrislakt Syd AB, Hörby	25 000	5	50.00
Spjutstorp Smågris AB, Helsingborg	4 900	-	49.00
Total		9 632	

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

The following transactions were carried out with related parties

	2008	2007
Product sales		
- Associates	37.6	38.9
Product purchases		
- Associates	37.0	35.5

Open balances at 31 December

	2008	2007
Trade receivables		
- Associates	2.2	1.9
Trade payables		
- Associates	9.0	11.1

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

	Note	2008	2007
Net sales	1	**31 678.5**	**25 107.8**
Other operating income	2	2 458.6	1 770.9
Materials and services		0.4	0.4
Staff costs	3	-2 788.6	-4 204.1
Depreciation and impairment	4	-17 426.0	-14 352.2
Other operating expenses	5	-4 087.9	-3 970.7
EBIT		**9 835.1**	**4 352.1**
Financial income and expenses	6	-6 128.1	-1 730.9
Profit/loss before extraordinary items		**3 707.0**	**2 621.3**
Extraordinary items	7	2 032.0	11 342.0
Profit/loss after extraordinary items		**5 739.0**	**13 963.3**
Appropriations	8	2 561.3	-535.0
Income taxes	9	1 057.4	-971.7
Profit/loss for the financial period		**9 357.7**	**12 456.6**

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

	Note	2008	2007
ASSETS			
Non-current assets	10		
Intangible assets		2 452.3	2 559.0
Tangible assets		241 475.2	236 182.1
Financial assets		305 623.6	305 623.6
Non-current assets, total		**549 551.2**	**544 364.8**
Current assets			
Long-term receivables	11	156 470.0	218 859.2
Deferred tax asset	11	1 674.2	827.6
Short-term receivables	12	12 727.9	24 265.9
Cash and cash equivalents		50 558.0	16 875.5
Current assets, total		**221 430.1**	**260 828.2**
TOTAL ASSETS		**770 981.3**	**805 193.0**
EQUITY AND LIABILITIES			
Equity	13		
Share capital		66 820.5	66 820.5
Share premium reserve		73 420.4	73 420.4
Revaluation reserve		3 363.8	3 363.8
Treasury shares		-38.6	-730.7
Fair value reserve		9 279.7	2 205.3
RIUE		66 742.0	66 742.0
Other reserves		4 484.4	4 445.7
Retained earnings		2 598.4	1 136.6
Profit/loss for the financial period		9 357.7	12 456.6
Total equity		**236 028.2**	**229 860.1**
Accumulated appropriations	14	**33 790.7**	**36 352.0**
Provisions	15	**3 248.8**	**3 182.9**
Liabilities			
Deferred tax liability	16	3 260.4	774.8
Non-current interest-bearing liabilities	16	433 549.6	406 273.6
Non-current non-interest bearing liabilities	16	5 527.9	6 892.0
Current interest-bearing liabilities	17	51 439.1	116 348.1
Current non-interest bearing liabilities	17	4 136.5	5 509.4
Total liabilities		**497 913.6**	**535 798.0**
TOTAL EQUITY AND LIABILITIES		**770 981.3**	**805 193.0**

FAS Parent company cash flow statement (EUR 1 000)

	2008	2007
Cash flow from operating activities		
EBIT	9 835	4 352
Adjustments to EBIT	842	-2 396
Depreciation and impairment	17 426	14 352
Change in provisions	66	-105
Change in net working capital	-2 292	307
Interest income and expenses	-16 650	-11 357
Dividends received	10 522	9 626
Taxes	1 057	-972
Cash flow from operating activities	**20 807**	**13 807**
Cash flow from investing activities		
Purchases of shares	-	-86 674
Purchase of other fixed assets	-24 031	-66 227
Disposals of other fixed assets	1 530	2 879
Loans granted	-5 449	-193 259
Current borrowings repaid	46 803	19 062
Cash flow from investing activities	**18 852**	**-324 219**
Cash flow before financing activities	**39 659**	**-310 412**
Cash flow from financing activities		
Non-current borrowings raised	15 009	542 077
Non-current borrowings repaid	-	-189 911
Bonds raised	20 000	-
Current borrowings raised	175 513	254 597
Current borrowings repaid	-217 101	-290 284
Dividends paid	-10 610	-9 305
Purchase of own shares	-129	-1 826
Group contributions received	11 342	16 120
Cash flow from financing activities	**-5 976**	**321 468**
Change in liquid assets	**33 682**	**11 056**
Liquid assets at 1.1.	16 876	5 820
Liquid assets at 31.12.	**50 558**	**16 876**
Change in working capital:		
Increase (-)/decrease (+) in current operating receivables	1 468	6 559
Increase (-)/decrease (+) in current non-interest bearing liabilities	-3 760	-6 252
	-2 292	307

FAS Notes to the parent company financial statements

Basic information about the company

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

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

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

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

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

Accounting policies

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish accounting legislation (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid at 31 December 2008.

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

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

COMPARABILITY WITH PREVIOUS YEARS

The financial statements for 2008 are comparable with the figures for 2007.

TRANSACTIONS IN FOREIGN CURRENCY

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

DERIVATIVE INSTRUMENTS

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

PENSION PLANS

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

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

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

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

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

Matti Perkonoja, deputy to the former CEO, was appointed CEO effective 12 January 2009 to serve for a fixed term ending on 31 December 2010.

INCOME TAXES

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

LEASES

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

EXTRAORDINARY INCOME AND EXPENSES

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

ACCUMULATED APPROPRIATIONS

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

Notes to the income statement (EUR 1 000)

	2008	2007
1. Division of sales		
Sales in Finland	31 679	25 108
	31 679	25 108
2. Total other operating income		
Rental income	596	619
Other operating income	1 605	1 101
Gain on disposal of non-current assets	258	51
Total other operating income	2 459	1 771
Employees, average	13	13
3. Staff costs		
Salaries and fees	-925	-2 315
Pension expenses	-1 688	-1 677
Other social security costs	-176	-212
Staff costs	-2 789	-4 204
Management salaries, fees and benefits		
Managing directors and vice presidents	1 194	1 783
Board members	230	216
Total	1 424	1 999
4. Depreciation and impairment		
Depreciation according to plan	-18 217	-15 389
Depreciation according to plan on non-current assets and goodwill	-18 217	-15 389
Impairment charge reversals for goods held as non-current assets	791	1 037
Impairment charges for goods held as non-current assets	-	-
Exceptional impairment and reversal of impairment on non-current assets	791	1 037
Total depreciation and impairment	-17 426	-14 532

5. Other operating expenses		
Rents/leases	-1 217	-1 621
Losses on disposal of fixed assets, tangible assets total	-147	-74
Losses on disposal of non-current assets	-147	-74
Audit fees	-97	-107
Audit fees, other expert services	-62	-98
Audit fees	-159	-205
Non-statutory staff costs	-165	-252
Energy	-187	-38
Maintenance	-125	-24
Advertising, marketing and entertainment costs	-84	-51
Service, information management and office costs	-1 049	-1 203
Other costs	-955	-503
Total other operating expenses	-4 088	-3 971
6. Financial income and expenses		
Financial income		
Dividends from Group companies	7 294	9 481
Dividends from participating interests	3 216	135
Dividends from others	12	10
Income from units	10 522	9 626
Interest income on non-current financial assets from participating interests	42	24
Interest income from other non-current financial assets	42	24
Other interest and financial income from Group companies	18 578	10 566
Other interest and financial income from others	22 845	4 560
Other financial income	41 423	15 126
Total financial income	51 987	24 776

Financial expenses		
Other interest and financial expenses payable to Group companies	-9 423	-5 744
Other interest and financial expenses payable to participating interests	-2	-5
Other interest payable and financial expenses to others	-48 690	-20 758
Total other interest and financial expenses	-58 115	-26 507
Total financial expenses	-58 115	-26 507
Total financial income and expenses	-6 128	-1 731
Foreign exchange gains	22 311	4 130
Foreign exchange losses	-22 786	-4 241
Total foreign exchange gains and losses	-475	-111

7. Extraordinary items		
Extraordinary income	2 032	11 342
Total extraordinary items	2 032	11 342

8. Appropriations		
Increase (-) or decrease (+) in depreciation difference	2 561	-535
Total appropriations	2 561	-535

9. Direct taxes		
Income tax on ordinary operations	528	2 530
Income tax on extraordinary items	-528	-2 949
Tax for previous financial years	211	-396
Change in deferred tax liabilities and assets	846	-157
Income tax on ordinary operations	1 057	-972

FAS Notes to the balance sheet

10. Non-current assets

Intangible assets 2008

	Intangible rights	Goodwill	Other long-term expenditure	Total
Total				
Acquisition cost at 1.1.	3 185	1 223	115	4 523
Increase	53	-	17	70
Decrease		-	-	-
Transfers between items	185	-	4	189
Acquisition cost at 31.12.	3 423	1 223	136	4 782
Accumulated depreciation at 1.1.	-1 096	-866	-2	-1 964
Accumulated depreciation on disposals and reclassifications	-	-	-	-
Depreciation for the financial year	-217	-122	-27	-312
Impairment	-	-	-	-
Accumulated depreciation at 31.12.	-1 313	-988	-29	-2 330
Carrying value at 31.12.	**2 111**	**234**	**107**	**2 452**

Tangible assets 2008

	Land and and water	Buildings	Machinery and equipment	Other tangible	Payments on account	Total
Acquisition cost at 1.1.	3 147	179 605	164 138	2 752	47 099	396 741
Increase	-	127	666	2	23 166	23 961
Decrease	-	-317	-10 984	-9	-	-11 310
Transfers between items	-	35 177	26 953	518	-62 837	-189
Acquisition cost at 31.12.	3 147	214 593	180 773	3 264	7 428	409 204
Accumulated depreciation at 1.1.	-	-59 674	-98 437	-2 449	-	-160 559
Accumulated depreciation on disposals and reclassifications	-	203	9 680	8	-	9 891
Depreciation for the financial year	-	-5 826	-11 921	-105	-	-17 851
Impairment	-	-	791	-	-	791
Accumulated depreciation at 31.12.	-	-65 297	-99 887	-2 545	-	-167 729
Carrying value at 31.12.	**3 147**	**149 296**	**80 886**	**719**	**7 428**	**241 475**
Revaluations included in acquisition cost						
Revaluations at 1.1.	-	3 364	-	-	-	3 364
Increase	-	-	-	-	-	0
Decrease	-	-	-	-	-	0
Revaluations at 31.12.	0	3 364	0	0	0	3 364

Financial assets 2008

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

	31.12.2008	31.12.2007
Non-current assets		
Intangible assets		
Intangible rights	2 111	2 089
Goodwill	234	356
Other long-term expenditure	107	113
Intangible assets	2 452	2 559
Tangible assets		
Land and water	3 147	3 147
Buildings and structures	149 296	119 932
Machinery and equipment	80 886	65 701
Other tangible assets	719	303
Payments on account and tangible assets		
in the course of construction	7 428	47 099
Tangible assets	241 475	236 182
Financial assets		
Holdings in Group companies	303 778	303 778
Holdings in associates	1 594	1 594
Amounts owed by participating interests	47	47
Other shares and holdings	204	204
Financial assets	305 623	305 623
Non-current assets, total	549 551	544 365

11. Long-term receivables		
Long-term loan receivables	3 286	3 700
Deferred tax assets	1 674	827
Other receivables	1 170	938
Total	6 130	5 465
Amounts owed by Group companies:		
Long-term Group loan receivables	151 816	214 222
Other	-	-
Long-term receivables from Group companies	151 816	214 222
Amounts owed by participating interests:		
Long-term loan receivables from participating interests	198	-
Long-term receivables from participating interests	198	-
Total long-term receivables	158 144	219 687

12. Short-term receivables		
Trade receivables	1	9
Short-term prepayments and accrued income (from others)	2 560	4 015
Total	2 561	4 024
Amounts owed by Group companies:		
Trade receivables	43	77
Loan receivables	-	-
Prepayments and accrued income (within Group)	7 084	8 155
Other receivables	2 392	11 448
Total	9 519	19 680
Amounts owed by participating interests:		
Trade receivables	81	-
Loan receivables	559	559
Other receivables	8	3
Short-term receivables from participating interests	648	562
Total short-term receivables	12 728	24 266
Main items included in prepayments and accrued income		
Matched financial items	430	135
Matched staff costs	157	194
Matched taxes	933	2 015
VAT receivable	2	560
Other prepayments and accrued income	1 039	1 110
Total	2 561	4 014

13. Equity

Shareholders' equity 2008

	Share capital	Share premium reserve	Re-valuation reserve	Treasury shares	RIUE	Other reserves	Ret. earnings	Total
Shareholders' equity 1.1.08	66 820	73 420	3 364	-730	66 742	6 651	13 593	229 860
Increase	-	-	-	-	-	7 113	-	7 113
Dividend distribution	-	-	-	-	-	-	-10 610	-10 610
Share issue	-	-	-	-	-	-	-	-
Direct recognition in retained earnings	-	-	-	-	-	-	-385	-385
Purchase of own shares	-	-	-	-129	-	-	-	-129
Payments made in treasury shares	-	-	-	821	-	-	-	821
Profit for the period	-	-	-	-	-	-	9 358	9 358
Shareholders' equity 31.12.08	66 820	73 420	3 364	-38	66 742	13 764	11 956	236 028

Shareholders' equity 2007

	Share capital	Share premium reserve	Re-valuation reserve	Treasury shares	RIUE	Other reserves	Ret. earnings	Total
Shareholders' equity 1.1.07	58 587	73 420	3 364	-	-	4 421	11 217	151 009
Increase	-	-	-	-	-	2 230	-	2 230
Dividend distribution	-	-	-	-	-	-	-9 305	-9 305
Share issue	8 233	-	-	-	66 742	-	-	74 975
Direct recognition in retained earnings	-	-	-	-	-	-	-775	-775
Purchase of own shares	-	-	-	-1 825	-	-	-	-1 825
Payments made in treasury shares	-	-	-	1 095	-	-	-	1 095
Profit for the period	-	-	-	-	-	-	12 456	12 456
Shareholders' equity 31.12.07	66 820	73 420	3 364	-730	66 742	6 651	13 593	229 860

Distributable assets	31.12.2008	31.12.2007
Contingency fund	206	167
Treasury shares	-38	-731
Retained earnings	2 598	1 137
Profit/loss for the financial period	9 358	12 456
Distributable assets	12 124	13 029

14. Accumulated appropriations

Depreciation difference	33 791	36 352
Total appropriations	33 791	36 352

The unrecognised deferred tax liability on depreciation difference is EUR 8 786K.

15. Provisions

Provisions for pensions	3 249	3 183
Provisions, total	3 249	3 183

16. Non-current liabilities

Bonds	5 000	-
Deferred tax liability	3 260	775
Loans from financial institutions	413 550	406 273
Other liabilities	5 528	6 892
Total	427 338	413 940
Amounts owed to Group companies:		
Bonds	15 000	-
Total	15 000	-
Total non-current liabilities	442 338	413 940
Non-current liabilities		
Interest-bearing:		
Non-current amounts owed to Group companies	15 000	-
Amounts owed to others	418 550	406 273
Non-current interest-bearing liabilities	433 550	406 273
Non-interest bearing:		
Amounts owed to others	8 788	7 667
Non-current non-interest bearing liabilities	8 788	7 667
Total non-current liabilities	442 338	413 940

17. Current liabilities

Loans from financial institutions	37 368	39 007
Trade payables	148	256
Accruals and deferred income	2 500	3 983
Other liabilities	1 076	1 085
Total	41 092	44 331
Amounts owed to Group companies:		
Trade payables	67	177
Other liabilities	14 417	77 349
Total	14 484	77 526
Amounts owed to participating interests:		
Other liabilities	0	0
Total	0	0
Total current liabilities	55 576	121 857

Current liabilities

Interest-bearing:		
Current amounts owed to Group companies	14 071	77 341
Current amounts owed to participating interests	0	0
Amounts owed to others	37 368	39 007
Current interest-bearing liabilities	51 439	116 348
Non-interest bearing:		
Current amounts owed to Group companies	413	185
Current amounts owed to participating interests	0	-
Amounts owed to others	3 724	5 324
Current non-interest bearing liabilities	4 137	5 509
Total current liabilities	55 576	121 857

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

Matched staff costs	383	2 789
Matched interest expenses	1 910	751
Matched taxes	-	-
Other accruals and deferred income	207	443
Total	2 500	3 983

Liabilities due in five years or more

Loans from financial institutions	300 207	152 785
Other long-term liabilities	-	354
Liabilities due in five years or more	300 207	153 139

18. Commitments and contingent liabilities

Contingent liabilities

	2008	2007
Debts secured by mortgages and shares		
Loans from financial institutions	814	2 420
Total	814	2 420
Real estate mortgages	2 856	2 856
Floating charges	5 046	5 046
Securities pledged		
Total	7 902	7 902
Security for debts of subsidiaries and other Group companies		
Guarantees	66 931	61 832
Total	66 931	61 832
Security for debts of participating interests		
Guarantees	5 495	4 701
Total	5 495	4 701
Security for debts of others		
Guarantees	5 339	5 563
Total	5 339	5 563
Other contingencies		
Leasing commitments		
Lease liabilities maturing in less than a year	0	0
Lease liabilities maturing in 1-5 years	0	0
Rent liabilities	1 481	1 920
Other liabilities	15	15
Total other contingencies	1 496	1 935

19. Derivative instruments at 31.12. (EUR million)

Nominal values of derivative instruments

	2008	2007
Foreign exchange derivatives		
- Foreign exchange contracts	69.4	50.8
Interest-rate derivatives		
- Interest swap contracts	276.8	162.1
Commodity derivatives		
- Electricity futures	8.6	5.1
	354.8	218.0

Fair values of derivative instruments

	2008 Fair value positive	2008 Fair value negative	2008 Fair value net	2007 Fair value net
Foreign exchange derivatives				
- Foreign exchange contracts	0.0	-1.0	-1.0	0.0
Interest-rate derivatives				
- Interest swap contracts	0.0	-11.5	-11.5	0.1
Commodity derivatives				
- Electricity futures	0.0	-1.9	-1.9	1.1
	0.0	-14.4	-14.4	1.2

Derivative instruments to which hedge accounting applies

	2008 Nominal value	2008 Fair value effective portion	2007 Nominal value	2007 Fair value effective portion
Commodity derivatives				
- Electricity futures	8.6	-1.6	5.1	1.2

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

Vantaa, 26 February 2009

Markku Aalto Chairman of the Board	Tiina Varho-Lankinen Vice Chairman of the Board	Johan Mattsson Member of the Board
Matti Murto Member of the Board	Matti Karppinen Member of the Board	Matti Perkonoja CEO

Auditors' report

TO THE ANNUAL GENERAL MEETING OF HKSCAN CORPORATION

We have audited the accounting records, financial statements, report of the Board of Directors and administration of HKScan Corporation for the period 1 January – 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

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

DUTIES OF THE AUDITOR

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

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

We have conducted the audit in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

OPINION ON THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

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

Vantaa, 11 March 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg APA	Petri Palmroth APA

Shares and shareholders

HKScan has adopted dividend distribution of at least 30 percent of the year's net profit as one of its key financial targets. The per-share dividend of EUR 0.24 for 2008 proposed by the Board is equivalent to 199.3 percent of the undiluted result. The corresponding figure in the previous year was 37.7 percent.

RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING

The Annual General Meeting was held at Finlandia Hall in Helsinki on 22 April 2008. The Annual General Meeting of HKSCan Corporation 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 2007. Dividend for the financial year 2007 was confirmed at EUR 0.27 per share, coming to a total of EUR 10.6 million. The dividend was paid to shareholders on 6 May 2008.

The Annual General Meeting confirmed the number of members on the Board of Directors as five. Markku Aalto, Tiina Varho-Lankinen and Johan Mattsson were elected to a new term on the Board of Directors. Matti Murto and Matti Karppinen were elected to the Board as new members. At the organisation meeting held immediately following the AGM, the Board elected Markku Aalto as its new Chairman and Tiina Varho-Lankinen as Vice Chairman. Board Chairman up to the AGM, Marcus H. Borgström, had earlier announced that he would step down from the Board upon reaching the age of 62 stipulated in the Articles of Association.

Authorised public accountants PricewaterhouseCoopers Oy, with Johan Kronberg APA as principal auditor, and Petri Palmroth APA were appointed as HKScan's auditors for the 2008 financial year. The AGM also approved the authorisations proposed for the Board to acquire and assign the company's own shares and to resolve on a share issue. These authorisations are explained in greater detail in the Report of the Board of Directors under the heading "Board of Directors' existing authorisations".

SHAREHOLDERS

At the end of the financial year, a total of 8 356 shareholders were entered in the register of shareholders. The figure was 7 768 a year before. At the end of 2008, 29.6 percent (21.4%) of the company's shares were nominee registered or held by non-domestic shareholders.

SHAREHOLDER AGREEMENTS

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

SHARE CAPITAL

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

A Shares	33 906 193	86.3 %
K Shares	5 400 000	13.7 %
Total	39 306 193	100.0 %

According to the Articles of Association, each A Share conveys one vote and each K Share 20 votes. The K Shares are held by LSO Osuuskunta (4 375 000 shares) and Swedish Meats ek.för. (665 000 shares). Each share gives equal entitlement to a dividend. The shares have no nominal value.

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

INCREASES IN SHARE CAPITAL FROM 2006 TO 2008

The company's share capital was not increased in the 2008 financial year.

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

No share capital increases took place in the 2006 financial year.

STOCK EXCHANGE LISTINGS

HKScan's A Share has been quoted on NASDAQ OMX since 6 February 1997 in the sector of Consumer Staples. During the year under review, 9 028 409 of the company's shares were traded for a total of EUR 72 557 100.

The highest price quoted was EUR 14.48 and the lowest EUR 3.90. The middle price was EUR 7.88 and the year-end closing price was EUR 4.42. The share price fell by 68.5 percent on the year while the index for the Consumer Staples sector (HX302020) declined by 39.1 percent or 86.4 points on the year.

The company's market capitalisation at year-end stood at EUR 173.7 million, compared to EUR 551.9 million a year earlier, and breaks down as follows: Series A shares had a market value of EUR 149.9 million and the unlisted Series K shares a calculational market value of EUR 23.9 million.

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

ASSIGNMENT OF TREASURY SHARES IN PAYMENT OF BONUS

At the beginning of 2008, HKScan held 40 024 A Shares as treasury shares. Pursuant to an authorisation granted by the Annual General Meeting on 20 April 2007, the company acquired in March another 15 000 of its own A Shares in public trading on NASDAQ OMX for use in its share incentive scheme. The purchase price came to EUR 0.13 million.

The Board assigned on 22 April 2008 free of charge a total of 45 552 A Shares held as treasury shares to the key employees covered under the Share Incentive Scheme 2006 as the share contribution of the bonus payable for the 2007 earning period. In addition, the Board assigned on 4 December 2008 free of charge a total of 4 998 A Shares held as treasury shares as the share contribution of the bonus payable for the 2006 earning period. The assignments were made pursuant to the authorisation granted by the AGM. The share incentive scheme is discussed in detail in the Notes to the consolidated financial statements under Employee benefits.

At year-end, the company held a total of 4 474 of its A Shares. These had a market value of EUR 0.02 million and accounted for 0.01% of all shares and less than 0.01% of all votes.

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT

At year-end 2008, members of the Board of Directors and the company's CEO and his deputy as well as their related parties owned a total of 193 500 A Shares, which corresponded to 0.49 percent of the total number of shares and 0.14 percent of the votes.

NOTICE OF CHANGE IN OWNERSHIP

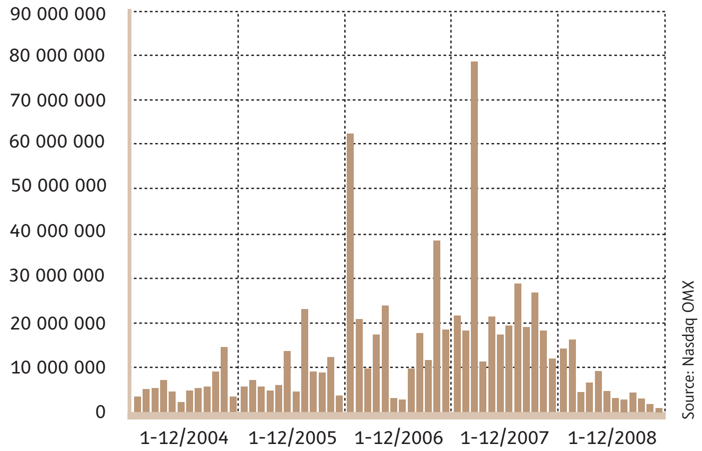
During 2008, the company received one notice regarding changes in holdings pursuant to Chapter 2:9 of the Securities Markets Act.

Artio Global Management LLC reported that a share acquisition performed on 30 September 2008 reduced the stake of Julius Baer International Equity Fund in HKScan to 4.999% of the shares. At the same time, however, the total shareholding of Julius Baer International Equity Fund and other Artio Global Management LCC clients in HKScan rose from 8.21% to 8.77%.

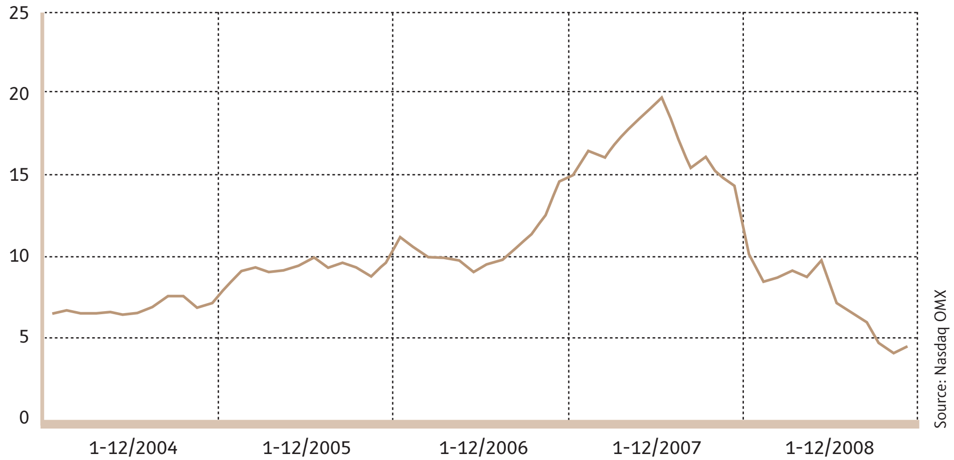
HKSCAN SHARE TRADING CODES

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

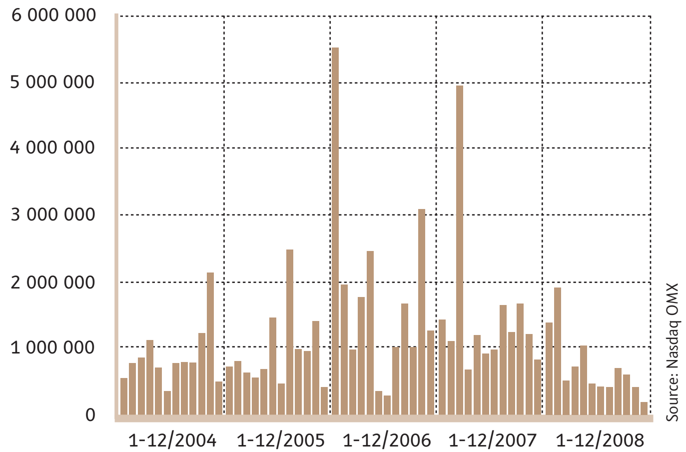
Shares traded 2004-2008
(value in euros of shares traded per month)



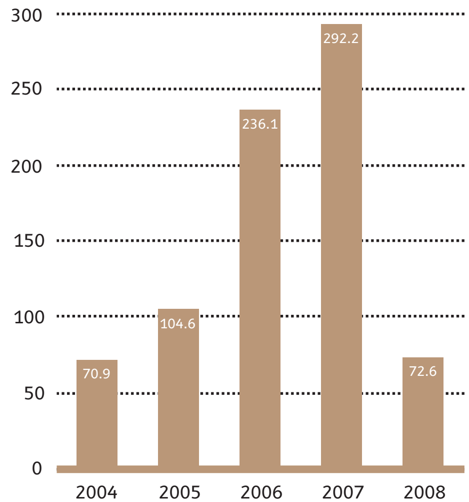
Share performance 2004-2008
(middle price in euros each month)



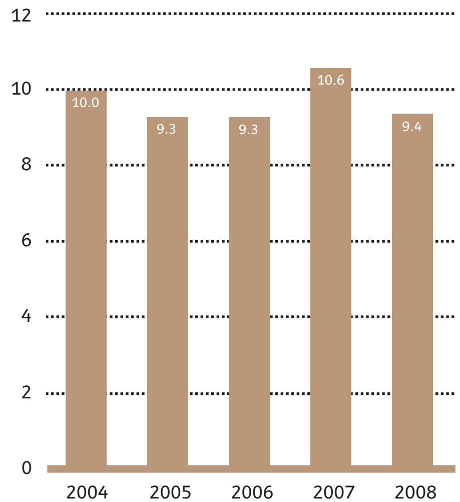
Shares traded 2004-2008
(number of shares traded per month)



Total shares traded 2004-2008 on Nasdaq OMX (EUR million)



Total dividends paid 2004-2008
(EUR million)



Analysis of shareholders as at 31 December 2008

Number of shares held	shareholders	%	No. of shares	%	No. of votes	%
1 – 100	2 722	32.575	130 858	0.333	130 858	0.092
101 – 500	3 223	38.571	928 780	2.363	928 780	0.655
501 – 1 000	1 068	12.781	822 575	2.093	822 575	0.580
1 001 – 5 000	1 136	13.595	2 335 931	5.943	2 335 931	1.646
5 001 – 10 000	97	1.161	676 156	1.720	676 156	0.476
10 001 – 50 000	80	0.957	1 724 897	4.388	1 724 897	1.216
50 001 – 100 000	9	0.108	555 978	1.414	555 978	0.392
100 001 – 500 000	12	0.144	3 123 996	7.948	3 123 996	2.201
500 001 –	9	0.108	28 201 442	71.748	118 166 442	83.271
Total	8 356	100,000	38 500 613	97.951	128 465 613	90.529
Waiting list	1		665 000	1.692	13 300 000	9.372
General account			140 580	0.358	140 580	0.099
Issued			39 306 193	100.000	141 906 193	100.000

Largest shareholders as at 31 January 2009

			A Shares	K Shares	% of shares	% of votes
1	LSO Osuuskunta		9 224 187	4 735 000	35.51	73.23
2	Swedish Meats ek.för.		4 231 000	665 000	12.46	12.35
3	OP Sijoitusrahastot mutual funds, total		837 015	-	2.13	0.59
	- OP-Suomi Arvo mutual fund	545 000				
	- OP-Suomi Pienyhtiöt mutual fund	205 015				
	- OP-Pohjola Pienyhtiöt mutual fund	87 000				
4	Nordea Sijoitusrahastot mutual funds, total		751 330	-	1.91	0.53
5	Tapiola Mutual Pension Insurance Company		748 831	-	1.91	0.53
6	Central Union of Agricultural Producers and Forest Owners MTK		608 300	-	1.55	0,43
7	Ilmarinen Mutual Pension Insurance Company		472 798	-	1.20	0.33
8	Varma Mutual Pension Insurance Company		464 989	-	1.18	0.33
9	Danish Crown a.m.b.a.		393 062	-	1.00	0.28
10	Veritas Pension Insurance Company		372 647	-	0.95	0.26
11	Evli mutual funds, total		272 733	-	0.69	0.19
	- Evli Select mutual fund	242 900				
	- Evli Finland Mix mutual fund	29 833				
12	FIM Fenno mutual fund		240 397	-	0.61	0.17
13	Etera Mutual Pension Insurance Company		181 700	-	0.46	0.13
	Nominee registered		7 373 789	-	18.76	5.20
	Other shareholders, total		11 964 415	-	30.44	8.43
	Total		33 906 193	5 400 000	100.00	100.00

Shareholder profile as at 31 December 2008

Shareholder type	% of shareholders	% of shares
Corporates	4.19	38.05
Finance and insurance companies	0.38	5.57
Public sector entities	0.16	6.03
Households	93.91	13.69
Non-profit organisations	1.11	3.58
Domestic holders, tot.	99.75	66.92
Abroad	0.25	1.47
Waiting list	-	1.69
General account	-	0.36

Of the total shares, including nominee registered shares, 29.56% were in foreign ownership. This compares to 21.41% percent a year earlier.

Share capital by share series as at 31 December 2008

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

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

Annual General Meeting

HKScan Corporation's Annual General Meeting will be held at 11am on Tuesday, 23 April 2009 in Helsinki in Congress Hall A of Finlandia Hall, address Mannerheimintie 13 e, 00100 Helsinki, Finland. Registration of the shareholders who have notified the company of their intention of attending the meeting will commence at 10am.

Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 4pm Finnish time on 14 April 2009 either by email to marjukka.hujanen@hkscan.com, by telephoning +358 (0)10 50 6218 (weekdays 9.00–16.00), by fax to +358 (0)2 250 1667 or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 9 April 2009 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd (the Finnish Central Securities Depository APK).

DIVIDEND

The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.24 per share be declared for 2008. The dividend decided by the Annual General Meeting will be paid to those shareholders entitled to such dividend who are registered in the share register at 28 April 2009. The proposed payment date for the dividend is 6 May 2009. Shareholders whose shares are not registered in the book-entry securities system at the record date, 28 April 2009, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHARE REGISTER

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

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

FINANCIAL INFORMATION

The company publishes English and Swedish translations of the original Finnish annual report in April each year and three interim reports.

- the interim report for January–March will be released on 5 May 2009
- the interim report for January–June will be released on 6 August 2009
- the interim report for January–September will be released on 3 November 2009

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

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

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

SILENT PERIOD

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

Annual summary 2008

HKScan published a total of 25 company releases via Nasdaq OMX in 2008.
These are available for review in full on the company's website www.hkscan.com under
HKScan -> Stock Exchange Releases and also on the website of the Central Storage Facility at www.oam.fi

14 Jan 2008	Board member Heikki Kauppinen dies in accident
16 Jan 2008	Anne Mere appointed managing director of Rakvere Lihakombinaat
17 Jan 2008	Costs of Finnish restructuring exceed projections at HKScan in Q4/2007 - Low export prices of pork present challenge in early part of the year 2008
26 Feb 2008	HKScan Group's financial statement bulletin for 2007
27 Feb 2008	HK Ruokatalo and Saarioinen sign preliminary agreement on sourcing chicken raw material
17 Mar 2008	HKScan to acquire treasury shares
20 Mar 2008	Notice to the Annual General Meeting of Shareholders of HKScan
3 Apr 2008	Annual report 2007 published
21 Apr 2008	Scan streamline slaughtering business in Sweden
22 Apr 2008	HKScan conveys own shares as reward payment
22 Apr 2008	Resolutions passed by the Annual General Meeting of HKScan
7 May 2008	HKScan Group's interim report for 1 January to 31 March 2008
6 Jun 2008	HK Ruokatalo and Saarioinen sign an agreement on chicken raw material sourcing
4 Jul 2008	HKScan clarifies outlook for late 2008
6 Aug 2008	HK Ruokatalo Oy to implement organisational reform
8 Aug 2008	HKScan Group's interim report 1 January – 30 June 2008
23 Sep 2008	HKScan to issue EUR 20 million hybrid bond
25 Sep 2008	HKScan bond issue fully subscribed
1 Oct 2008	Scan acquires interest in Swedish convenience food company
6 Oct 2008	Notification under the Securities Markets Act on change in ownership (Artio Global Management)
9 Oct 2008	Scan acquires holding in Swedish slaughterhouse
27 Oct 2008	Scan to improve efficiency in Uppsala, Sweden
5 Nov 2008	HKScan Group's interim report 1 January - 30 September 2008
4 Dec 2008	HKScan conveys own shares as reward payment
16 Dec 2008	Financial calendar year 2009

Corporate governance

Corporate governance at HKScan is based on Finnish legislation, the rules of the Stock Exchange, HKScan's Articles of Association and the charter and rules of procedure adopted by the company's Board of Directors.

HKScan Corporation observes the Finnish Corporate Governance Code of the Securities Market Association which took effect on 1 January 2009, with the exception of recommendation 15/52 (Directors' independence of significant shareholders), in respect of which the company departs from the Code. HKScan's Board of Directors has one member independent of the company's significant shareholders instead of the two required in the said recommendation.

The company also observes the Guidelines for Insiders of NASDAQ OMX forming part of the Exchange's rules and regulations. The revised version of the Guidelines was adopted effective 2 June 2008.

INFORMATION ABOUT CORPORATE GOVERNANCE AT HKSCAN

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

The Finnish Corporate Governance Code may be viewed on the Securities Market Association website at www.cgfinland.fi. The Guidelines for Insiders can be found on the Exchange's website at www.nasdaqomx.com under Listing center > Nordic market.

ANNUAL GENERAL MEETING

Ultimate decision-making power in HKScan Corporation is vested in shareholders at the Annual General Meeting or at Extraordinary Meetings of Shareholders. The **Annual General Meeting** is held by the end of June each year. The Board of Directors sends a notice to shareholders and draws up the agenda. The following matters, among others, are considered by the Annual General Meeting:

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

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

The Annual General Meeting for 2008 was held on 22 April 2008 in Helsinki. No Extraordinary General Meetings were held in the year under review.

Shareholder agreements

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

BOARD OF DIRECTORS

HKScan Corporation's Board of Directors represent the company's shareholders and have a considerable breadth and depth of commercial and international experience that is important to the company. As of 22 April 2008, the Board consists of Markku Aalto, Tiina Varho-Lankinen, Matti Karppinen, Johan Mattsson and Matti Murto. All Board members are independent of the company. Matti Karppinen is also independent of the company's significant shareholders. The remaining four Board members also serve on the Boards of the company's principal shareholders LSO Osuuskunta and Swedish Meats.

HKScan's Board of Directors comprises between five and seven members. The Annual General Meeting decides the number of Board members, appoints all members for a term of office of one year at a time and also fixes the remuneration they receive. Persons elected to the Board of Directors must be under the age of 62. In accordance with the prevailing practice, producer representatives form a majority on the company's Board of Directors and have a production contract to supply the company with raw meat at the market price.

The Board of Directors elect a Chairman and Vice Chairman from among their number. The Chairman may not be an employee of the company.

During 2008, the Board met 12 times. The average attendance rate of Board members was 98.3 percent.

The members of the Board of Directors are presented in the company's Annual Report and on its website.

Duties of the Board

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

The following matters, among others, shall be resolved by the Board of Directors at HKScan:

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

The Board of Directors holds monthly meetings except in the summer holiday season. More meetings may be held if required. The chairman of the Board normally sends notices of Board meetings at least one week beforehand. At least half the members must be present for the Board to be quorate.

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

The Board conducts an annual evaluation of its operations and working methods.

BOARD COMMITTEES

Four committees have been set up in HKScan Corporation to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairmen of the committees from among their number.

The **Audit Committee's** remit includes monitoring the company's financial position and the supervision of financial reporting. The Committee is chaired by Markku Aalto and its members are Matti Karppinen and Tiina Varho-Lankinen.

The **Nomination Committee** is tasked with i.a. enhancing the efficiency of preparation of matters pertaining to the appointment and remuneration of Board members. The Committee is chaired by Markku Aalto and its members are Johan Mattsson and Matti Murto.

The **Compensation Committee's** remit includes the preparation of matters pertaining to the remuneration and appointment of company management and consideration of the company's compensation schemes. The Committee is chaired by Markku Aalto and its members are Matti Karppinen and Tiina Varho-Lankinen.

The **Working Committee** is tasked with serving as a general preparatory body for the Board. All members of the Board of Directors serve on the Working Committee.

The charters of the committees are currently being drawn up.

During 2008, the Working Committee held six meetings and the Audit Committee and Remuneration Committee two meetings each. The average attendance rate of Board members at Committee meetings was 95.2 percent.

CHIEF EXECUTIVE OFFICER (CEO)

The Board of Directors appoints the parent company's CEO and also decides his or her salary and other benefits. As of 12 January 2009, the company's CEO has been Mr Matti Perkonoja. His term as CEO has been fixed to end on 31 December 2010. The Board has agreed with CEO Perkonoja that he will serve until the end of 2010, at which time he will take retirement.

In addition to his monthly salary and benefits, the CEO is also eligible for an annual performance bonus in accordance with the incentive scheme adopted by the company's Board of Directors. According to his agreement, the CEO will retire at the age of 60. His pension is fixed at 60% of retirement salary, which is calculated as the average of the two highest annual salaries in the four years preceding the end of his employment.

Under the terms of the CEO's executive agreement, the CEO's employment may be terminated for cause by both the company and the CEO. The period of notice is three months from the date of termination. In the event that the company terminates the employment before 31 December 2010, the CEO will nonetheless be paid his full salary inclusive of any performance bonus up through that date.

The employment of earlier CEO Kai Seikku, who joined the company on 1 April 2006, ended on 5 January 2009.

OTHER EXECUTIVE MANAGEMENT

The Management Team of HKScan Corporation as of 4 March 2009 consists of CEO Matti Perkonoja as Chairman along with CFO Irma Kiilunen, senior vice president Tero Hemmilä, HK Ruokatalo Oy's managing director Jari Leija, and Scan AB's managing director Olli Antniemi. The Management Team convenes 8-10 times per year.

CFO Irma Kiilunen and senior vice president Tero Hemmilä serve as deputies to CEO Matti Perkonoja.

The Management Team members and their respective spheres of responsibility are presented in the company's Annual Report and on its website.

REMUNERATION

Management salaries, emoluments and benefits in 2008 totalled EUR 4.7 million (EUR 5.0 million), of which EUR 1.2 million (EUR 0.7 million) was paid to members of the Board and EUR 3.5 million (EUR 4.3 million), including benefits, to managing directors and their deputies.

Remuneration of the Board of Directors in 2008

The remuneration and other benefits to the Board of Directors are decided annually by the Annual General Meeting. On 22 April 2008, the Annual General Meeting resolved on the following remuneration to Board members: the Chairman is paid EUR 40 000 per year, the Vice Chairman EUR 25 000 per year and other Board members EUR 20 000 each per year. Board members also receive an attendance fee of EUR 500 for each meeting.

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.

Members of the Board of Directors have been paid the following remuneration and other benefits (EUR):

	2008	2007
Markku Aalto (Chair)	54 600	35 200
Tiina Varho-Lankinen (Vice Chair)	32 434	24 700
Johan Mattsson	27 400	16 433
Matti Murto	18 733	-
Matti Karppinen	19 133	-
Marcus H. Borgström, up to 22 April 2008	19 536	54 050

The company has no share-based incentive scheme in place for Board members.

Remuneration of management in 2008

In 2008, CEO Kai Seikku was paid a total salary of EUR 0.750 million (EUR 1.138m), of which share bonuses tied to performance or other targets accounted for EUR 0.121 million (EUR 0.557m). The bonus under the incentive scheme included 7 088 A Shares in HKScan awarded for the 2007 earning period.

Upon the end of CEO Seikku's employment, a total of 27 000 A Shares assigned to the CEO on the basis of the share incentive scheme reverted back to the company in January 2009.

Management Team members other than the CEO were paid a total salary of EUR 1.535 million in 2008. The share bonus tied to performance accounted for EUR 0.281 million of this figure. The bonus under the incentive scheme included a total of 17 520 A Shares in HKScan awarded for the 2007 earning period.

Share incentive scheme for key employees

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

Any bonuses under the scheme are tied to Group net sales and return on capital employed (ROCE). A maximum of 528 000 A Shares and cash in the amount needed to reimburse the key employees for taxes and fiscal charges arising at the time of transfer of the shares will be granted on the basis of the entire scheme. The persons shall hold on to the shares earned for at least three years from the end of the earning period.

The share element of the bonus payable to the approximately ten key employees designated for the first earning period (2006) came to 64 974 A Shares in HKScan. These were assigned to their recipients in December 2007 and December 2008. In the 2007 earning period, the scheme concerned 20 key employees who were assigned a total of 45 552 shares in April 2008. In the 2008 earning period, the scheme concerned 25 key employees and the number of shares was not to exceed 180 000 A Shares in HKScan. The criteria were not met in 2008 and no shares will be distributed.

INTERNAL SUPERVISION, RISK MANAGEMENT AND INTERNAL AUDIT

Principles of internal supervision

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

Major risks and uncertainty factors

The most significant business risks faced by the HKScan Group in all market areas involve developments in the price of raw materials and pork in particular, in future possibly the availability of these as well, and raising sales prices to correspond to rising costs. There are also country-specific uncertainties relating to the success of the business development programmes in Sweden and the development of the national economies in the Baltics.

The current crisis in the international financial markets increases the risk of customer credit losses. The problems experienced by customers are due to the state of the economy in their country of operation as well as the availability of financing. Ongoing major fluctuations in the Group's central currencies may affect the Group's net sales, earnings and balance sheet. Any devaluation of local currencies in particular may have a negative effect on the Group's Baltic operations.

Changes in demand attributable to the financial climate may occur in the Group's market areas or its export markets, which may erode Group net sales and earnings.

Principles of risk management

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

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

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

Organisation of internal auditing at HKScan

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

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

INSIDER ADMINISTRATION

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

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

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

The company ensures compliance with insider holding guidelines by regularly reminding insiders of permitted trading windows and by checking register maintained by Euroclear Finland (the

Finnish Central Securities Depository) once a year to see the trades carried out by insiders. In the same context, the company sends an extract from the register to each insider to allow him or her to check and complete their own personal information in the register.

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

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

AUDITING

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

Auditors from authorised public accountants Pricewaterhouse-Coopers Oy served as the company's independent auditors. In 2008, the auditors' fees for the statutory audit were EUR 0.6 million (EUR 0.6 million). An additional EUR 0.3 million (EUR 0.6 million) was paid for expert services unrelated to the audit. These services included tax consulting and advisory services in corporate arrangements. The figures also include the audit fees in Poland (BDO Poland).

This corporate governance statement of HKScan Corporation has been considered by the Working Committee of the company's Board of Directors and will be released alongside the company's financial statements in the Annual Report and on the company's website at www.hkscan.com under Investor information.

Board of Directors Elected on 22 April 2008

MARKKU AALTO (BORN 1950)
Chairman of the Board since 2008, member since 1994

Mr Aalto is a pork producer in Jämijärvi, Satakunta. He sits on the Boards of LSO Osuuskunta and Finnpig Oy.

Independent of the Company.
HKScan shareholding: 2 000

TIINA VARHO-LANKINEN (BORN 1962)
Vice Chairman of the Board since 2008, member since 2003, MSc (Econ & Bus Admin)

Beef and broiler meat producer in Oripää, Varsinais-Suomi. Ms Varho-Lankinen is Chairman of the Board of Directors of LSO Osuuskunta and Chairman of Suomen Broileryhdistys (Finnish Broiler Association). She also serves on the Supervisory Board of Varsinais-Suomen Lähivakuutusyhdistys.

Independent of the Company.
HKScan shareholding: 4 000

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

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

Independent of the Company.
HKScan shareholding: -

MATTI MURTO (BORN 1964)
Member of the Board since 2008, MSc (Agriculture)

Beef producer in Salo, Varsinais-Suomi. Mr Murto is the Vice Chairman of the Board of Directors of LSO Osuuskunta and a member of the Supervisory Board of Suur-Seudun Osuuskauppa.

Independent of the Company.
HKScan shareholding: 2 000

MATTI KARPPINEN (BORN 1958)
Member of the Board since 2008, MSc (Econ & Bus Admin)

CEO of Lännen Tehtaat since 2005. Prior to this, Mr Karppinen was managing director of Atria Group plc / Lithells AB 2001–2005; vice president of Nokian Tyres plc 1998–2001; marketing director of Saarioinen Oy 1994–1998; marketing manager of Tamrock Oy 1989–1994; market manager of Unilever Finland Oy 1985–1989.

Mr Karppinen is the Chairman of the Board of the Finnish Food and Drink Industries' Federation and a member of the Supervisory Board of Tapiola General Mutual Insurance Company.

Independent of the Company.
HKScan shareholding: -

Auditors for the 2008 financial year

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

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

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

The shareholdings of Board members are reported as at 23 March 2009.

MARCUS H. BORGSTRÖM (BORN 1946)
Member of the Board until 22 April 2008
MSc (Agriculture and Forestry), Agricultural Counsellor (Hon)

Pork producer in Helsinki. Chairman of the Board from 1997 to 2008, member from 1995 to 2008.

Mr Borgström holds elected positions at Veritas Life Insurance Company Ltd and Osuuskauppa Varuboden as well as Paulig Oy and SOK. He is Chairman of the Board of Pellervo-Seura and Finlands Svenska Andelsförbund (the Confederation of Swedish-Speaking Cooperatives in Finland).

Independent of the Company.
HKScan shareholding: 20 334

From left: Management Team members Jari Leija, Irma Kiilunen, Matti Perkonoja, Olli Antniemi and Tero Hemmilä.

Group Management Team Effective 4 March 2009

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

Mr Perkonoja has been CEO since 12 January 2009. Since 2000, he was CFO of HKScan Corporation and responsible for the financial and administrative operations, information management and development of the Group's work environment and quality issues.

Mr Perkonoja is a member of the Supervisory Boards of AS Rakvere Lihakombinaat and AS Tallegg and a member of the Boards of Scan AB and Sokolów S.A. In Finland, he is a member of the Supervisory Board of Tapiola Corporate Life Insurance Ltd and also serves on the employers' advisory committee of Varma Mutual Pension Insurance Company. He has also been the managing director of LSO Osuuskunta since November 2007.

Mr Perkonoja has served the meat industry since the 1970s. He joined the Group in 1993 and before his present position was CFO, unit director, group director of commerce and before that managing director of Broilertalo Oy.

HKScan shareholding: 38 500, of which 13 500 as share bonus

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

Ms Kiilunen's remit includes the Group's financial accounting and treasury function. She is also the secretary to the Board of HKScan Corporation. She was appointed to her current post in January 2009.

Ms Kiilunen was the Company's finance director since 2001 and she has held treasury and financial administration posts with various Group companies since 1977.

HKScan shareholding: 4 830, of which 1 752 as share bonus

TERO HEMMILÄ (BORN 1967)
Senior vice president, strategy and development, deputy to the CEO, MSc (Agr & For)

Mr Hemmilä is responsible for strategic business planning with an emphasis on Group synergies and management of the Group's strategy process. The company's corporate responsibility matters also fall within his remit. Mr Hemmilä has previously served in HK Ruokatalo as strategic planning director and senior vice president, meat business, and as managing director of LSO Foods. He joined the Group in 1997.

HKScan shareholding: 2 452, of which 1 752 as share bonus

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

Mr Leija was appointed managing director of HK Ruokatalo in December 2007. Before this, he was senior vice president of the company's poultry business. He has also been in charge of the Group's Finnish production and delivery logistics and the dispatch terminals in Vantaa and Tampere. His earlier positions include logistics manager, Vantaa plant manager and production director. He joined the Group in 1993.

HKScan shareholding: 31 845, of which 13 500 as share bonus

OLLI ANTNIEMI (BORN 1959)
Managing Director of Scan AB and executive vice president, Sweden, BSc (Econ & Bus Admin)

Mr Antniemi was appointed managing director of Scan AB in March 2009, having before that been responsible for the HKScan Group's Baltic operations since 2003. Before this, he was marketing director at HK Ruokatalo. He joined the Group in 1996 as export director, having served the Huhtamäki Group before this in positions including a spell with Leaf in the United Kingdom.

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

The shareholdings of Management Team members are reported as at 23 March 2008.

Market analysts

Banks and stockbrokers in Finland analysing HKScan as an investment.

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

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