HKScan Group's interim report 1 January — 31 March 2014: Restructuring advances – quarterly result disappointing

* Net sales were EUR 465.4 (507.1) million.

* Reported EBIT was EUR -17.5 (-6.5) million. EBIT excluding non-recurring expenses was EUR -7.1 (-3.4) million. The corresponding EBIT margin was -1.5 (-0.7) per cent.

* Cash flow before debt service was EUR -23.7 (-27.2) million.

* Profit/loss before taxes was EUR -16.3 (-6.7) million.

* EPS was EUR -0.23 (-0.08).

* Net financial expenses were EUR -4.5 (-5.6) million.

* Net debt was EUR 363.0 (448.7) million, and net gearing 92.3 (112.1) per cent.

* Outlook for 2014 (unchanged): HKScan expects the operating profit (EBIT) margin excluding non-recurring items to be 1 – 2 per cent, and anticipates that the last quarter will be the strongest. In 2013, the corresponding operating profit (EBIT) margin was 0.5 per cent.

Hannu Kottonen, HKScan's CEO, comments on the first quarter of 2014:

"The year started with low market demand. This unfavourable trend was further exacerbated directly and indirectly by pork export limitations from the EU to Russia. The weak market situation led to the tough sales price competition in all market areas deteriorating the business even further during the first quarter, which typically is the most challenging one.

As a result, net sales and EBIT performance were clearly disappointment in the first quarter. The decrease in net sales was attributable both to low sales volumes and sales prices. Positive cost development failed to offset the deficit in sales margins, with comparable EBIT decreasing from the previous year. HKScan's best- performing market area was the Baltics, which recorded a positive EBIT result. Sweden maintained up its profit improvement trend. Another of the first quarter's few highlights was that frozen stock was kept well under control despite disadvantageous market circumstances.

In the face of dissatisfying result performance, numerous business improvement actions were taken during the first quarter. Good progress is being made with the Group profitability development programme for 2014. Restructuring of production and pig sourcing agreement setups in Sweden were initiated to enhance competitiveness. The announced actions will finalise the Group's strategic review in Sweden.

HKScan signed an agreement to sell its stake in its Sokolów joint venture to create a stronger foundation for future business development in all home markets. The deal will generate a significant capital gain and clearly strengthen the Group's capital structure. The divestment is subject to the approval of the competition authorities. The relevant regulatory process with the EU Commission has been started by the buyer.

The new Group identity was officially launched in line with the harmonised Group structure. The brand strategy was also sharpened during the first quarter to clarify and strengthen the Group brand portfolio and to update the brand offering.

HKScan became a member of the Round Table on Responsible Soy Association (RTRS) and is now committed to an ethically responsible soy supply chain. In April the Group announced that HK Rypsiporsas® rapeseed pork will be completely GMO-free as of September."

KEY FIGURES, Q1

(EUR million)	Q1/2014	Q1/2013*)	2013*)
Net sales	465.4	507.1	2 113.2
EBIT	-17.5	-6.5	11.7
- % of net sales	-3.8	-1.3	0.6
Profit before taxes	-16.3	-6.7	6.7
- % of net sales	-3.5	-1.3	0.3
Profit for the period	-12.9	-4.1	9.8
- % of net sales	-2.8	-0.8	0.5
EBIT, excluding non-recurring income and expenses	-7.1	-3.4	11.2
- % of net sales	-1.5	-0.7	0.5
EPS, EUR	-0.23	-0.08	0.16
Cash flow before debt service (mEUR)	-23.7	-27.2	86.8
Cash Flow Before Financing Activities (mEUR)	-28.4	-31.8	74.7
Return on capital employed (ROCE) before taxes, %	2.9		4.0
Net debt (mEUR)	363.0	448.7	335.3
Net Gearing %	92.3	112.1	82.0

*) Restated

JANUARY - MARCH

Net sales for the first quarter declined compared to the same period the previous year. EBIT also saw a year on year decline during the first quarter. Net working capital was managed well considering the circumstances and inventories in particular were clearly lower than the previous year. Net financial expenses kept decreasing and the financial position remained good.

All market areas lagged behind expectations, but the Baltics generated positive EBIT and Sweden kept improving its result on the previous year. The business environment remained tough in Finland, with EBIT slipping into the red. Turnaround efforts are in progress in Denmark, but no visible results have yet been achieved given the challenging competitive situation in the first quarter.

Demand in both consumer and away from home markets remained low in the first quarter. Private label products especially continued to increase their market share. Both domestic and export markets were affected by pork oversupply. The Russian ban on pork imports from the EU countries increased the surplus in the pork meat balance globally. Pork meat inventories remained high throughout Europe, and global market prices remained satisfactory.

Animal purchasing prices continued to decrease, although more slowly. In the Group's Away from Home business, the food service segment achieved some growth in Finland and remained stable in other market areas. Further efforts were made to efficiently utilise the Group's cross-country manufacturing capabilities, and more competitive product offerings were developed. The export business suffered from the pork oversupply situation.

During the first quarter, HKScan signed an agreement to sell all its shares (50%) in Saturn Nordic Holding AB to Danish Crown A/S, the other owner of the company. Saturn Nordic Holding AB holds 100% of the shares in Sokolów S.A. As a result of the agreement, HKScan will no longer hold an indirect stake in Sokolów, which has been HKScan's joint venture in Poland.

The sales price for the shares is EUR 180 million and the payment will be received in cash. On 28 April 2014 Saturn Nordic Holding AB has paid out a dividend of EUR 8.3 million for 2013, corresponding approximately to PLN 35 million. Additionally Sokolów's net debts will not be consolidated to HKScan balance sheet anymore. HKScan will record an estimated capital gain of EUR 75 million for the sale. It is estimated that the divestment will decrease the Group's net gearing by about 50 % points. The completion of the transaction will be closed as soon as the EU Commission has granted its approval for the transaction. For HKScan, the divestment enables the Group to accelerate placing an even stronger focus on its other home markets. HKScan will keep its wholly-owned subsidiary, HKScan Poland Sp.z o.o. located in Świnoujście, Poland, and report it as a part of the market area Sweden as earlier.

On March 4, HKScan announced plans to improve operational efficiency and competitiveness by restructuring its production set-up in Sweden by the beginning of 2015. After the restructuring, HKScan's production will be centralized and integrated at four key locations; in Kristianstad, Linköping, Halmstad and Skara. The plan targets an annualized profit improvement in excess of EUR 7 million. The restructuring will incur non-recurring costs of about EUR 10.3 million. Of these costs, EUR 6.6 million are asset impairments. The related postings were made in the books in the first quarter.

Additionally, the Group has also renewed the Swedish producer contracts to aim for more simplified, harmonized and market driven pig purchase pricing practices. The decision on sourcing contract renewal was also made in order to better match pig slaughtering volumes to demand. Moreover, the producer co-operation model and producer services established earlier will further enhance productivity development in primary production in Sweden. The production restructuring and pig sourcing renewal projects in Sweden are part of the Group's development programme for 2014.

The new development programme for 2014 is proceeding as planned. The programme will run until the end of 2014, targeting an annual profit improvement in excess of EUR 20 million and a reduction of over EUR 50 million in net debt.

The Group identity was renewed including the revision of HKScan Group mission, values and visual identity. Moreover, the legal entity naming structure is being harmonized in all home markets except in the Baltics where the process is estimated to be concluded on 30 May 2014. The brand strategy was also sharpened to strengthen and rationalise the Group product and concept brand portfolios. HKScan also launched a new common group-level product brand called Flodins. The Flodins™ brand will encompass all HKScan home markets, intercompany business and exports.

HKScan decided to further rationalise its meat imports by centralising all imports of externally sourced meat. HKScan adheres to a policy of favouring domestically produced meat sourced from long-term contract producers in Finland, Sweden and Denmark or from the Group's wholly-owned farms in Estonia. Given the shortage of cattle and lamb meat available in the Nordic home markets, meat is also being imported from audited and carefully selected third-party suppliers.

HKScan became a member of the Round Table on Responsible Soy Association (RTRS), thereby committing itself to continuously promoting greater ethical responsibility in the supply chain for soy. HKScan will ensure that by the end of 2018, all soy used in its entire meat value chain will meet the strict requirements of the RTRS.

On 28 April HKScan announced that as of 1 January 2014 HKScan has adopted the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards. This means HKScan's results for the joint venture company in Poland and associated companies in Sweden are now recognised in a single line item in the consolidated Group operating profit (EBIT). Poland (Sokolów) is no longer reported as a separate segment in the Group reporting. In addition costs incurred by centralized Group services such as Group Technology and Operations Development are to be invoiced individual by Market Area as of January 1, 2014. Previously these costs were reported in Group administration.

In general terms, harmonized and stricter accounting principles have been implemented in the Group as of 2014. The new principles consist of tougher rules for idle assets, write offs of overdue trade receivables, non-moving inventory items, capitalization of spare parts and depreciation times for buildings and structures.

MARKET AREA: FINLAND

(EUR million)	Q1/2014	Q1/2013*)	2013*)
Net sales	179.2	194.1	804.1
EBIT	-1.4	-1.2	3.2
- EBIT margin, %	-0.8	-0.6	0.4
EBIT excluding non-recurring expenses	-1.4	2.0	6.9
- EBIT margin, %	-0.8	1.0	0.9

*) Restated

In Finland, net sales were EUR 179.2 (194.1) million and EBIT excluding non-recurring expenses was EUR -1.4 (2.0) million in the first quarter. Net sales declined by over 7% in total due to the impact of a sales price and volumes decrease.

The total market volume decreased during the first quarter. Consumers' purchasing power and willingness to spend were down, which led to poor sales especially in the retail business. Russia's ban on EU pork imports increased oversupply in the domestic market. Oversupply, economic uncertainty and wavering consumption levels impacted negatively on sales prices in both domestic and export markets.

Despite low level of demand, the frozen stock level was kept under control and the net working capital increased less than the previous year. Both animal purchasing prices and purchasing volumes decreased. Overhead costs were lower than the previous year. However, positive cost trends failed to offset the impact of the decline in sales prices and the unfavourable sales mix. The sales mix was affected negatively by low demand for red meat products and high-end poultry products. In addition there were some challenges both in poultry supply and quality which caused extra costs.

On 10 April Group announced that HK Rypsiporsas® rapeseed pork will be completely GMO-free as of September thanks to HKScan's long-term research and development efforts. The change applies to products already available on the market and new products coming out this autumn. The meat, its flavour, tenderness and healthiness, remain unchanged. Rypsiporsas® products contain more soft (unsaturated) fats, particularly Omega 3 fatty acids, than normal pork meat does.

In January, a new range of Kariniemen® breaded products was launched. With the launch of the Kariniemen Poppis® product family, the whole breaded product category has grown during Q1 in Finland. HKScan's "Meat School" tour (HK Lihakoulu®) for consumers has been a further great success.

The common Group identity was adopted in Finland with a new legal name, HKScan Finland Oy (former HK Ruokatalo Oy), taking effect at the beginning of March.

MARKET AREA: BALTICS

(EUR million)	Q1/2014	Q1/2013*)	2013*)
Net sales	40.8	41.8	175.1
EBIT	0.2	0.6	7.7
- EBIT margin, %	0.4	1.5	4.4

*) Restated

In the Baltics, net sales were EUR 40.8 (41.8) million and EBIT was EUR 0.2 (0.6) million in the first quarter. Total net sales declined by some 2% due to a decrease in both sales prices and volume, as well as a less favourable sales mix.

The overall market didn't show any growth during the quarter compared to the previous year. The Baltic market was hit the hardest by Russia's ban on EU pork imports. Due to pork oversupply, pork sales prices have clearly fallen, depleting margins. Meanwhile, positive performance in the poultry segment has partly offset the decline in pork margins. The gloomy market situation negatively affected both pork meat and processed product categories, but branded meat products in general and poultry products performed well during the first quarter. HKScan successfully maintained its domestic market position, and even strengthened its foothold in some categories.

Costs in primary production were kept well under control and animal raw material costs decreased by 7-8%. The frozen stock level was also managed well and kept clearly lower than a year before. Net working capital was roughly the same as in the corresponding period last year, and the cash flow was slightly negative due to lower margins and higher investment levels.

Poultry and branded processed product sales have matched expectations. Estonia’s latest initiatives with innovative Lindström cutlets and with its new chicken farm traceability (*Kanagarantii*) campaign have been successful and well-received by consumers. Latvia’s latest novelties, Jelgava® Neparasta seed-salami and the high meat content sausage product series are selling well.

As announced on 18 March, HKScan will continue to clarify and streamline its legal structure by merging its two Estonian subsidiaries, AS Rakvere Lihakombinaat and AS Tallegg, to form AS HKScan Estonia on 30 May 2014, which is also part of the rename legal entities process. Also in Latvia and Lithuania company names will be harmonized by estimation on 30 May 2014.

MARKET AREA: SWEDEN

(EUR million)	Q1/2014	Q1/2013*)	2013*)
Net sales	210.4	229.2	966.5
EBIT	-12.1	-2.9	8.0
- EBIT margin, %	-5.7	-1.2	0.8
EBIT excluding non-recurring expenses	-1.7	-2.9	10.2
- EBIT margin, %	-0.8	-1.2	1.1

*) Restated

In Sweden, net sales were EUR 210.4 (229.2) million and EBIT excluding non-recurring expenses was EUR – 1.7 (-2.9) million in the first quarter. Compared to the previous year the loss decreased but total net sales declined by over 8% due to the impact of falling sales prices and volumes.

Russia’s ban on EU pork imports also increased the volume of imported meat also in Sweden. Private label products kept gaining market share especially for processed products and cold cuts. Meanwhile, HKScan gained market share in the convenience food segment. Sales price pressure was strongest in pork meat products and cold cuts in general. Sales of Svensk Rapsgris® continue to progress as planned.

Partly due to the sourcing agreement changes, the slaughtering volumes were high and the frozen stock increased more than during the previous year. Good trade management compensated for the situation. As a result, there was no increase in net working capital during the first quarter. Animal purchasing prices in pork decreased. Production efficiency continued to improve.

On March 4, HKScan announced plans to improve operational efficiency and competitiveness by restructuring its production set-up in Sweden by the beginning of 2015. After the restructuring, HKScan’s production will be centralized and integrated at four key locations; in Kristianstad, Linköping, Halmstad and Skara.

The plan involves the discontinuation of pig slaughtering and cutting at the Skara facility, where production of meatballs, hamburgers and other convenience foods will continue. In the future, pig slaughtering will be handled by HKScan’s own slaughterhouse located in Kristianstad and by its associated company Siljans Chark, located in Ickholmen. Beef cutting will be moved to the Linköping facility. HKScan’s operations will additionally be supported by a contract slaughtering agreement with Skövde Slakteri. As part of the restructuring, HKScan will relocate the production of skinless sausages from Örebro to Linköping and discontinue its operations in Örebro. The plan targets an annualized profit improvement in excess of EUR 7 million. The restructuring will incur non-recurring costs of about EUR 10.3 million. Of these costs, EUR 6.6 million are asset impairments. Strategic review has been finalized in Sweden.

Additionally the Group has also renewed the Swedish producer contracts to aim for more simplified, harmonized and market driven pig purchase pricing practices. HKScan is also proactively investing in securing the future availability of responsibly produced, high-quality Swedish meat raw material. The decision on sourcing contract renewal was also made in order to better match pig slaughtering volumes to demand. Moreover, the producer co-operation model and producer services will further enhance the productivity development of the primary production in Sweden. The production restructuring and pig sourcing renewal projects in Sweden are part of the Group’s development programme for 2014.

As part of its development programme and strategy review in Sweden, HKScan sold its 49 per cent stake in Nyhléns & Hugosons Chark AB to Alviksgården Lantbruks AB on 2 January 2014.

HKScan Sweden was the first HKScan Group company to take a concrete step towards the execution of the RTRS commitment. The company will guarantee that in 2014 at least 60 percent, and in 2015 100 percent, of the soy they use or sell will meet the RTRS-criteria. .

As a part of the new common Group identity, the Swedish business adopted a new legal name, HKScan Sweden AB (former Scan AB) at the end of February.

MARKET AREA: DENMARK

(EUR million)	Q1/2014	Q1/2013*)	2013*)
Net sales	54.0	56.2	225.3
EBIT	-0.7	-0.3	3.6
- EBIT margin, %	-1.3	-0.6	1.6
EBIT excluding non-recurring income and expenses	-0.7	-0.3	-2.8
- EBIT margin, %	-1.3	-0.6	-1.2

*) Restated

In Denmark, net sales in January-March amounted to EUR 54.0 (56.2) million. EBIT for the period was EUR -0.7 (-0,3) million. Total net sales declined by some 4% due to the unfavourable sales mix and lower sales volume.

Sales price pressure remained tough, as reflected especially in the sales prices of the excess frozen inventory. Total net sales declined due to an unfavourable sales mix. Sales volume matched the previous year’s level, but were lower than expected. Actions to decrease frozen stock continued, which improved cash flow but decreased margins in the first quarter. Fresh chicken products continued to improve their performance in Denmark and Sweden compared to the previous year, whereas frozen products faced severe sales price competition resulting in low margins. Poultry purchase prices declined somewhat. Animal purchasing volumes were lowered to better match profitable business volumes. There were some challenges in poultry supply instead.

Turnaround efforts are in progress in Denmark, but no major results have yet been achieved given the challenging competitive situation in the first quarter. The actions taken concern both short-term and long-term perspectives. For the short term the main focus is on sales price increase and production efficiency improvement actions. For the longer term, structural changes in customer and market setup as well as product portfolios are needed in order to meet the long term financial targets.

The renewed Rose® brand design and packages were taken into use aiming to strengthen brand recognition and sales of branded products. The target is to update the product portfolio with innovative new concepts.

The new legal name of the Danish business, HKScan Denmark A/S (former Rose Poultry A/S), was adopted on 12 February as a part of new common Group identity.

INVESTMENTS

The Group's investments in the first quarter were EUR 11.4 (6.1) million and divided by market area as follows:

(EUR million)	Q1/2014	Q1/2013	2013
Finland	2.8	1.1	15.2
Baltics	5.1	4.0	8.7
Sweden	1.1	0.6	6.1
Denmark [1]	2.4	0.3	12.1
Total	**11.4**	**6.1**	**42.2**

[1] The 2013 investments include rebuilding of the Vinderup plant.

A substantial share of the investments planned and executed focused on improvements in operational efficiency, which has been identified as a strategic focus area. In Finland the Eura and Mikkeli investment programmes and in the Baltics the Tabasalu investment programme were completed.
In Finland the main investments were process and facility investments in Vantaa and freezing system renewal in Outokumpu. In Sweden some process investments were made in Linköping. In the Baltics facility updates and freezing system renewal was carried out in Rakvere.

FINANCING AND TAXES

The Group's interest-bearing debt at the end of March stood at EUR 384.7 (475.7) million. Net debt decreased to EUR 363.0 (448.7) million. Net debt decreased compared to previous year EUR 85.8 million, but increased seasonally from the year end by EUR 27.7 million.

The Group's liquidity has been good. Undrawn committed credit facilities on 31 March 2014 stood at EUR 161.5 (175.7) million. In addition, the Group had other uncommitted overdraft and other facilities of EUR 22.6 (23.4) million. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 120.5 (125.5) million

Net financial expenses were EUR -4.5 (-5.6) million and income taxes were EUR 3.4 (2.6) million positive.

SHARES

At the end of March, the HKScan Group's share capital stood at EUR 66 820 528. The Group's total number of shares issued, 55 026 522, was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares, 5 400 000 (9.81%). The A Shares are quoted on the NASDAQ OMX Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed. The company held 1 053 734 A Shares as treasury shares corresponding 1.9 per cent of the company's total number of shares and 0.7 per cent of the total number of votes.

HKScan's market capitalization at the end of March stood at EUR 238.8 (206.9) million. It breaks down as follows: Series A shares had a market value of EUR 215.4 (186.6) million, and the unlisted Series K shares a calculational market value of EUR 23.4 (20.3) million.

In January-March, a total of 3 252 242 (2 149 111) of the company's shares with a total value of EUR 13 114 562 (8 590 899) were traded. The highest price quoted in the period under review was EUR 4.34

(4.28), and the lowest was EUR 3.62 (3.67). The average price was EUR 3.91(3.99). At the end of March, the closing price was EUR 4.34 (3.76).

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

BOARD OF DIRECTORS' AUTHORISATIONS

From January to March 2014, the Board did not exercise the authorisations given by the Annual General Meeting (AGM) on 24 April 2013. The new authorisations granted to the Board by the AGM 10 April 2014 are described in the section "Resolutions passed by the Annual General Meeting".

PERSONNEL

In the first quarter HKScan had an average of 7 341 (7 473) personnel.

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

	Q1/2014	Q1/2013	2013
Finland	2 561	2 574	2 685
Baltics	1 728	1 685	1 685
Sweden	2 238	2 351	2 459
Denmark	814	863	869
Total	**7 341**	**7 473**	**7 698**

The division of personnel by market area at the end of March was as follows:

	31.3.2014	31.3.2013	31.12.2013
Finland	2 652	2 605	2 572
Baltics	1 729	1 679	1 732
Sweden	2 226	2 277	2 248
Denmark	811	896	838
Total	**7 418**	**7 457**	**7 390**

HARMONIZED NAME STRUCTURE ACROSS ALL GEOGRAPHIES

HKScan's corporate name structure is to be harmonized in all market areas. Each company name will lead off with the common "HKScan" prefix followed, in most cases, by the relevant country name in English. Business and VAT identification numbers and contact details will remain unchanged.

Animal sourcing and producer services will uniformly adopt the marketing name HKScan Agri® on all HKScan home markets. The Away from Home offering will be marketed under the HKScan Pro® and HKScan® brands.

The change took effect in Finland, Sweden, Denmark and Poland during the first quarter 2014 and will take effect in the Baltics in Q2/2014.

HKSCAN SELLS ITS STAKE IN SOKOLÓW AND NYHLÉNS & HUGOSONS

On 28 February 2014, HKScan signed an agreement to sell all its shares (50%) in Saturn Nordic Holding AB to Danish Crown A/S, the other owner of the company. Saturn Nordic Holding AB holds 100% of the shares in Sokolów S.A. As a result of the agreement, HKScan will no longer hold an indirect stake in Sokolów, which has been HKScan's joint venture in Poland. HKScan will keep its wholly-owned subsidiary, HKScan Poland Sp.z o.o. located in Swinoujscie, Poland.

The sales price for the shares is EUR 180 million and the payment will be received in cash. On 28 April 2014 Saturn Nordic Holding AB has paid out a dividend of EUR 8.3 million for 2013, corresponding approximately to PLN 35 million. Additionally Sokolów's net debt will not be consolidated to HKScan balance sheet anymore. HKScan will record an estimated capital gain of EUR 75 million for the sale. It is estimated that the divestment will decrease the Group's net gearing by about 50 % points. The completion of the transaction will occur as soon as the EU Commission has granted its approval for the transaction.

The Sokolów Polish business has been profitable and growing, benefiting both parties during the cooperation. In 2013, HKScan's 50% share of Sokolów's net sales was EUR 375 million. The good financial performance and strong growth of Sokolów has positively impacted the value of the business. For HKScan, the divestment enables the Group to accelerate placing an even stronger focus on its other home markets.

As part of its development programme and strategy review in Sweden, HKScan sold its 49 percent stake in Nyhléns & Hugosons Chark AB to Alviksgården Lantbruks AB, the other owner of the company. The agreement was signed and closed on 2 January 2014. The sales price amounted to EUR 2.2 million which was paid in cash. The transaction caused an asset impairment of EUR 2.1 million which was reported as a non-recurring cost in the fourth quarter of 2013.

CLAIM BY OY PRIMULA AB'S BANKCRUPTCY ESTATE

According to a stock exchange release on 7 September 2012, HKScan Corporation and HK Ruokatalo Oy (now HKScan Finland Oy) were notified that Oy Primula Ab's bankruptcy estate has submitted an action for damages to the District Court of Finland Proper concerning the companies. The claim amounts to about EUR 16.3 million, plus claims related to interest and legal costs.

HKScan and HKScan Finland see the action as unjustified, and the companies have disputed the claim in its entirety in the pending trial. Therefore, the action did not give rise to any provisions in the consolidated financial statements.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

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

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

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

RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of HKScan Corporation held on 10 April 2014 in Helsinki 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 2013. The AGM resolved that a dividend of EUR 0.10 per share be paid for 2013.

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

The current Board members Juha Kylämäki, Niels Borup, Teija Andersen, Gunilla Aschan, Tero Hemmilä and Henrik Treschow were re-elected for a further term of office as actual board members. Mikko Nikula and Per Nilsson were re-elected as deputy members. At the organizational meeting after the AGM, the Board re-elected Juha Kylämäki as Chairman and Niels Borup as Vice Chairman.

PricewaterhouseCoopers Oy, an audit firm chartered by the Central Chamber of Commerce, with APA Jouko Malinen as the main auditor was elected as the actual auditor until the close of the next AGM.

The AGM authorised the Board to decide on the issue of shares, option rights as well as other special rights entitling to shares, on acquiring and/or accepting as pledge treasury A Shares and on the transfer of treasury acquired for the company. The authorisations will be effective until 30 June 2015, replacing the authorisations given by the AGM 2013.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 10 April 2014, and they are also available on the company's website at www.hkscan.com.

EVENTS AFTER THE REPORTING PERIOD

On 1 April 2014 HKScan Corporation received a disclosure about change in ownership. Varma Mutual Pension Insurance Company notified that as a result of a share sale and purchase concluded on 1 April 2014, its holding in HKScan had fallen below 5 per cent of all the shares in the company. Subsequent to the transaction, the number of A Shares owned by Varma is 2 242 806 accounting for 4.08% of shares and 1.42% of voting rights.

As announced on 1 April 2014 HKScan Group commits to the use of responsibly produced soy. The Group has become a member of the Round Table on Responsible Soy Association (RTRS) and thereby committed itself to continuously promoting greater ethical responsibility in the supply chain of soy used. HKScan will ensure that by the end of 2018, all soy used in its entire meat value chain will meet the strict requirements of the RTRS.

On 22 April 2014 HKScan made an announcement about the crystallised brand strategy and the decision to launch a new Group-common brand called Flodins. The Flodins branded offering will be available on all Group markets and gradually also for export. The brand will complement the Group's current branded offering. The first commercial products can be expected on the market in the latter half of this year.

On 28 April HKScan announced that as of 1 January 2014 HKScan has adopted the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards. This means HKScan's results of the joint venture company in Poland and associated companies in Sweden are now recognised in a single line item in the consolidated Group operating profit (EBIT). Poland (Sokolów) is no longer reported as a separate segment in the Group reporting. In addition costs incurred by the centralized Group services such as Group Technology and Operations Development are to be invoiced individually by Market Areas as of January 1, 2014. Previously these costs were reported in Group administration.

OUTLOOK FOR 2014

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

The overall economic situation remains tough. However, it is expected that the imbalance between the demand and supply, as well as extraordinary political factors impacting the market balance will ease up during the year. The Group's development programmes and actions will also contribute to better financial performance.

CONSOLIDATED FINANCIAL STATEMENTS 1 JANUARY – 31 MARCH 2014

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q1/2014	Q1/2013	2013
Net sales		465.4	507.1	2 113.2
Cost of goods sold	1.	-457.1	-489.6	-2 014.8
Gross Profit		8.4	17.5	98.4
Other operating items total	1.	6.5	7.7	33.4
Sales and marketing costs	1.	-14.8	-15.1	-58.1
General administration costs	1.	-17.5	-16.6	-62.0
Operating Profit		-17.5	-6.5	11.7
Financial income and expenses		-4.5	-5.6	-23.6
Share of profit/loss in associates		5.7	5.4	18.6
Profit/loss before taxes		-16.3	-6.7	6.7
Income tax		3.4	2.6	3.1
Profit/loss for the period		-12.9	-4.1	9.8
Non-controlling interests		0.3	-0.1	-1.1
Profit/loss for the period		-12.6	-4.2	8.7

Earnings per share calculated on profit attributable to equity holders of the parent:

EPS, undiluted, continuing operations, EUR/share	-0.23	-0.08	0.16
EPS, diluted, continuing operations, EUR/share	-0.23	-0.08	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q1/2014	Q1/2013	2013
Profit/loss for the period	-12.9	-4.1	9.8
OTHER COMPREHENSIVE INCOME (after taxes):			
Exchange differences on translating foreign operations	-1.3	-0.5	-3.4
Cash flow hedging	-1.1	1.3	2.8
Revaluation	-	-	-
Actuarial gains or losses	-	-	1.6
TOTAL OTHER COMPREHENSIVE INCOME	-2.4	0.7	1.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-15.3	-3.4	10.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	-15.0	-3.5	9.7
Non-controlling interests	-0.3	0.1	1.1
Total	-15.3	-3.4	10.8

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	31.3.2014	31.3.2013	31.12.2013
ASSETS				
Intangible assets	2.	150.2	158.2	152.1
Tangible assets	3.	404.9	430.5	411.5
Holdings		38.5	149.6	149.9
Other non-current assets		34.0	36.8	30.6
TOTAL NON-CURRENT ASSETS		627.7	775.1	744.1
Inventories	4.	160.1	171.2	152.5
Current receivables		134.7	181.1	137.0
Cash and cash equivalents		18.7	26.4	68.7
TOTAL CURRENT ASSETS		313.5	378.7	358.1
Assets of disposal group classified as held for sale		110.9	-	-
TOTAL ASSETS		1 052.0	1 153.8	1 102.2
EQUITY AND LIABILITIES				
EQUITY	5.	393.1	400.3	409.0
Non-current loans, interest-bearing		235.6	291.0	245.1
Non-current liabilities, non interest-bearing		34.9	38.4	36.5
TOTAL NON-CURRENT LIABILITIES		270.5	324.8	281.6
Current loans, interest-bearing		149.1	184.7	159.3
Current liabilities, non interest-bearing		239.3	239.4	252.3
TOTAL CURRENT LIABILITIES		388.4	428.7	411.6
TOTAL EQUITY AND LIABILITIES		1 052.0	1 153.8	1 102.2

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2014	**66.8**	**73.5**	**-10.8**	**143.5**	**32.0**	**2.0**	**0.0**	**93.0**	**400.0**	**9.0**	**409.0**
Result for the financial period	-	-	-	-	-	-	-	-12.6	-12,6	-0.3	-12.9
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-1.3	-	-	-1.3	-	-1.3
Cash flow hedging	-	-	-1.1	-	-	-	-	-	-1.1	-	-1.1

Actuarial gains or losses	-	-	-	-	-	-	-		0.0	-	0.0
Total compreh. income for the period	**-**	**-**	**-1.1**	**-**	**-**	**-1.3**	**-**	**-12.6**	**-15.0**	**-0.3**	**-15.3**
Direct recognit. in retained earnings	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Transfers between items	-	-	-	-		-	-	0.0	0.0		0.0
Dividend distribut.	-	-	-	-	-	-	-		0.0	-0.6	-0.6
Other change	-	-	-	-	-	-	-	-	-	-	-
EQUITY AT 31.3.2014	**66.8**	**73,5**	**-11.9**	**143.5**	**32.0**	**0.7**	**0.0**	**80.5**	**385.0**	**8.1**	**393.1**

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2013	**66.8**	**73.3**	**-13.7**	**143.5**	**26.4**	**5.4**	**0.0**	**93.7**	**395.4**	**8.6**	**404.0**
Result for the financial period	-	-	-	-	-	-	-	-4.2	-4.2	0,1	-4.1
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-0.5	-	-	-0.5		-0.5
Cash flow hedging	-	-	1.3	-	-	-	-	-	1.3	-	1.3
Actuarial gains or losses	-	-	-	-	-	-	-		0.0	-	0.0
Total compreh. income for the period	**-**	**-**	**1.3**	**-**	**-**	**-0.5**	**-**	**-4.2**	**-3.5**	**0.1**	**-3.4**
Direct recognit. in retained earnings	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Transfers between items	-	-	-	-	-	-	-	-	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-0.1	-0.1	-0.3	-0.4
Other Cchange	-	-	-	-	-	-	-	-		-	
EQUITY AT 31.3.2013	**66.8**	**73.3**	**-12.4**	**143.5**	**26.4**	**4.9**	**0.0**	**89.5**	**392.0**	**8.3**	**400.3**

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Other reserves, 6. Translation differences, 7. Treasury shares, 8. Retained earnings, 9. Equity holders of the parent, 10. Non-controlling interests, 11. Total

CASH FLOW STATEMENT

(EUR million)	Q1/2014	Q1/2013	2013
Cash flow before change in net working capital	0.4	9.3	76.4
Change in net working capital	-15.0	-30.8	46.2

Financial items and taxes	-5.0	-4.1	-11.8
CASH FLOW FROM OPERATING ACTIVITIES	-19.6	-25.6	110.8
Cash flow from investing activities	-11.2	-6.1	-35.6
CASH FLOW AFTER INVESTING ACTIVITIES	-30.8	-31.6	75.3
Change in loans	-18.9	3.2	-55.9
Dividends paid	-0.6	-0.1	-5.9
CASH FLOW FROM FINANCING ACTIVITIES	-19.5	3.1	-61.8
NET CASH FLOW	-50.3	-28.6	13.5
Cash and cash equivalents at beginning of period	68.7	55.6	55.6
Translation differences	0.3	-0.6	-0.4
Cash and cash equivalents at end of period	18.7	26.4	68.7

FINANCIAL INDICATORS

	31.3.2014	31.3.2013	31.12.2013
Earnings per share (EPS), undiluted, EUR	-0.23	-0.08	0.16
Earnings per share (EPS), diluted, EUR	-0.23	-0.08	0.16
Equity per share, EUR	7.1	7.3	7.4
Equity ratio, %	37.4	34.7	37.1
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	11.4	6.1	42.2
Employees, end of month average	7 418	7 457	7 390

NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January – 31 March 2014 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the interim report as in the annual financial statements for 2013, with the exception of the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards (effective as of 1 January 2014). In addition costs incurred by of centralized Group services such as Group Technology and Operations Development are to be invoiced individual by Market Areas as of January 1, 2014. The Group's financial reporting in 2014 will be in line with these changes. The quarterly Group and market area information for 2013 has been restated accordingly. Due to the rounding of the figures to the nearest million euros in the interim report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2013.

The interim report is unaudited.

ANALYSIS BY SEGMENT
Net sales and EBIT by market area

(EUR million)	Q1/2014	Q1/2013	2013
NET SALES			
- Finland	179.2	194.1	804.1
- Baltics	40.8	41.8	175.1

- Sweden	210.4	229.2	966.5
- Denmark	54.0	56.2	225.3
- Between segments	-19.0	-14.3	-57.7
Group total	465.4	507.1	2 113.2
EBIT			
- Finland	-1.4	-1.2	3.2
- Baltics	0.2	0.6	7.7
- Sweden	-12.1	-2.9	8.0
- Denmark	-0.7	-0.3	3.6
- Between segments	.-	-	-
Segments total	-14.0	-3.7	22.5
Group administration costs	-3.4	-2.8	-10.7
Group total	-17.5	-6.5	11.7

NOTES TO THE INCOME STATEMENT

1. NON-RECURRING ITEMS

(EUR million)	Q1/2014	Q1/2013	2013
Restructuring redundancy expenses COGS, Finland 1)	-	-1.4	-1.5
Restructuring redundancy expenses SGA, Finland 2)	-	-0.7	-1.1
Restructuring expenses for production setup, Finland 1)	-	-1.0	-1.0
Restructuring expenses for closed operations, Sweden 1)	-3.7	-	-
Impairment of assets, Sweden 1)	-6.6	-	-
Impairment of assets, Sweden 3)	-	-	-2.3
Property insurance compensation, Denmark 3)	-	-	7.1
Restructuring redundancy expenses SGA, Denmark 2)	-	-	-0.7
Non-recurring items Total	-10.3	-3.1	0.5

1) Included in the Income Statement in the item "Cost of goods sold"
2) Included in the Income Statement in the items " Sales and marketing costs " and "General administration costs"
3) Included in the Income Statement in the item "Other operating items total"

NOTES TO THE STATEMENT OF FINANCIAL POSITION

2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	Q1/2014	Q1/2013	2013
Opening Balance	152.1	156.1	156.1
Translation differences	-1.0	2.8	-3.1
Additions	0.4	0.1	2.1
Additions, business acquisitions	0.8	-	-
Disposals	0.0	-	0.0
Depreciation and impairment	-2.1	-0.9	-3.2
Reclassification between items	0.0	0.1	0.3
Closing balance	150.2	158.2	152.1

3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q1/2014	Q1/2013	2013
Opening Balance	411.5	437.0	437.0
Translation differences	-0.7	1.9	-2.5
Additions	11.3	6.7	40.5
Additions, business acquisitions	0.0	0.0	0.0
Disposals	-0.8	-0.2	-5.0
Depreciation and impairment	-17.1	-14.9	-58.1
Reclassification between items	0.6	0.0	-0.5
Closing balance	404.9	430.5	411.5

4. INVENTORIES

(EUR million)	Q1/2014	Q1/2013	2013
Materials and supplies	93.4	97.6	85.8
Semi-finished products	4.2	3.1	4.0
Finished products	46.0	52.6	44.3
Other inventories	4.9	6.1	6.6
Inventories, advance payments	1.4	1.1	1.1
Biological asset, IFRS 41	10.2	10.8	10.7
Total inventories	160.1	171.2	152.5

5. NOTES TO EQUITY

Share capital and share premium reserve	Number of outstanding shares	Share capital	Share premium reserve	Reserve for invested unrestricted equity	Treasury	Total
1.1.2014	53 972 788	66.8	72.9	143.5	0.0	283.1
31.12.2014	53 972 788	66.8	72.9	143.5	0.0	283.2

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	31.3.2014	31.3.2013	31.12.2013
Nominal values of derivative instruments			
Foreign exchange derivatives	72.5	51.0	78.3
Interest rate derivatives	210.5	260.2	211.6
Electricity derivatives	8.6	10.8	9.3
Fair values of derivative instruments			
Foreign exchange derivatives	-0.1	-0.4	-0.8
Interest rate derivatives	-17.3	-21.8	-16.0
Electricity derivatives	-2.5	-1.1	-2.1
CONSOLIDATED OTHER CONTINGENT LIABILITIES			
(EUR million)			

	31.3.2014	31.3.2013	31.12.2013
Debts secured by			
pledges or mortgages			
- loans from financial institutions	262.8	338.3	273.7
Given as security			
- real estate mortgages	12.3	12.6	12.4
- pledges	0.3	5.1	0.4
- floating charges	9.0	9.0	9.0
For associates			
- guarantees	5.3	7.6	7.5
For others			
- guarantees and pledges	15.5	11.9	15.7
Other contingencies			
Leasing commitments	17.1	17.8	17.2
Rent liabilities	48.1	54.3	49.4
Other commitments	6.9	7.5	6.6

The parent company has pledged the shares of its subsidiaries, HKScan Finland Oy and HKScan Sweden Ab, as security for its loans.

THE FAIR VALUE DETERMINATION PRINCIPLES APPLIED BY THE GROUP ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Derivatives

The fair values of currency derivatives are determined by using the market prices for contracts of equal duration on the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rates on the reporting date. The fair value of commodity derivatives are determined by using publicly quoted market prices.

	31.3.2014	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.2	0.0	0.2	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0

Total	**0.2**	**0.0**	**0.2**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-17.3	0.0	-17.3	0.0
of which subject to cash flow hedging	-13.5	0.0	-13.5	0.0
- Foreign exchange derivatives	-0.3	0.0	-0.3	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-2.5	0.0	-2.5	0.0
of which subject to cash flow hedging	-2.5	0.0	-2.5	0.0
Total	**-20.1**	**0.0**	**-20.1**	**0.0**

BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1/2014	Q1/2013	2013
Sales to associates	15.8	25.8	106.5
Purchases from associates	10.5	14.4	55.1
Trade and other receivables	2.8	3.5	4.0
Trade and other payables	4.2	3.7	5.0

NEXT FINANCIAL REPORT

HKScan Group’s interim report January-June 2014 will be published on 6 August 2014.

Vantaa, 7 May 2014

HKScan Corporation
Board of Directors

Further information is available from HKScan Corporation's President and CEO Hannu Kottonen and CFO Tuomo Valkonen. Kindly submit a call-back request to Marja-Leena Dahlskog, SVP Communications, firstname.surname@hkscan.com or tel. +358 10 570 2142

HKScan is the leading Nordic meat expert. We produce, market and sell high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, food service, industrial and export sectors, and our home markets comprise Finland, Sweden, Denmark, the Baltics and Poland. We export to close to 50 countries. In 2013, HKScan had net sales of EUR 2.5 billion and some 11 000 employees.

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