Annual Report 2017

Scandi Standard

Contents

Scandi Standard in brief

Scandi Standard is the leading supplier of chicken in the Nordic region. We offer a broad range of chilled and frozen products under well-known brands such as Kronfågel in Sweden, Danpo in Denmark and Den Stolte Hane in Norway, as well as for customers' brands.

In 2017 the company expanded outside the Nordic region by acquiring Manor Farm, the leading chicken producer in the Republic of Ireland with net sales in 2017 of approximately MSEK 1,702 pro forma.

Our customers are found in the retail, food service and food industry sectors. Our products are exported to more than 40 countries.

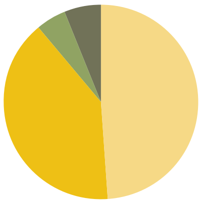
2017	SWEDEN	DENMARK	NORWAY	FINLAND	PRO FORMA IRELAND	PRO FORMA GROUP TOTAL
NET SALES, MSEK	2,557	2,529	1,483	329	1,702[1]	8,207[2]
SHARE OF NET SALES[1], %	31	31	18	4	21[1]	
ADJUSTED OPERATING INCOME, MSEK	151	121	122	−43	102[1]	376[3]
MARKET POSITION	1	1	2	3	1	1
MAJOR BRAND	Kronfågel	Danpo	Den Stolte Hane, Jæren		Manor Farm	Scandi Standard

[1] Full year 2017 pro forma.

[2] Including Ireland for the full year 2017 pro forma and after elimination of internal sales.

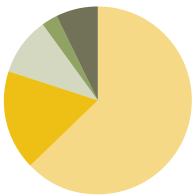
[3] Including Ireland for the full year 2017 pro forma, adjusted for non-comparable items of MSEK −34.4 and after corporate expenses and amortisation.

NET SALES BY PRODUCT CATEGORY, PRO FORMA



- 49% CHILLED PRODUCTS
- 40% FROZEN PRODUCTS
- 5% EGG
- 6% OTHER

NET SALES BY SALES CHANNEL, PRO FORMA



- 63% RETAIL
- 17% FOOD SERVICE
- 10% EXPORT
- 3% INDUSTRY
- 7% OTHER

2017 in brief

- Net sales increased to MSEK 7,100.9 (5,967.4). All countries contributed to the increase.
- Manor Farm, the leading chicken producer in the Republic of Ireland, was acquired as of 28 August 2017 and is included in net sales with MSEK 596.3.
- Excluding Manor Farm, net sales increased by 9 percent and by 8 percent at constant exchange rates.
- Market growth in all countries except Sweden and successful product launches contributed to the increase in net sales.
- Market positions strengthened in all countries.
- Adjusted operating income[1] increased to MSEK 329.1 (251.6), corresponding to a margin of 4.6 (4.2) percent. Manor Farm is included with MSEK 36.3.
- Adjusted operating income[1] improved in Denmark, Norway and Finland, but declined in Sweden.
- Adjusted operating income[1] includes third-party compensation in a total amount of MSEK 36.7 for part of the effects of the increased levels of campylobacter in the Valla facility in Sweden during the first half of the year.
- The bird flu negatively affected adjusted operating income[1] by approximately MSEK 46 (29), mainly referring to Sweden.
- Adjusted operating cash flow[1] amounted to MSEK 213.1 (112.7), positively impacted by higher income and lower capital expenditure.
- Net interest-bearing debt increased to MSEK 1,885.6 (1,515.4) due to the acquisition of Manor Farm.
- The Board proposes a dividend for 2017 of SEK 1.80 (1.35) per share, an increase of 33 percent.

Organic growth[3]
+8%

EBITDA margin[1]
7.9%

Operating margin[1]
4.6%

Earnings per share
+24%

KEY FIGURES	2017	2016
Net sales, MSEK	7,100.9	5,967.4
EBITDA, MSEK	524.6	438.2
Operating income, MSEK	294.7	238.2
Income after finance net, MSEK	223.6	166.9
Income for the year, MSEK	167.9	131.4
Earnings per share, SEK	2.73	2.21
Dividend, SEK	1.80[2]	1.35
Return on equity, %	13.8	13.9
Equity/asset ratio, %	28.2	27.8
Net debt, MSEK	1,885.6	1,515.4
Average number of employees	–2,264	1,680

Adjusted for non-comparable items[1]	2017	2016
EBITDA, MSEK	559.0	451.6
EBITDA margin, %	7.9	7.6
Operating income, MSEK	329.1	251.6
Operating margin, %	4.6	4.2
Operating cashflow, MSEK	213.1	112.7
Return on capital employed (ROCE), %	11.1	10.3
Return on equity, %	16.0	15.0

[1] For non comparable items, see page 39.
[2] Proposed by the Board.
[3] The increase in net sales, excluding Manor Farm, at constant exchange rates.

"Our vision is to inspire people to eat chicken once more per week."

“Strong growth and improved margins despite lower demand in Sweden.”

CEO statement

The Group's net sales increased strongly in 2017, both organically and through the acquisition of Manor Farm, the leading chicken producer in the Republic of Ireland. Excluding Manor Farm, net sales increased by 9 percent and adjusted operating income by 16 percent, despite a negative impact of both the bird flu and a drop in demand in Sweden. Investments in product development continued and we launched a number of new, innovative products. The Group strengthened its position in all our home markets.

Including Manor Farm on a full year basis, the Group's net sales for 2017 increased by 38 percent to MSEK 8,207.0 pro forma and adjusted operating income by 50 percent to MSEK 376.3 pro forma compared to 2016.

Strong growth and better margins

Net sales showed good growth in all countries. Net sales increased by 7 percent in Sweden, 8 percent in Denmark, 3 percent in Norway and 90 percent in Finland. Adjusted operating income and margins improved in all countries except Sweden.

Net sales for Manor Farm increased for the full year 2017 by 8 percent to MSEK 1,702.4 pro forma compared with the previous year. Adjusted operating income improved by 9 percent to MSEK 101.5 pro forma, corresponding to a margin of 6.0 percent compared with 5.9 percent for 2016 pro forma.

Operating cash flow for the Group improved as a result of the increase in income and lower capital expenditure. However, net interest-bearing debt increased because of the acquisition of Manor Farm.

Although the past year was challenging with the bird flu and a difficult market situation in Sweden, we made progress in a number of areas. Through the launch of organic and free range chicken, as well as a number of other product concepts, we offered a wider choice to consumers and drove value in the category. In line with our strategy, we strengthened our leading position in the permium segment in all our home markets.

We achieved strong growth in ready-to-eat products, another strategic area where we are aiming at making life a little easier for our consumers and contribute to an increased consumption of chicken in our part of the world.

We also made progress in our sustainability work in terms of setting targets and achieving an increased commitment in the entire Group. Through the acquisition of Manor Farm we added a profitable operation with a strong position in a new geographical market.

Lower demand and results in Sweden

Demand in the retail market for chicken products in Sweden decreased from the previous year, particularly in chilled products which showed a decline of 4 percent in value. The drop in demand, which was mainly caused by the attention paid to reports from the Swedish National Food Agency about increased levels of campylobacter in chicken in the first half of the year, led to a difficult market situation with oversupply and pressure on prices.

Kronfågel reported a strong increase in net sales of frozen products, while net sales of chilled products fell significantly. A lower share of chilled products and more campaigns led to a decline in adjusted operating income and margin. The effects from the bird flu also had a negative impact on adjusted operating income for Sweden, amounting to approximately MSEK 35 compared with approximately MSEK 14 in the previous year.

The effects from the bird flu gradually subsided during the year and now only refer to Sweden. We are expecting a continued negative impact on operating income for the Swedish operation in 2018 of approximately MSEK 1–3 per month until the remaining trade bans have been lifted.

The increased levels of campylobacter registered in our facility in Valla in the first six months were caused by an installation failure in the new washing system. Since this was corrected, the levels have been extremely low throughout our supply chain in Sweden.

We expect demand in Sweden to gradually recover to a normal level and the market to reach a better balance. The consumption of chicken per capita in Sweden is lower than the average in the EU. Kronfågel is the market leader in Sweden since long, with a strong product offering and brand, and has good opportunities to further strengthen its position.

Positive development in Denmark

The improvement in adjusted operating income in Denmark was achieved through increased sales in the retail channel and of ready-to-eat products in the food service channel. Increased exports at higher prices also contributed.

In recent years Danpo has strengthened its position in both ready-to-eat products and in the premium segment. During the year a new range of premium products was launched under the new brand

De Danske Familiegårde, which was well-received by the market. In 2018 we will make significant investments in marketing and have enlarged our salesforce to drive this concept. I am convinced that this investment long term will add value to both the category and the Group.

We will also make additional investments in ready-to-eat products that are produced at our facility in Farre in Denmark. The main part of our products in Denmark will continue to be standard products facing tough competition for a long time to come. The Danish operation also has a high proportion of exports and will continue to be affected by fluctuations in export volumes and prices.

Improved margin in Norway

Den Stolte Hane in Norway reported the highest adjusted operating margin in the Group of 8.2 percent, an increase from 6.6 percent in the previous year. This positive development was achieved through a strong product offering combined with greater efficiency in production. The capital expenditure projects implemented in the past two years and the specialisation of the two main facilities have had a positive effect. The facility in Jaeren now produces all raw products, while all processed products are produced in Stokke.

The lower growth in net sales in the second half of 2017 was due to the fact that we are now comparing with an unchanged customer base. In addition, sales in the food service channel were lower than in the previous years as a result of a rationalization of the product range. The current customer and contract structure in the Norwegian market means that we are expecting a more stable development of market shares going forward.

Greater efficiency in Finland

Net sales for the Finnish operation, which has recently changed its name to Naapurin Maalaiskana Oy, continued to show strong growth. Adjusted operating income remained negative, amounting to MSEK –43.0 compared with MSEK –52.4 in the previous year. In the fourth quarter 2017, the loss was reduced to MSEK –8.1 compared with MSEK –20.4 in the fourth quarter 2016.

The operation has gradually become more stable. Efficiency and yield in production have increased, and the product mix have improved. Capacity utilisation is still low and depreciation in relation to net sales is almost twice as high as for our other operations. However, the facility is very modern and the requirements regarding capital expenditure and working capital will be low going forward.

We continue to implement the measures required to reach break even as soon as possible.

Acquisition of Manor Farm

The acquisition of Manor Farm means that the Group's operations have expanded outside the Nordic region.

Manor Farm is one of the oldest family companies in Ireland with a history dating back to 1775. The company is the market leader in fresh chicken products in the retail channel, with a market share of approximately 40 percent.

The integration of the company is proceeding according to plan. There is potential to share best practice and achieve efficiencies in a number of areas. We are expecting to make a decision on an investment programme during the first half of 2018 aimed at increasing efficiency in production.

The acquisition gives the Group additional economies of scale, and greater risk diversification through the presence on an additional geographical market. The acquisition met our financial criteria in terms of expected growth in earnings per share and an attractive acquisition multiple. The structure of the payment, comprising 6 million new issue shares in Scandi Standard, an earn-out mechanism, and the assumption of outstanding interest-bearing debt limited the cash part of the consideration. The acquisition therefore only had a minor impact on the Group's leverage ratio. The structure of the transaction also creates clear incentives for Manor Farm's management team to continue to develop the business.

I am very pleased with this acquisition and appreciate the commitment and the positive contributions from the Irish management team.

Good opportunities for geographical expansion

The European market for chicken products is fragmented overall, even though the local markets in the different countries are relatively well consolidated. As consumers mainly prefer products that are produced in their home markets, it is important to have a strong local position.

Scandi Standard is the leading producer in the Nordic countries and in Ireland, and is the only listed company totally focused on chicken.We are one of a few producers that are present in several countries.

In recent years we have been able to strengthen our operations in the different countries through the transfer of best practice. We are seeing good opportunities to further increase our geographical presence and diversification and create opportunities for profitable growth.

Continued investments in product development

Our mission is to contribute to the joy of food and a sustainable food supply by offering healthy, tasty and easy-to-cook chicken products.

By investing in product innovation, we have gradually added new categories to our product range, from new cuts to ready-made products, which has contributed to both growth and margins. Examples of these are chicken bacon, chicken sausages with different seasonings, minced chicken, ready-to-eat products with different flavours and seasonings, marinated barbecue products, as well as free-range and organic chicken.

In 2017 both Kronfågel and Naapurin Maalaiskana launched, for example, chicken steak, a deboned chicken leg that offers a good sized, juicy chicken portion for meat lovers. Kronfågel also launched ready-made chicken meatballs, made from a classic Swedish meatball recipe, that are ready to be put directly in a frying pan.

As mentioned earlier, Danpo in Denmark introduced a new premium range under a new brand De Danske Familiegårde. The product range includes organic and free-range chicken, as well as traditional chicken. The birds are of slow-growing breeds and are bred in smaller flocks on selected farms in Denmark that focus on the highest levels of animal welfare.

In Norway, the premium range of free-range chicken that was successfully launched at the end of 2016 was extended with additional products.

Focus and strategy for sustainability work

During the year we clarified our focus and strategy for the Group's continued sustainability work. Based on our business, the impact of our operations in the value chain and the expectations of our stakeholders, we have defined a number of priority target areas that will be managed and followed up at Group level.

Scandi Standard will represent trustworthiness and high standards in terms of the environment, social responsibility and ethics. The sustainability work includes risk management as well as utilizing opportunities arising from greater awareness and changes in consumer behaviour and stricter regulatory requirements.

We see a potential for highlighting the added values of our chicken in terms of health, the environment, animal welfare, antibiotics and resource efficiency.

Our sustainability work will continue in 2018, by integrating it into processes in all parts of our operations and monitoring the development towards the targets that have been set.

2018

We will continue our efforts to reduce working capital from a relatively high level in 2017 and further strengthen our cash flow.

Through investments in Sweden and Norway in the past years, we have achieved significant growth in ready-to-eat products. In order to meet the increase in demand in this product area from our major customers, which include McDonald's, we have decided to expand our facility at Farre in Denmark.

We expect capital expenditure in 2018 to amount to approximately MSEK 350, of which MSEK 150 refers to the capacity expansion in Farre. The total amount may be revised later in the year, following the decision on the investment programme for Ireland.

Despite the current challenges, I am convinced of the strength in the Group's business model, and that we have good opportunities to both maintain good growth and improve margins going forward.

Leif Bergvall Hansen
Managing Director and CEO

The market for chicken is growing

Global demand for chicken has shown steady growth over recent decades driven mainly by population growth, economic expansion in developing countries and more efficient farming, making meat protein affordable for a larger share of the population. Greater awareness of health and the environment has also contributed.

The Nordic Nutrition Recommendations (NNR) and the World Health Organization (WHO) unanimously emphasise that a healthy diet should contain more white meat and less red meat.

The production of chicken also has a lower climate impact than the production of red meat. OECD[1] estimates that about half of the world's consumption of protein in 2050 will comprise chicken, an increase from about 39 percent in 2013–2015.

Nordic market

The Nordic market has also shown continual growth over the past decade. This trend is expected to continue as the per capita consumption of chicken in the Nordic region is lower than in other parts of Europe and the developed world.

The growth refers mainly to chilled products, which are associated with higher quality than frozen products and are also easier to cook.

The market is characterised by a high degree of consolidation at the producer stage, with two to three large companies in each country. The retail market is also strongly consolidated in each country.

All countries in the Nordic region have strict rules and controls for livestock farming and animal health. Strict hygiene controls ensure a low incidence of salmonella. In contrast to many other European markets, there is no use of growth promotors in the feed or preventative use of antibiotics.

Disease outbreaks among chickens have temporarily affected demand

Over different periods, disease outbreaks and media coverage of health risks associated with eating chicken have led to a drop in demand in the affected markets. In 2016, for example, demand in Norway was negatively impacted by fear of bacteria in chicken among consumers. In 2017, the attention paid to the reports from the Swedish National Food Agency about increased levels of campylobacter in chicken led to a drop in demand in particular for chilled products.

Sweden

In 2017 the retail market for chicken products in Sweden declined by 1 percent in value compared to the previous year. Chilled products reported a decrease of 4 percent in value, while frozen products increased by 2 percent in value. The demand for chilled products was negatively affected by the attention paid to the increased levels of campylobacter, see above.

Greater awareness among consumers for environmental, climate and ethical issues has entailed a higher focus on the country of origin and a growing preference for locally produced products.

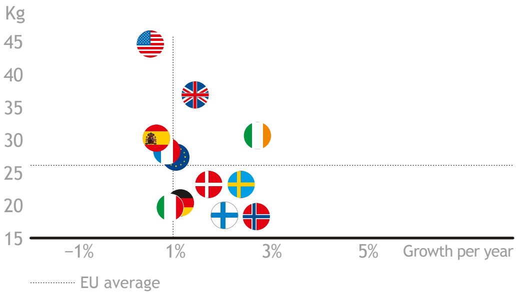
Denmark

In 2017 the retail market for chicken products in Denmark increased by 2 percent in value compared to the

[1] Source: OECD-FAO Agricultural Outlook 2014, OECD Publishing.

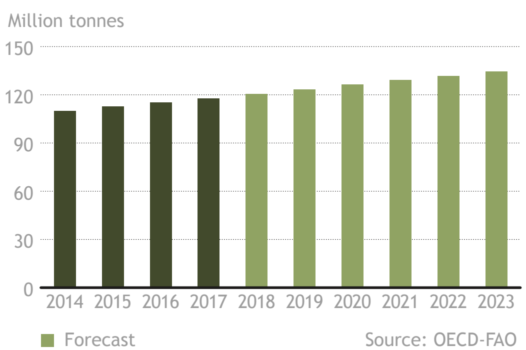
GROWTH POTENTIAL

Consumption of poultry per capita



Source: Association of Poultry Processors and Poultry Trade in the EU, the Swedish Board of Agriculture and others, and Company estimates.

GLOBAL CONSUMPTION OF POULTRY



Source: OECD-FAO

previous year. Chilled products increased by 3 percent in value, while frozen products fell by 2 percent in value.

A distinguishing characteristic of Denmark is that the domestically produced volume exceeds the total consumption, and volumes of both exports and imports are large. The market is characterised by price competition, both locally and for exports.

Norway

In 2017 the retail market for chicken products in Norway increased by 3 percent in value compared to the previous year. Chilled products increased by 4 percent in value, while frozen products fell by 4 percent in value.

Norway has high customs duties for import and small import quotas. Local production is regulated by means of strict concession limits. In practice the Norwegian market is a closed and self-sufficient market where demand is satisfied by domestic producers.

Finland

In 2017 the retail market for chicken products in Finland is estimated to have increased by approximately 4 percent in value compared to the previous year.

The market is dominated by locally produced chilled products.

Ireland

The retail market for chicken products in the Republic of Ireland declined by 0.4 percent in value compared to the previous year.

The market predominantly consists of locally produced chilled products.

OUR MARKETS 2017[1)]	Sweden	Denmark	Norway	Finland	Ireland
Retail market for chicken products in value	4,134 MSEK	2,286 MDKK	2,656 MNOK	400 MEUR	237 MEUR
Share of chilled products, %	46	78	89	95	99
Share of frozen products, %	54	22	11	5	1
Scandi Standard's market position, total	1	1	2	3	1
Largest competitors	Guldfågeln Atria	HK Scan Geia	Nortura Norsk Kylling	HK Scan Atria	Western Brand Shannonvale

1) Source: Nielsen for Sweden, Denmark and Norway and Kantar for Ireland. Data for Finland are estimates by Scandi Standard.

CHANGE IN RETAIL MARKET FOR CHICKEN PRODUCTS 2017 IN VALUE

Sweden

–1%

Denmark

+2%

Norway

+3%

Finland

+4%

Ireland

–0.4%

Trends and drivers

Growth in the market for chicken products is driven by a number of factors:

Population growth. The world's population is growing with a higher life expectancy.

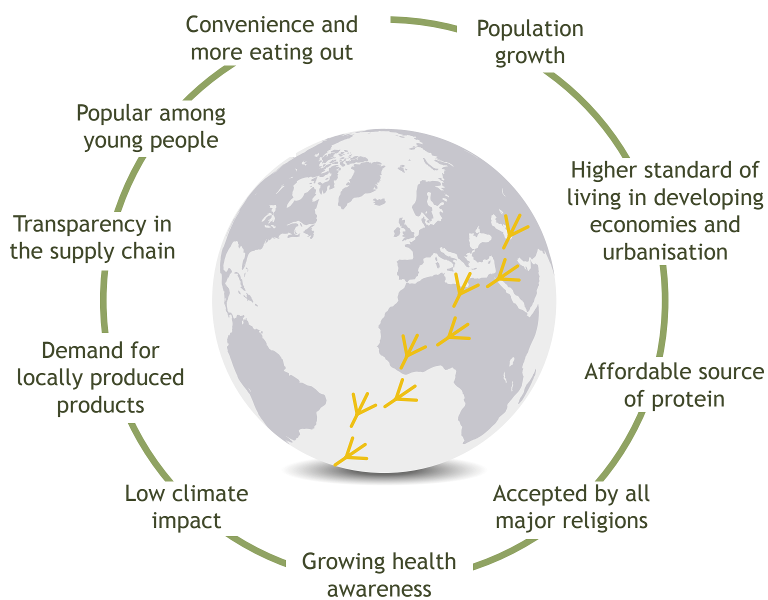
Higher standard of living and urbanisation. The developing countries show strong economic growth. A higher standard of living tends to be accompanied by increased demand for better food. At the same time, urbanisation is accelerating, resulting in greater demand for ready-made food.

Affordable source of protein. The short growing period of chicken implies a lower feed and energy usage than for other types of meat, which translates into lower production costs. This makes chicken an affordable source of protein for a large number of consumers.

Accepted by all religions. Chicken is accepted as food by all major religions.

Growing health awareness. Consumers want safe and healthy products. Chicken is relatively low in calories, high in protein and is considered to be healthier than red meat.

TRENDS SUPPORTING GROWTH IN THE MARKET FOR CHICKEN PRODUCTS



Low climate impact. As a result of the low feed to meat conversion ratio, chicken is one of the most environmentally friendly sources of meat protein in terms of greenhouse gas emissions per kg weight of meat produced. Chicken feed requires small cultivation areas.

Demand for locally produced products. Greater awareness of climate and environmental issues is driving demand for locally produced products. Chicken is mainly produced for the local market, which means less transport and shorter transport distances.

Requirements for transparency in the supply chain. As chicken is mostly produced and consumed in the local markets, there is a high level of transparency in the supply chain.

Popular among young people. Chicken is popular among young people, which supports growth in the market as these generations grow older.

Convenience and more eating out. The growth in the market for ready-made food and increased eating out supports chicken consumption, as chicken is more affordable than other types of meat.

Our strategy for profitable growth

1 Drive organic growth.

2 Increase efficiency throughout the supply chain.

3 Strategic acquisitions and partner-ships.

SCANDI STANDARD'S COMPETITIVE ADVANTAGES

- Leading position in the Nordics and in Ireland
- Strong presence in the local markets
- Economies of scale
- Broad product offering
- Strong brands
- Preferred supplier to major retailers and foodservice companies

Scandi Standard

Strategy 1

Drive organic growth

- Increase investments in product development and meet the demand for healthy food which is easy to cook.
- Grow in the premium segments and within processed products.
- Strengthen the brands.
- Develop the chicken category in collaboration with retailers.
- Grow within the food service sector.

Increase investments in product development

The Group's business idea is to contribute to the joy of food and a sustainable food supply.

The investments in product development have gradually increased in recent years, which have contributed to both growth and increased value of the category. The product range has been broadened with new categories, from new cuts to ready-made products. Examples of these are chicken bacon, chicken sausages, minced chicken, strips and sliced products which are ready-to-cook, pre-fried and ready-to-eat products with different flavours and seasonings, marinated barbecue products, as well as free-range and organic chicken.

The most important trends that drive the development work are the demand for tasty, easy to cook and healthy products based on locally produced chicken.

The Group has a product development plan covering the next 18–36 months with major launches two to three times per year in each country. The development process is based on market segmentation and consumer insight. Product innovation can also be driven by innovations in production, such as new processes or equipment.

Product development is primarily conducted locally in each country as the taste and product preferences to some extent differ between the markets. Coordination and exchange of ideas and concepts between the countries have increased in recent years.

Further strengthen the brands

The Group's products are sold both under its own brands and for customers' brands, referred to as 'private labels.' In 2017 sales under own brands accounted for approximately 50 (50) percent of net sales.

Of the Group's brands, the Kronfågel brand in Sweden and the Danpo brand in Denmark have leading positions in their respective markets. Surveys show that consumers have higher awareness of both these brands than the most important competitors. According to surveys in 2017, the spontaneous brand awareness for Kronfågel was approximately 60 percent, and approximately 32 percent for Danpo.

Den Stolte Hane is the second biggest chicken brand in Norway. The brand in Finland is Naapurin Maalaiskana, a new brand that will be built up in the years to come. The brand of the newly acquired Irish operation is Manor Farm.

A number of different measures, including investments in product development, are being taken to strengthen the brand position in all countries. During 2017 Danpo in Denmark launched a new premium range under a new brand De Danske Familiegårde (The Danish Family Farms), see below and page 14.

The brand portfolio also includes a number of brands focused on specific product segments, such as Bosarpkyckling in Sweden and Sødams in Denmark within organic and free-range chicken, Ivars in Sweden, Chicky World in Denmark, as well as Vestfold Fugl in Norway. The sale for private labels contributes to economies of scale and to creating strong customer relations with retail customers.

Successful launches in 2017

During the year there were a number of successful launches in each market. Launches in Sweden included chicken steak, chicken meatballs and ready-to-eat chicken skewers for the deli counter, the first with Swedish chicken.

In Norway, more products were added to the new premium range. Launches in Denmark included a new premium range under the new brand The Danish Family Farms.

Chicken steak – for meat lovers

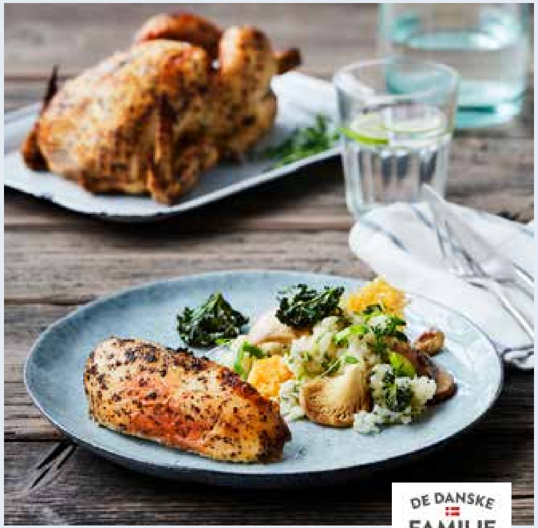
Kronfågel's chicken steak is a deboned chicken leg with skin, offering a good sized chicken portion for meat lovers. It is juicy and very tasty. Perfect to fry or grill, and to be served with a tasty Béarnaise sauce, potato wedges, and sides such as coleslaw and bean salad.

Chicken meatballs – ready-made classic

Kronfågel's ready-made chicken meatballs are made from 100 percent Swedish chicken and contain 70 percent meat. They are made in accordance with a classic meatball recipe and are ready to be put in a frying pan for about 6 minutes. They are just as delicious served hot or cold.

Free-range premium chicken from Den Stolte Hane

More products were added to the new premium range of free-range chicken that Den Stolte Hane in Norway launched late in 2016. These chickens are of a slow-growing breed, producing a juicy meat with a rounded flavour. They are bred in smaller flocks at nine selected and specialised family farms in Jaeren in Norway. All of the farms focus on animal welfare and are less than one hour from the slaughterhouse. The chickens are given special feed that contains Norwegian oats.



Premium products from the new brand De Danske Familiegårde

In the second half of 2017, Danpo in Denmark introduced a new range of premium products under a new brand De Danske Familiegårde (The Danish Family Farms). The launch was based on extensive consumer research. The product range contains both organic and free-range chicken, as well as farmer's chicken. All chickens are of slow-growing breeds and are bred on selected farms in Denmark that are focused on the highest levels of animal welfare.

Chicken from The Danish Family Farms

"We have created the absolut best conditions for our free-range chickens", says Knud Daugaard on the farm Buhlseje in the south of Jutland".

Highest levels of animal welfare

The chickens are bred on 11 family farms in Denmark that promote the highest levels of animal welfare in line with the core values of The Danish Family Farms. Great care is devoted to ensuring that the chickens are comfortable.

The Daugaard family on the Buhlseje farm

Knud Daugaard lives with his family on his ancestral farm Buhlseje in the south of Jutland. Knud's brother Anders also work on the farm and his task is among others to secure that the chickens have optimal conditions when they are indoors in terms of light, dry strew on the floor and the right, comfortabel temperature. Knud's mother Linda also helps out with the chickens.

APPROVED BY ANIMAL PROTECTION DENMARK

Organic and free-range chicken from The Danish Family Farms are approved by Animal Protection Denmark.

Slow-growing breed

The chickens are of a slow-growing breed. They live in small flocks and grow at their own natural pace.

Free to walk around indoors or outdoors

They move freely both indoors or out in the surrounding nature where they can forage and scratch, take a sand bath or rest in the shadow under a tree.

Free access to food and water

The chickens have free access to food and water, and decide for themselves when they want to eat and drink. The feed does not contain any antibiotic additives.

Strengthened position within organic chicken

Although organic chicken still accounts for a small proportion of the total market, growth is higher than for traditional chicken. By acquiring Bosarpkyckling in Sweden and Sødams in Denmark, the Group has gradually strengthened its position within this premium segment.

Bosarpkyckling was the first producer of organic chicken that met the Swedish KRAV standards. Both the chickens and the farms are 100 percent organic.

The business has grown significantly since the acquisition in 2014, with the product range and distribution expanding as well. In 2017 additional organic products were launched under the Bosarp brand, including both sliced cuts and minced chicken, as well as ready-made products such as chicken meatballs and chicken sausages.

The acquisition of Sødams in 2016 enabled the Group's Danish subsidiary Danpo to launch the previously mentioned new range of organic and free-range chicken in 2017 under the brand The Danish Family Farms.

New food strategy for Sweden increases demand for organic products

In June 2017 the Swedish parliament adopted a new food strategy, the first to cover the entire food chain. The purpose is to create a food chain that is competitive and sustainable in the long term, that is environmentally and climate efficient, and that stimulates the domestic production of organic food.

One of the targets in the action plan, which was thereafter decided on by the Swedish government, is for 60 percent of the public food consumption in healthcare, education and nursing to comprise certified organic products by 2030, compared to approximately 33 percent in 2016.

Develop the chicken category in collaboration with retailers

The retail sector is Scandi Standard's largest sales channel representing more than half of total sales. For a long time the Group has been the main supplier of a number of large retailers in Sweden, Denmark and Norway. Manor Farm is the leading supplier to the retail market in the Republic of Ireland.

The Group continuously manages projects together with key customers for changes in stores in order to stimulate the demand for chicken and drive the development of the category.

Grow within the food service sector

The food service sector includes fast food restaurants, hotels, restaurants and catering within the public and private sector. The segment accounted for approximately 17 percent of the Group's net sales in 2017.

Sales to this sector have increased in recent years driven by the trend for eating out more frequently and the fact that consumers regard chicken as healthier than other types of meat. Chicken is also more affordable and considered as being easier to cook than other types of meat. Chicken also expands the customer base of fast food retailers to include more health conscious consumers.

For many years the Group has been one of only five suppliers of McDonald's in Europe.

Based on its size and longstanding experience as a preferred supplier, there are further growth opportunities within food service.

Trends during 2017

Net sales in the food service channel increased during the year in both Sweden and Denmark.

Sales in Denmark showed significant growth within ready-to-eat products. Sales in Norway declined as a result of a rationalization of the product range.

Strategy 2 Improve efficiency throughout the supply chain

- Improve productivity in the facilities by the sharing of best practice:
  - Increase productivity per employee.
  - Increase yield per bird.
- Drive synergies from being a Group in all parts of the supply chain, including purchasing.

It is expected that efficiency levels in the main facilities can be further improved through investments in greater automation and optimisation of cutting techniques which will increase production yield.

The payback period of most of the Group's projects is less than three years on average.

Lower capital expenditure

Net capital expenditure in 2017 amounted to MSEK 198.8 (265.4). The decline refers mainly to the fact that the large extension of the Valla facility in Sweden was finalised last year. Valla was extended in 2015–2016 with a new slaughtering line and a new processing section, representing a total investment of approximately MSEK 130.

Increased efficiency in Norway

Increased efficiency was achieved in production in Norway through the specialisation of the two main facilities with subsequent smaller investments that were completed during the year. All raw products are now produced in Jaeren, while all processed products are produced in Stokke.

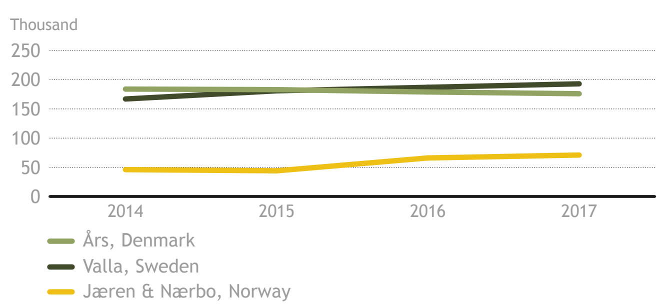
Reduce purchasing costs

The work to improve efficiency and competitiveness in other parts of the value chain, including external purchases, continued during the year.

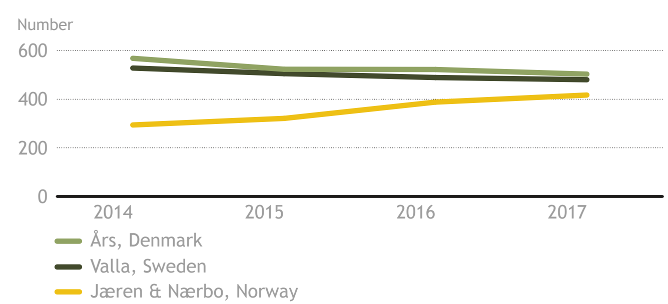
The main focus in 2017 was on reducing costs in logistics and warehousing.

Total external purchasing costs in 2017 amounted to MSEK 4,150, of which approximately 70 percent referred to live chickens. Other important purchasing categories are transport, ingredients, spices and packaging.

TOTAL NUMBER OF SLAUGHTERED CHICKENS PER DAY



TOTAL NUMBER OF SLAUGHTERED CHICKENS PER EMPLOYEE AND DAY



Strategy 3 Strategic acquisitions and partnerships

- Expand the product offering in existing markets, for example, in the premium segments and within processed products.
- Enter new geographical markets.
- Build on capabilities developed over the years as a preferred supplier and form new partnerships.

Opportunities for acquisitions and partnerships are continuously evaluated in order to consolidate the Group's position in existing markets, expand the product offering into adjacent categories or enter new geographical markets.

Acquisition of Manor Farm

The acquisition of Manor Farm was completed in August 2017. Manor Farm is the largest chicken processor and market leader in the Republic of Ireland (Ireland). Net sales in 2017 amounted to MSEK 1,702 pro forma and the adjusted operating income was MSEK 102 pro forma. The number of employees is approximately 930.

The acquisition gives the Group additional economies of scale, opportunities to share best practice, and greater risk diversification through the presence on an additional geographical market.

Market leader

Operations are focused on chilled products for the retail market, in which Manor Farm has a market share of approximately 40 percent. The processing plant is located in Shercock in County Cavan. The company has approximately 129 farmers contracted as growers of chickens and approximately 43 farmers contracted as breeders of parent stock. It also runs a feed mill to provide feed for the contracted growers with an annual production of approximately 170 000 tons.

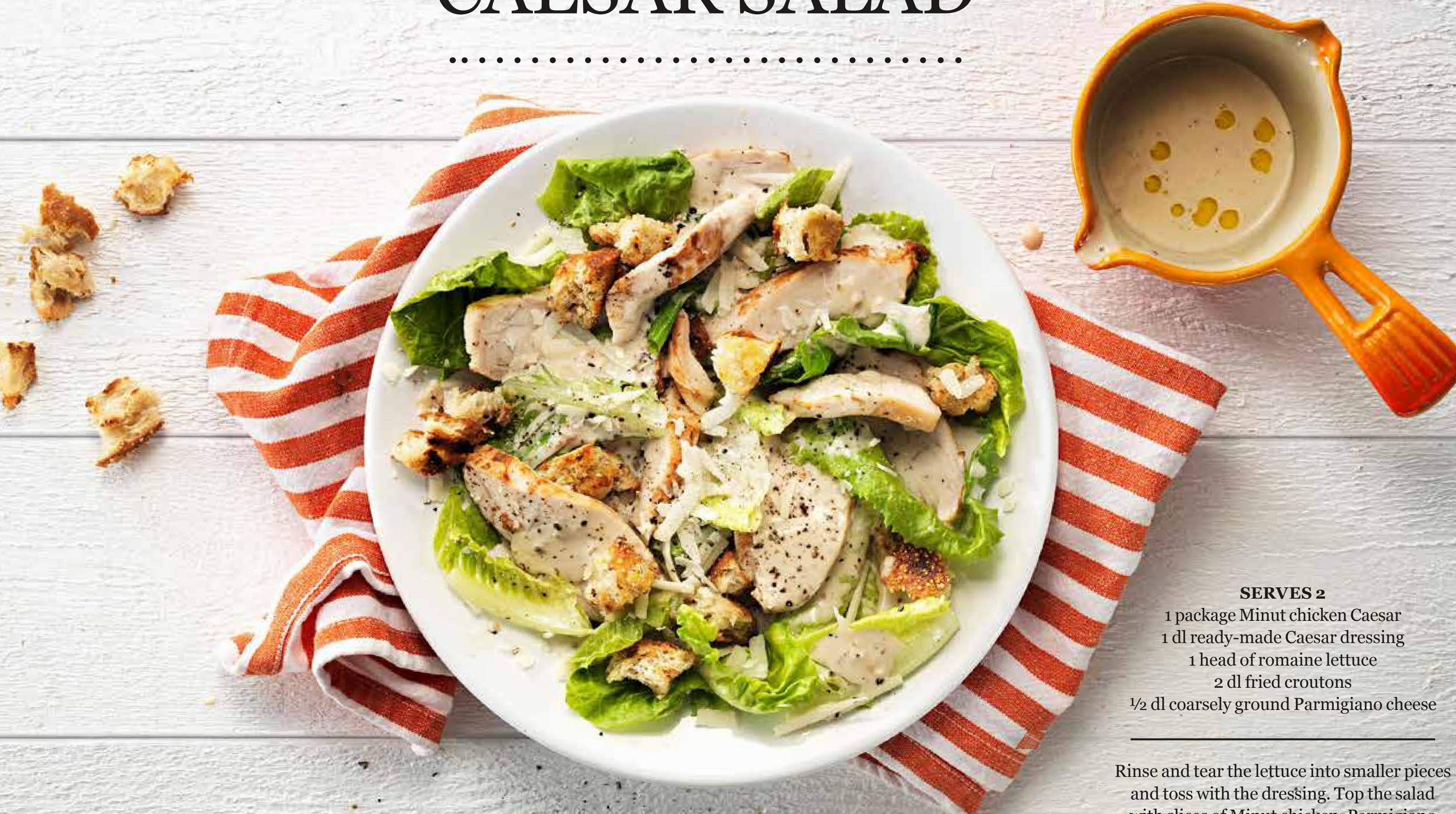
One of Ireland's oldest family companies

Manor Farm is one of the oldest family companies in Ireland, tracing its origin to 1775 when the founder, Peter Carton, set up a business in Dublin's fruit and vegetable markets. Recognising the opportunity for a poultry market, he began trading in different forms of poultry. Since then, the Carton family has been running the business for eight generations. In 1956, they opened a chicken processing plant in Dublin, introducing modern chicken products to the Irish market. In 1970 production moved to the plant in Shercock.

BRIEF FACTS – MANOR FARM

Net sales, 2017	1,702 MSEK
Adjusted operating income, 2017	102 MSEK
No. of employees	930
Operations	Slaughtering, processing and development of chilled and frozen chicken products
Market position	No. 1 in the Republic of Ireland
Brand	Manor Farm
Production facility	Shercock in County Cavan

CAESAR SALAD



SERVES 2
1 package Minut chicken Caesar
1 dl ready-made Caesar dressing
1 head of romaine lettuce
2 dl fried croutons
½ dl coarsely ground Parmigiano cheese

Rinse and tear the lettuce into smaller pieces and toss with the dressing. Top the salad with slices of Minut chicken, Parmigiano and croutons.

Operations in brief — Sweden

Trends during the year

- Net sales in 2017 increased by 7 percent to MSEK 2,556.7 (2,391.9).
- Net sales rose by 30 percent in frozen products and declined by 10 percent in chilled products.
- The retail market for chicken products declined overall by 1 percent in value, and by 4 percent in chilled products.
- Demand was negatively impacted by the attention paid to the issue of campylobacter.
- Adjusted operating margin[2)] declined to 5.9 (7.3) percent.
- Adjusted operating income[2)] includes third-party compensation in a total amount of MSEK 21.7 for part of the effects of the increased levels of campylobacter in the Valla facility during the first half of the year.
- The bird flu negatively impacted adjusted operating income[2)] by approximately MSEK 35 (14).

Strategic priorities

- Maintain a continued high pace of product development.
- Strengthen the position within organic chicken.
- Increase sales to the foodservice sector.

OPERATIONS, MARKET POSITION & BRANDS

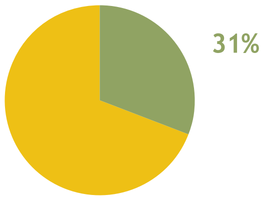
Kronfågel has been the market leader in chicken products in Sweden for a long time.
The Swedish operation also includes SweHatch, which engages in the rearing, production and hatching of day-old chickens for Kronfågel's growers, and Skånefågel, which focuses on the slaughter and production of chicken products for the Swedish market and for exports.

PRODUCTION FACILITIES

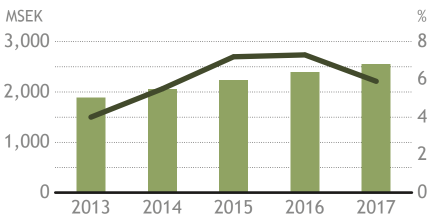
- Valla (slaughtering, processing, cooking, packaging)
- SweHatch (hatcheries)

MAGNUS LAGERGREN
COUNTRY MANAGER, SWEDEN AND FINLAND

SHARE OF GROUP NET SALES 2017[1)]



NET SALES AND ADJUSTED OPERATING MARGIN



KEY FIGURES	2017	2016
Net sales, MSEK	2,556.7	2,391.9
Organic growth, %	7	7
Adjusted operating income[2)], MSEK	151.3	174.0
Adjusted operating margin[2)], %	5.9	7.3
No. of employees	794	699

[1)] Pro forma.
[2)] Adjusted for non-comparable items, see page 39.

Denmark

Trends during the year:

- Net sales in 2017 increased by 8 percent to MSEK 2,529.3 (2,332.0), and by 7 percent in local currency.
- The increase refers mainly to deliveries of ready-to-eat products in the latter part of the year.
- Retail sales and exports also increased from the previous year.
- Adjusted operating margin[2)] improved to 4.8 (4.1) percent.
- The bird flu negatively impacted adjusted operating income[2)] by approximately MSEK 11 (12).
- During the year a new range of premium products was launched under the new brand De Danske Familiegårde, which was well-received by the market.

OPERATIONS, MARKET POSITION & BRANDS

Danpo is overall the largest producer of chicken products in Denmark.
The business also includes Sødams, which focuses on organic and free-range chicken.
The associated company Farmfood A/S processes slaughterhouse by-products from the Group's different segments, mainly for use in pet food sold in the international markets.
The Danish operation exports extensively within Europe and to Asia.

PRODUCTION FACILITIES

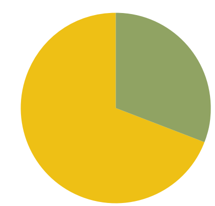
- Års (slaughtering, processing and packaging)
- Farre (cooking, preparation, packaging)

Strategic priorities

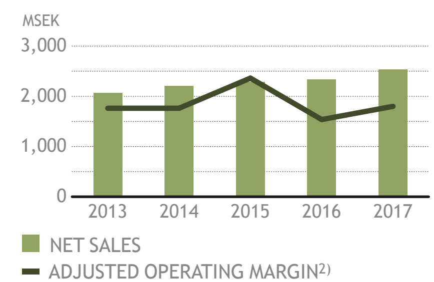
- Less focus on export volumes.
- Increase the share of premium products and processed products, both locally and for exports.
- Increase investments in product development and strengthen the brand.

MARK HEMMINGSEN
COUNTRY MANAGER, DENMARK

SHARE OF GROUP NET SALES 2017[1)]



NET SALES AND ADJUSTED OPERATING MARGIN



KEY FIGURES

	2017	2016
Net sales, MSEK	2,529.3	2,332.0
Organic growth, %	7	1
Adjusted operating income[2)], MSEK	120.6	94.5
Adjusted operating margin [2)], %	4.8	4.1
No. of employees	779	644

1) Pro forma.
2) Adjusted for non-comparable items, see page 39.

Norway

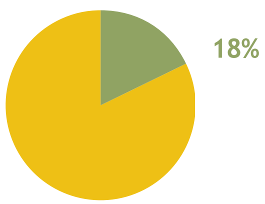
Trends during the year

- Net sales in 2017 increased by 3 percent to MSEK 1,483.0 (1,433.7), and by 2 percent in local currency.
- The increase refers to the retail channel.
- Sales to the food service channel declined due to a rationalization of the product range.
- Adjusted operating margin[2)] rose to 8.2 (6.6) percent, mainly as a result of an improved product mix and higher efficiency in production.
- The premium range of free-range chicken launched at the end of 2016 sold well during the year and contributed to the improvement in earnings.

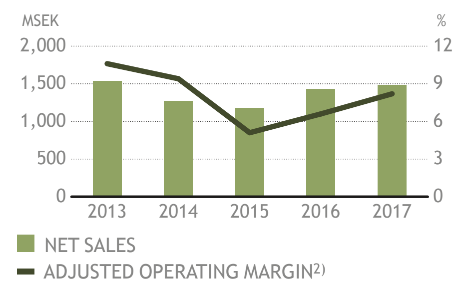
Strategic priorities

- Increase efficiency in production and in rest of the supply chain.
- Increase investments in product development.
- Grow in the premium segment.
- Strengthen the brand.

SHARE OF GROUP NET SALES 2017[1)]



NET SALES AND ADJUSTED OPERATING MARGIN



OPERATIONS, MARKET POSITION & BRANDS

Den Stolte Hane is the second largest brand for chicken products in Norway.
The operation also include packing of eggs in its own egg packing facility.

FREDRIK STRÖMMEN
COUNTRY MANAGER, NORWAY

PRODUCTION FACILITIES

- Jaeren (processing)
- Stokke (processing, cooking)
- Ski (packaging of eggs)

KEY FIGURES

	2017	2016
Net sales, MSEK	1,483.0	1,433.7
Organic growth, %	2	25
Adjusted operating income[2)], MSEK	122.0	94.9
Adjusted operating margin[2)], %	8.2	6.6
No. of employees	315	257

[1)] Pro forma.
[2)] Adjusted for non-comparable items, see page 39.

Finland

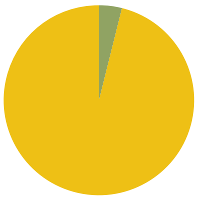
Trends during the year

- Net sales in 2017 increased by 90 percent to MSEK 328.5 (172.7), and by 87 percent in local currency .
- Adjusted operating income[2] improved gradually during the year, but remained negative.
- Adjusted operating margin[2] was –13.1 (–30.3) percent.
- The improvement in adjusted operating income and margin refers to higher efficiency and yield in production, as well as a more favourable product mix.

Strategic priorities

- Increase efficiency in production and in the rest of the supply chain.
- Increase the share of net sales under its own brand.
- Develop the product offering through transfer of best practice from other Group operations.

SHARE OF GROUP NET SALES 2017[1]



OPERATIONS, MARKET POSITION & BRANDS

The operation was acquired in May 2015 when it was newly-started. The acquisition was the first step in establishing a position in the Finnish market.
The operation, which was renamed Naapurin Maalaiskana Oy as of February 2018, include slaughtering, production and development of chilled and frozen chicken products.

PRODUCTION FACILITIES

- Lieto (slaughtering, processing and packaging)

MAGNUS LAGERGREN
COUNTRY MANAGER, SWEDEN AND FINLAND

KEY FIGURES	2017	2016
Net sales, MSEK	328,5	172,7
Organic growth, %	87	287
Adjusted operating income[2], MSEK	–43,0	–52,4
Adjusted operating margin[2], %	–13,1	–30,3
No. of employees	135	80

[1] Pro forma.
[2] Adjusted for non-comparable items, see page 39.

Ireland

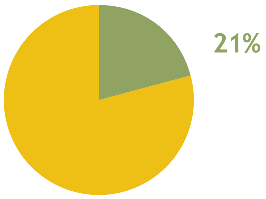
Trends during the year

- Net sales in 2017 increased by 8 percent to MSEK 1,702.4 (1,576.6) pro forma.
- Adjusted operating margin[2] was 6.0 (5.9) per cent pro forma.
- The improvement in margin was mainly driven by a positive trend in sales in the latter part of the year with a favourable product and channel mix.

Strategic priorities

- Increase efficiency in production and in the rest of the supply chain.
- Develop the product offering through transfer of best practice from other Group operations.
- Finalize integration into the Group.

SHARE OF GROUP NET SALES 2017[1]



OPERATIONS, MARKET POSITION & BRANDS

Manor Farm is the largest chicken processor and market leader in the Republic of Ireland. The company was acquired in August 2017. Operations also include a feed mill to provide feed for the contracted growers.

VINCENT CARTON
COUNTRY MANAGER, IRELAND

KEY FIGURES

	2017	2016
Net sales, MSEK	1,702.4	1,576.6
Organic growth, %	6	12
Adjusted operating income[2], MSEK	101.5	93.5
Adjusted operating margin[2], %	6.0	5.9
No. of employees	930	865

[1] Pro forma.
[2] Adjusted for non-comparable items, see page 39.

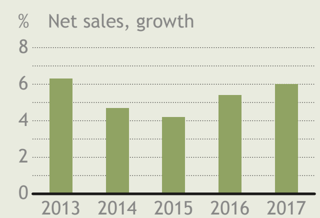
PRODUCTION FACILITIES

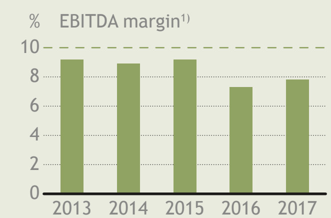
- Shercock in County Cavan (slaughtering, processing and packaging)

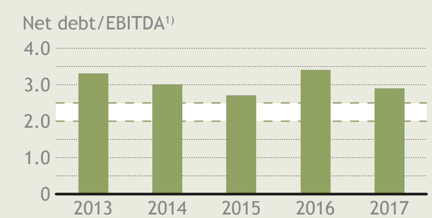
Financial targets

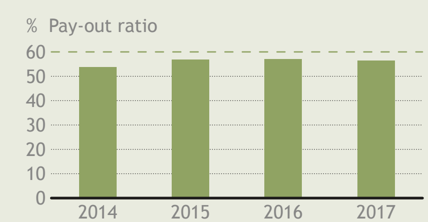
	MEDIUM-TERM TARGET	OUTCOME 2017
NET SALES	Annual average organic sales growth in line with or above market growth.	+6.0% (CAGR)
EBITDA MARGIN	Exceeding 10 percent in the medium term.	7.9%[1)]
NET DEBT/EBITDA	Within the range of 2.0–2.5x LTM EBITDA, but may temporarily exceed this level to allow for capturing opportunities for organic growth and acquisitions.	2.9[1)]
PAY-OUT RATIO	Approximately 60 percent of income for the period adjusted for non-comparable items on average over time.	56%

OUTCOME 2013–2017









1) Based on EBITDA adjusted for non-comparable items.

ROSEMARY ROAST CHICKEN

SERVES 4

1 Free range chicken, approx. 2 kg
1 bunch rosemary
1 lemon
1 garlic
500 g Jerusalem artichokes (peeled)
100 g new potatoes (peeled)
5–6 dl milk
2 dl sour cream
6 banana shallots (sliced)
4 red apples (2 peeled and sliced)
3 tbsp cider vinegar
Chives and finely chopped rosemary to garnish
Salt and pepper

Salt and pepper all round and inside. Stuff the chicken with rosemary branches and pieces of apple from the 2 apples. Break the garlic into cloves and then also insert with the lemon. Put the chicken in a 175° oven. Roast for approx. 15–20 min until the chicken has gained some colour. Then lower the temperature to 100° and roast for a further 45 min.

Sustainability Report

Our responsibility and contribution to sustainable development

For Scandi Standard, sustainable development entails profitable growth over time by creating value for stakeholders and society in general. We will contribute to the pleasure of food and a sustainable food supply, by providing healthy, innovative chicken products that are produced in a responsible and resource-efficient way.

Scandi Standard is well-positioned to take responsibility and drive active improvement work throughout the value chain, from breeding to the finished food product. Our aim is to be the industry leader in animal welfare and in producing healthy, safe products, while taking environmental and social responsibility. To achieve this, the company needs to proactively identify and manage risks, and use and develop added values in line with stricter requirements and new consumer trends.

Materiality analysis – focus on what is most important

During the year we laid the foundations for more focused and strategic Groupwide work with regard to responsibility and sustainable development. We have conducted a materiality analysis, based on our vision, the impact of our operations on the value chain, and the expectations of our stakeholders. A number of priority aspects and target areas were defined in this analysis. This was effected via an internal process, where key individuals from all areas of our business were represented. The input values for this work included looking at the work that is currently being carried out and accumulated knowledge from stakeholder dialogues and risk analyses, plus market analyses and external frameworks, such as Agenda 2030.

The aspects that were considered to be the most important can be summarised under the following headings: Safe and healthy products (health, food safety and hygiene, animal welfare), Climate and resource-efficiency at every stage, An attractive and healthy workplace (good workplace and business ethics).

What we are aiming for compared to today has then been defined within each area, together with the organisation responsible and management approach of each area. Progress will be monitored throughout 2018.

Goals and management

Based on the prioritised aspects, The Scandi Way, a Groupwide strategic framework for future work has been developed. The starting point is to integrate responsibility and sustainability aspects into current areas of responsibility, processes and working methods. Measurable targets and standard KPIs have been set for some areas, while others are under development or will only be monitored in some of the companies.

There is a steering group for Sustainability at Group level that is responsible for the coordination and monitoring of priority activities in our sustainability work, and for reporting to the Group management team. A strategic project manager, who is responsible for the implementation of the agreed activities, has been appointed for each priority area.

THE SCANDI WAY

The way we work everyday to make a difference, promoting health and wellbeing for people, chickens and our planet.

Based on the identified and prioritised responsibility and sustainability aspects a Groupwide strategic framework, for future work was developed, The Scandi Way. This framework provides an overview of important Groupwide issues and sets out the standard for the Group's sustainability work. Each country and facility can also choose to adopt a higher level of ambition where appropriate and where possible.

Safe and healthy products

Our most important promise to consumers is that our food is safe and good to eat. Consumers must also feel confident that the chickens are comfortable and are well treated.

Product quality and food safety

Product quality and food safety are top of the list of priorities at the company. We work continually to improve processes and management. The working methods and equipment in our facilities fulfil the requirements for Good Manufacturing Practices (GMP). We also follow the specific requirements that different customers place on us. The challenges that we need to address include the risks of unwanted bacteria and food fraud when purchasing ingredients.

Working with food safety requires expertise, accuracy and clear management. The incidence of pathogenic bacteria is monitored and tested continuously. Our chicken must be completely free from salmonella, and only the lowest possible levels of campylobacter are accepted.

The problems that Kronfågel suffered due to campylobacter in the facility in Valla in the autumn and winter of 2016/2017 received a lot of coverage and had far-reaching consequences for both consumers and our Swedish operations. The problem proved to be an installation fault in a new washing machine. Based on these experiences, systematic work on food safety is now being further strengthened, with a new role being set up to lead this work: Group manager for biosafety.

Healthy chickens

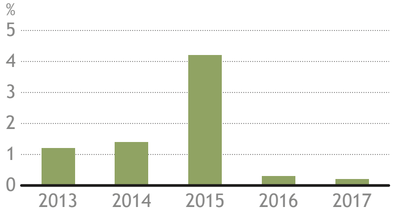
Our starting point is that each chicken must be comfortable and be bred in a good environment, from hatching to slaughter. Good animal welfare is an intrinsic part of our operations for ethical reasons, not only because it is what we and our consumers expect, but also because it is directly linked to quality, resource efficiency and profitability. Providing the right pen environment and the right feed is essential to keep chickens healthy, to help them grow and to provide nutrition and energy as efficiently as possible. Only healthy chickens can grow in a good way.

We work with carefully selected breeders in each country, and set strict requirements based on a Nordic platform for raising chicken. These requirements include, for example, animals being able to move arund freely in the chicken house and no growth hormones being used. Antibiotics or any other kind of medicine may only be given to sick animals. There are also clear requirements in place for heating, lighting, ventilation, bedding and equipment for feed and water. The health of chicken flocks is monitored on a daily basis and measured using a number of key figures. One of the parameters that is monitored carefully is the dryness of straw bedding, which can be checked by the foot health of the chickens. The condition of foot pads is carefully monitored and registered for each chicken house when the chickens arrive at the slaughterhouse. With good foot health, we can increase the proportion of high quality chicken feet exported as food, instead of going to animal feed, so increasing revenues.

Chickens without antibiotics

In accordance with current legislation in the Nordic region, antibiotics are not used as a preventive measure in the breeding process, unlike many other countries. The use of antibiotics among Nordic breeders is also very low, an indicator of good animal husbandry. Increasing resistance to antibiotics is a global health challenge, and we understand that we play an important role in minimising the use of antibiotics in food production.

SHARE OF FLOCKS TREATED WITH ANTIBIOTICS



The use of antibiotics shown above can be compared to approximately 40–80 percent treated flocks in many European countries. Scandi Standard's goal is that the proportion is less than 1 percent.

Scandi Chicken Quality Program
Nordic animal protection legislation is among the strictest in the world. As our business is becoming more international, for example, with the acquisition of the Irish company Manor Farm, we see a greater need and value in clarifying Scandi Standard's own policy and quality requirements for animal husbandry. Our aim is to clearly position ourselves as an industry leader in animal welfare.

In 2018–2019, a Group-wide quality program, the "Scandi Chicken Quality Program" will be developed, which all breeders have to follow, no matter which country they work in. The program will also include other parts of the value chain, such as feed quality and parental animals.

MONITORING OF ANIMAL HEALTH AND FEED CONVERSION RATIO

	2017	2016	Target
Antibiotics, share of treated flocks, %	0.2	0.3	<1
Foot health, foot points	9	14	<10
Feed conversion ratio, kg feed/kg live weight	1.56	1.59	1.55

Animal welfare and the health of the chickens is monitored via a number of key figures. Key indicators for good animal health and stable environment are the very low use of antibiotics and foot health. The use of antibiotics shown above can be compared to approximately 40–80 percent treated flocks in many European countries. Foot health is measured with foot points, where low points mean good foot health. Values below 15–20 are good in an international comparison.

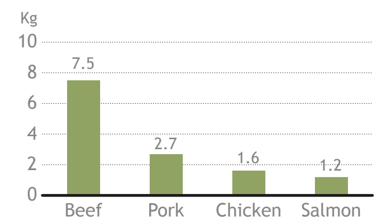
Products that contribute to a sustainable lifestyle
Our vision is to inspire people to eat chicken one more time per week. By developing innovative, attractive products, such as chicken bacon, we want to promote a switch from red meat to white meat, which is good for both health and the environment. The Nordic Nutrition Recommendations (NNR) and World Health Organization (WHO) both state that a healthy diet should contain more white meat and less red meat. The production of chicken is also more climate-smart than the production of pork and beef, an important advantage as demand for animal protein increases and poses a major environmental challenge.

We strive to offer healthy chicken products with the lowest possible climate impact. One important part of this is the cooperation with breeders about choice and most efficient use of feed possible. For example, we are looking into the possibility of replacing part of the soya that is traditionally used as a feed protein, with alternative protein sources.

GMO free feed
Opinions differ on genetically modified organisms (GMOs) and their use is the subject of much discussion. Scandi Standard has chosen to concur with local opinion and demand and demands GMO free feed in Sweden, Norway and Finland.

Responsible supplier relations
As well as chicken, Scandi Standard buys other ingredients, equipment and services from a high number of suppliers. Purchases are coordinated at Group level for categories related to production, which includes ingredients and transport. Scandi Standard seeks mutual, responsible supplier relationships, and sets requirements for the environment, ethics, human rights and social responsibility, that equates to the Group's own Code of Conduct. An updated Code of Conduct for suppliers was adopted at the beginning of the year and was communicated to the suppliers in priority categories at the beginning of 2018, along with a questionnaire for self-assessment based on the set requirements. The results will be used for updating the risk mapping and for additional follow-up activities.

FEED CONVERSION RATIO
kg feed per kg live weight



The diagram shows Feed Conversion Ratio (FCR) when raising different kind of livestock, measured as amount of feed in relation to growth (here indicated as live weight). Numbers given should be seen as an average of FCR ratios from several published sources.

With increased feed efficiency, natural resources and costs are saved in several steps of the value chain: the improvement in Scandi Standard's value chain during the year (0.03 kg feed/kg live weight) reduced the need for cultivated land for the feed by about 2,000 hectares (of which about 1,000 hectares of soybean cultivation in South America) and about 350 fewer lorries to transport feed to chicken farms. Energy for feed production is lower, and water consumption through the value chain has decreased by tens of millions of liters.

Climate and resource-efficiency at every stage

Work on climate and resource-efficient chicken production includes Scandi Standard's own processing activities, as well as other parts of the value chain – breeding, transport and at the customer and consumer stage.

The focus at the company's own facilities is on managing the efficient use of electricity, heating and water, as well as the handling of waste and by-products.

Climate footprint from energy and transport

We already have a goal to reduce carbon dioxide emissions from our own production by 40 percent per produced ton of chicken in the period 2015–2025. In accordance with Agenda 2030 and the global climate agreement, our overall aim is to achieve completely fossil-free operations in the future.

Work on energy efficiency is continuing at each plant. Systematic work with mapping and measures such as recycling of heat and switching to low-energy LED lighting have yielded good results. We have been gradually phasing out fossil energy sources.

In 2017 a new electricity agreement was signed, which means that all facilities are supplied with origin-labelled renewable hydroelectric power.

As part of our work to reduce climate impact from transport, we worked with our fuel supplier during the year to install a fueling station for HVO[1)] close to the plant in Valla. All transport vehicles coming in or out can now fill up with renewable fuel.

In 2018 we will survey the environmental impact of transport in the Group in more detail, and review the possibility of introducing HVO at more facilities.

Efficient water use

The Group's work on reducing consumtion of fresh water primarily focuses on indirectly reducing consumption of energy and reducing the amount of wastewater that needs to be treated. Work on optimising the use of water is ongoing.

Local authorities are setting extensive requirements on the quality of wastewater, which is checked by monitoring the content of nitrogen and Biological Oxygen Demand (BOD) content. Five of the Group's facilities currently have their own treatment systems that treat wastewater from the slaughtering and processing of chicken.

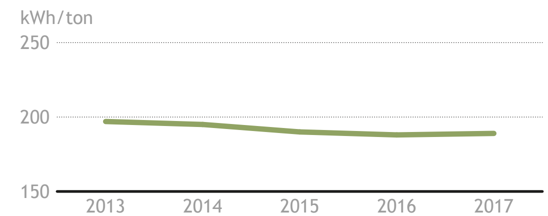
Waste management

Every part of a chicken is used in the finishing process, nothing goes to waste. In average, 70 per cent of each chicken becomes food, the remaining 30 per cent goes to feed or biogas production.

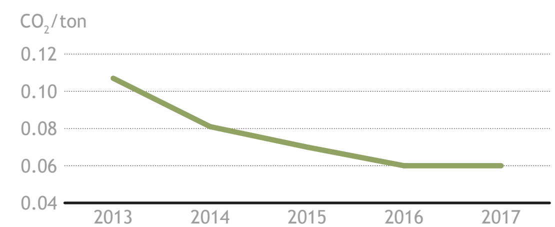
The waste that occurs in our facilities consists of packaging and other combustible materials etc. Waste sorting and monitoring of volumes for each waste fraction are carried out at all large facilities.

1) HVO, Hydrated Vegetable Oil, is a biodiesel produced from vegetable oil and/or animal fats from, for example, slaughterhouse waste. HVO reduces carbon dioxide emissions by up to 90 percent compared to fossil diesel.

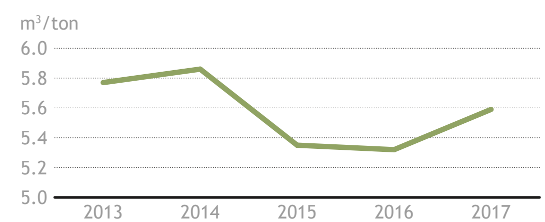
ELECTRICITY CONSUMPTION PER SLAUGHTERED TON



CO_2 PER SLAUGHTERED TON



WATER CONSUMPTION PER SLAUGHTERED TON



The graphs show the consumption of electricity and water as well as emissions of carbon dioxide from electricity consumption, per slaughtered ton of chicken. Data shown includes the facilities Valla and Aars, as they accounted for about 70 percent of Scandi Standard's total production in 2017. The increased water consumption in 2017 was due to problems with increased levels of campylobacter, and measures for handling these.

An attractive and healthy workplace

Recruiting and retaining committed employees is crucial for the development and success of the Group. We work systematically to provide a good and stimulating work environment, and continually monitor motivation and job satisfaction among our employees, using the employee survey ScandiPuls and performance appraisals.

Leadership and employeeship

The most recent ScandiPuls survey was performed in 2016 and in 2017 we worked on action plans based on its results. Clear, visible and hands-on leadership is one of the most important factors for ensuring employee commitment. Programmes and activities for leadership development are carried out continually in the Group's companies.

This year we have started to monitor how long it takes from a job being advertised to the contract being signed as an indicator of how attractive the workplace is. The target is a maximum of 60 days.

Healthy workplace

Most of our employees work in a production environment, where there are risks associated with health and the work environment. We take responsibility for a healthy workplace via systematic health and safety at work initiatives that also address the working climate and culture. Sick leave and work-related injuries are monitored at each plant. There were no serious injuries or accidents in 2017.

One of our aims is to promote the health and well-being of our employees both during and outside of work. During the year leisure activities were organised at several of our plants, including an activity competition in Norway. In 2018 we will define and develop proactive health work within the Group in greater detail.

Diversity and equal treatment

One of Scandi Standard's goals is to be an equal opportunities and diverse organisation, as this reflects the population and our customer groups, secures the supply of competence in the future, and creates an open and creative work culture. At Scandi Standard, respect for human rights applies and there is a zero tolerance approach to discrimination. This is clearly set out in our Code of Conduct that is communicated to every employee, and in a policy for diversity and equal treatment that applies to the entire Group.

Code of Conduct – guidelines for responsibility

Scandi Standard's Code of Conduct applies to every employee and provides guidance on environmental, social and ethical behaviour and human rights in day-to-day operations. This Code of Conduct was updated at the end of the year and will be implemented in 2018 by communicating it to all employees and providing training. A whistleblower system has been established for reporting potential deviations.

RESULTS OF THE EMPLOYEE SURVEY SCANDIPULS

Index where max = 100	2016[1]	2015
Satisfaction and Motivation	72	70
Loyalty	78	77

[1] No survey was carried out in 2017.

The employee survey measures a number of different parameters, including engagement and leadership. An index score of 60–74 is average, 75 is a good result. The response rate in 2016 was 89%.

About the Sustainability Report

Scandi Standard is subject to the requirement for sustainability reporting according to the Swedish Annual Accounts Act. Our sustainability report includes, apart from this paragraph, the chapters Our responsibility on pages 26–32 and Risk management on pages 44–48. The Sustainability Report addresses Scandi Standard's material sustainability aspects and risks, describing the work on these as well as related policies. Since the Group set the framework for a common systematic sustainability work in 2017, specific policies, common performance indicators and results are still not yet in place in several areas. Manor Farm, acquired on August 28, 2017, is not included in the data reported in the sustainability report.

Business model

For Scandi Standard, sustainable development entails profitable growth over time by creating value for stakeholders and society in general. We will contribute to the pleasure of food and a sustainable food supply, by providing healthy, innovative chicken products that are produced in a responsible and resource-efficient way.

Material sustainability aspects and risks

During the year, Scandi Standard has identified significant sustainability aspects and sustainability risks by conducting a material analysis. They can be summarised under the following headings: Health, Food safety and hygiene, Animal welfare, Climate and resource efficiency, Good workplace and Business Ethics.

The table on the next page provides an overview of Scandi Standard's sustainability impact, based on the sustainability areas in the Annual Accounts Act as well as the results of the materiality analysis and risk mapping for the Group.

Sustainability policy

The Scandi Standard's Code of Conduct constitutes the Group's general sustainability policy and applies to every employee and all parts of our company, as well as to members of the Board. The Code of Conduct states that environmental, economic and social responsibility is an integral part of the business strategy and describes the approaches and guidelines that apply to essential sustainability aspects in the areas of environment, social conditions, human resources, respect for human rights and anti-corruption. For reporting any potential deviations and violations of the Code of Conduct, a whistle blowing system has been established during the year. Scandi Standard's Supplier Code of Conduct imposes corresponding requirements on the Group's suppliers and partners. This code has been updated during the year as well.

Sustainability aspect	Scandi Standar’s impact	Comment/reference regarding steering, risk management and KPIs
SOCIAL CONDITIONS	**Health** (for employees and consumers) **Food safety and hygiene,** **Animal welfare** (product responsibility) **Responsibility in the supply chain**	*Description:* pages 27–28 Safe and healthy products, page 30 An attractive and healthy workplace. *Risks and risk management:* pages 46–48. *Policy:* Code of Conduct, section Social conditions, Environment/Animal welfare and Products. *KPIs:* pages 27–28.
ENVIRONMENT	**Climate and resource efficiency** (energy, transport, water and waste management in the production, feed efficiency etc.)	*Description:* page 29 Climate and resource-efficiency at all stages. *Risks and risk management:* pages 46–48. *Policy:* Code of Conduct, section Environment. Permits and notifications under national and local environmental legislation for respective plant. *KPIs:* page 29.
HUMAN RESOURCES	**Good workplace** (work environment, health, safety, gender equality and diversity)	*Description:* page 30 An attractive and healthy workplace. *Risks and risk management:* pages 46–48. *Policy:* Code of Conduct, section Social conditions (incl. human rights, working conditions and work environment. *KPIs:* page 30 (results of employee survey). Aggregated indicators for the Group regarding health, work environment, safety and diversity/equality do not exist.
HUMAN RIGHTS	**Good workplace** **Responsibility in the supply chain**	*Description:* page 28 Responsible supplier relations, page 30 An attractive and healthy workplace. *Risks and risk management:* pages 46–48. *Policy:* Code of Conduct, section Social conditions (incl. human rights, working conditions and work environment) Diversity and equality policy. Supplier Code of Conduct. *KPIs:* Follow-up is done through the employee survey as well as through follow-up and non-compliance reporting concerning the Code of Conduct and the Supplier Code of Conduct, Group-wide KPIs are missing.
ANTI-CORRUPTION	**Good Business Ethics**	*Description:* Ethical business risks occur in relationship with customers, suppliers and partners, as well as in the chain of subcontractors. *Risks and risk management:* pages 46–48. *Policy:* Code of Conduct, section Business Ethics, Supplier Code of Conduct. *KPIs:* Follow-up and non-compliance reporting with the Code of Conduct and the Supplier Code of Conduct, supported by the whistle blowing function. Group-wide KPIs are missing.

Auditor’s report on the statutory sustainability report

To the general meeting of the shareholders in Scandi Standard AB (publ), corporate identity number 556921–0627

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 26–32 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor’s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 23 April 2018
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

CHICKEN SAUSAGE WITH APPLE AND PICKLED CUCUMBER MAYO

SERVES 4

4–8 Classic Chicken Sausages
4–8 hot dog buns
1 apple, peeled and grated
3 tbsp chopped pickled cucumber
Freshly ground caraway seeds
and black pepper
1 dl mayonnaise
4–8 lettuce leaves
Mustard, ketchup, roasted onion

Mix the apple, pickled cucumber, cumin and mayonnaise. Season to taste with black pepper. Grill the sausages and warm the buns. Lay a lettuce leaf on the bottom half of the bun and then a sausage on top. Top with mustard and ketchup, apple and cucumber mayonnaise and finally some roasted onion. Serve and enjoy!

The Scandi Standard share

"At year-end 2017, the share price had increased by 59 percent since the listing in 2014."

The Scandi Standard share was listed on Nasdaq Stockholm on 27 June 2014 under the symbol SCST.

In 2017 a total of 31.4 (35.2) million shares were traded. The average daily volume was 125,111 (139,120) shares.

The final price paid on the last day of trading in 2017 was SEK 63.5 (SEK 57.0), corresponding to an increase of approximately 11 percent compared with the previous year. The share price had thus increased by approximately 59 percent since the listing in 2014. The share is a part of the Nasdaq Mid Cap-index, which increased by 9 percent during 2017.

As of 31 December 2017 the market capitalization amounted to approximately MSEK 4,195 (3,423).

New share issue

A new share issue of 6 million shares was made in August 2017 as part of the consideration for Manor Farm. As of 31 December 2017, the total number of shares thereby amounted to 66,060,890 compared to 60,060,890 as of 31 December 2016.

Ownership structure

As of 31 December 2017 the number of shareholders totalled 6,074 (8,501). The holding of the ten largest owners corresponded to 51 (45) percent of the share capital. As of 31 December 2017 approximately 58 percent of the share capital was owned by Swedish institutions, unit trusts and private individuals.

Dividend

The Board of Directors proposes a dividend of SEK 1.80 (1.35) per share for 2017, corresponding to a total dividend of approximately MSEK 117.6 (80.2). The proposed dividend corresponds to approximately 56 (57) percent of income for the year, adjusted for non-comparable items.

Scandi Standard's dividend policy is to distribute approximately 60 percent of income for the year, adjusted for non-comparable items, on average over time. The pay-out ratio should be determined taking into account the financial position and future growth opportunities.

Share-based incentive programme

Scandi Standard has three share-based long-term incentive programmes for key employees, LTIP 2015, LTIP 2016 and LTIP 2017. See Notes 1 and 5 for information about these programmes.

PRICE DEVELOPMENT, THE SCANDI STANDARD SHARE, 2014—2017

OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2017

Holding	No. of shareholders	No. of shares	Voting rights and share capital, %
1–500	4,519	632,177	1.0
501–1,000	641	527,820	0.8
1,001–10,000	704	2,206,981	3.3
10,001–20,000	57	819,674	1.2
20,001–	153	61,874,238	93.7
Total	**6,074**	**66,060,890**	**100.0**

DATA PER SHARE, SEK

	2017	2016
Adjusted earnings per share[1]	3.29	2.38
Earnings per share	2.73	2.21
Dividend per share	1.80[2]	1,35
Adjusted cash flow from operating activities[1], per share	4.02	2.12
Equity per share	22.30	16.33
Average number of shares	61,570,177[3]	59,542,034
Number of shares at the end of period	66,060,890[4]	60,060,890

1) Adjusted for non-comparable items, see page 39.

2) Proposed by the Board.

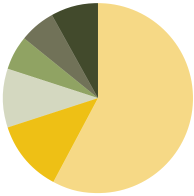
3) 163,700 (214,900) own shares were repurchased in 2017.

4) A new share issue of 6,000,000 shares directed to the sellers of Manor Farm was made in August 2017 as part of the total consideration. See pages 41–42.

LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2017

Name	No. of shares	Share capital, %
Investment AB Öresund	7,222,497	10.9
Carton Group ULC	6,000,000	9.1
Carnegie Fonder	4,560,977	6.9
Lantmännen Animalieinvest AB	3,303,461	5.0
Fidelity Funds - Nordic Fund	2,551,313	3.9
Cliens Fonder	2,388,650	3.6
Fjärde AP-fonden (AP4)	2,247,433	3.4
Aktie-Ansvar Fonder	2,084,400	3.2
RBC Investor Services Bank S.A.	1,797,344	2.7
Länsförsäkringar Fondförvaltning AB	1,788,244	2.7
Other	32,116,571	48.6
Total	**66,060,890**	**100.0**

GEOGRAPHIC DISTRIBUTION OF THE SHARE OWNERSHIP



58% SWEDEN
12% LUXEMBOURG
10% IRELAND
6% USA
6% UK
8% OTHER

CHICKEN BURGERS

SERVES 4
500 g organic chicken mince
1 egg
250 cl cream
Salt and pepper
Pinch of ground nutmeg
Approx. 1 dl Panko
or ordinary breadcrumbs

Put all the ingredients for the mince in a food processor. Everything should be well chilled, including the bowl. Add salt and blitz the mince in the food processor for about 30 seconds. Add the egg, cream, pepper, nutmeg and 1/2 tsp salt. Shape the mix into burgers and sprinkle with Panko crumbs. Brown in a pan and then finish in a 100° oven until the core temperature reaches 75°.

Contents

Report by the Board of Directors

- Net sales increased to MSEK 7,100.9 (5,967.4), of which newly acquired Manor Farm accounted for MSEK 596,3.
- Manor Farm, the leading producer of chicken in the Republic of Ireland, was acquired as of 28 August 2017.
- Excluding Manor Farm, net sales increased by 9 percent and by 8 percent at constant exchange rates. All countries contributed to the increase.
- Adjusted operating income[1] rose to MSEK 329.1 (251.6), corresponding to a margin of 4.6 (4.2) percent. Manor Farm is included with MSEK 36.3.
- Adjusted operating income[1] improved in Denmark, Norway and Finland, but declined in Sweden.
- Adjusted operating income[1] includes third-party compensation in a total amount of MSEK 36.7 for part of the effects of the increased levels of campylobacter in the Valla facility in Sweden during the first half of the year.
- The bird flu negatively affected adjusted operating income[1] by approximately MSEK 46 (29), mainly referring to Sweden.
- Income for the year increased to MSEK 167.9 (131.4) and earnings per share were SEK 2.73 (2.21).
- Adjusted operating cash flow[1] amounted to MSEK 213.1 (112.7) positively impacted by higher income and lower capital expenditure.
- Net interest-bearing debt increased to MSEK 1,885.6 (1,515.4), due to the acquisition of Manor Farm.
- The Board of Directors proposes a dividend for 2017 of SEK 1.80 (1.35) per share, an increase of 33 percent.

KEY FIGURES	2017	2016
Net sales, MSEK	7,100.9	5,967.4
EBITDA, MSEK	524.6	438.2
Operating income, MSEK	294.7	238.2
Income after finance net, MSEK	223.6	166.9
Income for the year, MSEK	167.9	131.4
Earnings per share, SEK	2.73	2.21
Dividend, SEK	1.80[2]	1.35
Return on equity, %	13.8	13.9
Equity/asset ratio, %	28.2	27.8
Net debt, MSEK	1,885.6	1,515.4
Average number of employees	2,264	1,680

Adjusted for non-comparable items[2]	2017	2016
EBITDA, MSEK	559.0	451.6
EBITDA margin, %	7.9	7.6
Operating income, MSEK	329.1	251.6
Operating margin, %	4.6	4.2
Operating cashflow, MSEK	213.1	112.7
Return on capital employed (ROCE), %	11.1	10.3
Return on equity, %	16.0	15.0

[1] For the non-comparable items, see page 39.
[2] Proposed by the Board.

Net sales and income

Net sales

Net sales for 2017 increased to MSEK 7,100.9 from 5,967.4 in 2016. The newly acquired Irish company Manor Farm, which was consolidated as of 28 August 2017, is included with net sales of MSEK 596.3. Excluding Manor Farm, net sales increased by 9 percent and by 8 percent at constant exchange rates.

Net sales increased by 7 percent in Sweden, 8 percent in Denmark, 3 percent in Norway and 90 percent in Finland.

Net sales by product category rose by 6 percent for chilled products and by 9 percent for frozen products at constant exchange rates, excluding Manor Farm.

Income

Operating income, adjusted for non-comparable items, increased to MSEK 329.1 from MSEK 251.6 in 2016, corresponding to a margin of 4.6 (4.2) percent. Manor Farm is included with MSEK 36.3.

Adjusted operating income improved in Denmark and Norway, but declined in Sweden. Adjusted operating income in Finland was still negative, but improved from the previous year.

Adjusted operating income includes compensation from third-party in a total amount of MSEK 36.7 for a part of the effects of the increased levels of campylobacter in the Valla facility in Sweden during the first half of the year. Of these MSEK 21.7 is included in adjusted operating income for Sweden and MSEK 15,0 in Group costs.

The bird flu had a negative impact of approximately MSEK 46 (29) on adjusted operating income. The total impact on adjusted operating income in 2016 was approximately MSEK 40, of which MSEK 11.2 was include in non-comparable items.

Operating income, including non-comparable items, increased to MSEK 294.7 (238.2), corresponding to a margin of 4.2 (4.0) percent. Manor Farm is included with MSEK 36.3.

Non-comparable items amounted to MSEK –34.4 (–13.4), see table on page 39.

Income for the year amounted to MSEK 167.9 (131.4), corresponding to earnings per share of SEK 2.73 (2.21).

Impact of bird flu

Effects of the bird flu had a negative impact on adjusted operating income of approximately MSEK 46 (29), of which MSEK 35 referred to Sweden and MSEK 11 to Denmark.

The prevalence of the bird flu was detected in several European countries during 2016 and from November also in Denmark, Sweden and Finland, which led to trade bans regarding poultry products from mainly markets in Asia where the Group sells chicken feet and the surplus of wings and legs.

Denmark was declared free of bird flu at the end of the first quarter 2017 and trade bans were lifted. A new case of bird flu was detected in a Swedish commercial flock during the second quarter 2017 and trade restrictions for Swedish poultry products still remain.

Expected impact in 2018

A continued negative impact of approximately MSEK 1–3 per month on operating income for Sweden is expected in 2018 until the remaining trade restrictions are lifted.

Non-comparable items

Non-comparable items in 2017 amounted to MSEK –34.4 (–13.4), see table below.

Non-comparable items in EBITDA and operating income

MSEK	2017	2016
Staff reduction costs[a)]	–1.5	–4.5
Write-down of inventory[b)]	–	–6.7
Restructuring of production[c)]	–19.2	–
Costs related to fire[d)]	–4.0	–
Transaction costs[e)]	–24.9	–2.2
Revaluation of contingent consideration[f)]	29.8	–
Cancellation of leasing contract[g)]	–14.6	–
Total	**–34.4**	**–13.4**

a) Costs for staff reductions in Sweden in the fourth quarter 2017 and in Denmark in the fourth quarter 2016.

b) Write-down of inventory in Denmark in the fourth quarter 2016.

c) Restructuring of and changes in production in Sweden.

d) Costs related to a fire in Sødams' facility in Denmark.

e) Deal fees related to the acquisition of Manor Farm in the Republic of Ireland 2017 and the majority shareholding in Sødams in Denmark in 2016.

f) Revaluation of contingent consideration in connection with the acquisition of the remaining 20 percent of the shares in Sødams in Denmark.

g) Costs for cancellation of a leasing contract and project costs in Sweden.

Cash flow and investments

Adjusted operating cash flow in 2017 amounted to MSEK 213.1 (112.7). Cash flow was positively impacted by higher income and lower capital expenditure compared to the previous year.

Working capital as of 31 December 2017 amounted to MSEK 616.1 (352.2), corresponding to 7.5 (5.9) percent of net sales[1)]. The increase refers partly to the acquired operation in Ireland, but also to higher inventories and trade receivables. Trade receivables increased by MSEK 110.8, mainly driven by the growth in net sales. Inventories increased by MSEK 56.6, mainly due to the decline in demand in Sweden and export restrictions due to the bird flu.

1) Net sales for the Group in 2017 including net sales for Ireland 2017 proforma.

Capital expenditure

Net capital expenditure in 2017 amounted to MSEK 198.8 (265.4). The decline referers mainly to the fact that the extension of the Valla facility in Sweden was finalised in the previous year. Larger projects in 2017 included a new packaging line in Finland, as well as measures to improve food safety in the Valla facility in Sweden.

Approximately 75 percent of the capital expenditure in 2017 referred to productivity improvement measures and approximately 25 percent to maintenance.

Change in net debt

MSEK	2017	2016
Opening balance net debt	**–1,515.4**	**–1,313.0**
EBITDA[1)]	559.0	438.2[2)]
Change in working capital	–147.1	–60.1
Net capital expenditure	–198.8	–265.4
Operating cashflow	**213.1**	**112.7**
Paid interest	–59.0	–59.3
Paid income tax	–3.1	–25.1
Dividend	–80.2	–107.3
Acquisition	–274.1	–30.2
Other[3)]	–166.9	–93.2
Total change in net debt	**–370.2**	**–202.4**
Closing balance net debt	**–1,885.6**	**–1,515.4**

1) Adjusted for non-comparable items in 2017 of MSEK –34.3 (–13.4), see table to the left.

2) Not adjusted for non-comparable items.

3) Includes net debt assumed from Manor Farm.

Financial position

Total equity as of 31 December 2017 amounted to MSEK 1,454.6 (972.0). The equity to assets ratio was 28.2 (27.8) percent.

The issue of 6 million shares in August 2017 directed to the sellers of Manor Farm increased equity by approximately SEK 60,000 to SEK 659,663 and the total number of shares to 66,060,890.

Net interest-bearing debt as of 31 December 2017 amounted to MSEK 1,885.6 (1,515.4). The increase refers to the acquisition of Manor Farm. Net debt/adjusted EBITDA was 2.9 (3.4). Cash and cash equivalents amounted to MSEK 30.2 (23.2). Committed but not utilized credit facilities as of 31 December 2017 amounted to MSEK 389.5.

Transactions with related parties

Scandi Standard has an agreement with Lantmännen, a major shareholder, for the rental of the facility in Åsljunga, Sweden. Rental costs in 2017 under this agreement amounted to MSEK 2.2 (2.2).

Segment information

Sweden

MSEK	2017	2016	Change
Net sales	2,556.7	2,391.9	7%
Adjusted operating income	151.3	174.0	–13%
Adjusted operating margin	5.9%	7.3%	–
Non-comparable items	–35.3	–1.1	–
Operating income	116.0	172.9	–33%

Net sales for the Swedish operation in 2017 increased by 7 percent to MSEK 2,556.7 (2,391.9). Net sales declined by 10 percent for chilled products and increased by 30 percent for frozen products.

Adjusted operating income declined by 13 percent to MSEK 151.3 (174.0), corresponding to a margin of 5.9 (7.3) percent. A lower share of net sales in chilled products compared to the previous year and more campaigns had an adverse effect on adjusted operating income and margin.

Adjusted operating income includes third-party compensation in a total amount of MSEK 21.7 for part of the effects of the increased levels of campylobacter in the Valla facility during the first half of 2017, which were caused by an installation failure in the new washing system.

The effects of the bird flu had a negative impact of approximately MSEK 35 on adjusted operating income compared to approximately MSEK 14 last year.

The retail market for chicken products in Sweden declined in 2017 by 1 percent in value compared to 2016. Chilled products declined by 4 percent in value, while frozen products increased by 2 percent in value. The decline in demand was mainly caused by the attention paid to reports from the Swedish National Food Agency regarding increased levels of campylobacter in chicken during the first half of the year. The levels of campylobacter during the second half of the year was lower than normal. The decline in market demand led to an oversupply of chicken and increased pressure on prices.

Denmark

MSEK	2017	2016	Change
Net sales	2,529.3	2,332.0	8%
Adjusted operating income	120.6	94.5	28%
Adjusted operating margin	4.8%	4.1%	–
Non-comparable items	–4.0	–11.9	–
Operating income	116.6	82.6	41%

Net sales for the Danish operation in 2017 increased by 8 percent to MSEK 2,529.3 (2,332.0) and by 7 percent in local currency.

The increase in net sales was mainly achieved through extra deliveries of ready-to-eat products to a large European customer in the fourth quarter. Higher sales in the retail channel and increased exports at higher prices also contributed.

Adjusted operating income increased by 28 percent to MSEK 120.6 (94.5), corresponding to a margin of 4.8 (4.1) percent.

The effects of the bird flu had a negative impact of approximately MSEK 11 on adjusted operating income compared to approximately MSEK 12 in the previous year.

The retail market for chicken products in Denmark increased in in 2017 by approximately 2 percent in value compared with 2016. Chilled products grew by 3 percent in value, while frozen products declined by 2 percent in value.

Norway

MSEK	2017	2016	Change
Net sales	1,483.0	1,433.7	3%
Adjusted operating income	122.0	94.9	29%
Adjusted operating margin	8.2%	6.6%	–
Non-comparable items	–	–	–
Operating income	122.0	94.9	29%

Net sales for the Norwegian operation in 2017 increased by 3 percent to MSEK 1,483.0 (1,433.7) and by 2 percent in local currency.

The increase in net sales refers to the retail channel, while net sales to the food service channel declined due to a rationalization of the product range.

Adjusted operating income increased by 29 percent to MSEK 122.0 (94.9), corresponding to a margin of 8.2 (6.6) percent. The increase in adjusted operating income and margin was attributable mainly to an improved product mix and greater efficiency in production.

The retail market for chicken products in Norway in 2017 grew by 3 percent in value compared to 2016. Chilled products grew by 4 percent in value, while frozen products declined by 4 percent in value compared to the previous year.

Finland

MSEK	2017	2016	Change
Net sales	328.5	172.7	90%
Adjusted operating income	–43.0	–52.4	18%
Adjusted operating margin	–13.1%	–30.3%	–
Non-comparable items	–	–	–
Operating income	–43.0	–52.4	18%

Net sales for the Finnish operation in 2017 increased by 90 percent to MSEK 328.5 (172.7) and by 87 percent in local currency.

Adjusted operating income amounted to MSEK –43.0 (–52.4). The improvement refers to greater efficiency and yield in production, as well as a more favourable product mix. Adjusted operating income was also positively impacted by a reduction in the number of employees in production, which was implemented in the third quarter.

The effects of the bird flu had no negative impact on adjusted operating income in 2017 compared to approximately MSEK 3 in 2016.

Ireland

MSEK	2017	2016	Change
Net sales	596.3	–	–
Adjusted operating income	36.3	–	–
Adjusted operating margin	6.1%	–	–
Non-comparable items	–	–	–
Operating income	36.3	–	–

Manor Farm is included in the Group's accounts from 28 August 2017.

Net sales for the Irish operation since it was incorporated into the Group amounted to MSEK 596.3.

Adjusted operating income amounted to MSEK 36.3, corresponding to a margin of 6.1 percent.

Pro forma figures, which are presented for illustrative purpose to show how the segment would have contributed to the Group's net sales, adjusted operating income and operating income if it had been part of the Group from 2016, can be found on pages 92–93.

Acquisition of Manor Farm

On 26 June 2017, Scandi Standard entered into an agreement to acquire Manor Farm, the largest chicken processor and market leader in the Republic of Ireland (Ireland). The acquisition was completed as of 28 August 2017 through the takeover of 100 percent of the shares in Carton Bros ULC.

Manor Farm produces approximately 40 percent of all chilled chicken sold in the Irish retail market and approximately 20 percent of all chicken consumed in Ireland. The processing facility is located in Shercock in County Cavan. The company has approximately 129 farmers contracted as growers of chickens and approximately 45 farmers contracted as breeders of parent stock. The operation includes a feed mill for production of feed to the contracted growers with an annual production of approximately 170 000 tons.

The acquisition provides Scandi Standard with further economies of scale, opportunities for exchange of best practice as well as increased risk diversification through the presence on an additional geographical market.

Total consideration

The total consideration amounted to MEUR 106.5 and consisted of MEUR 29.1 in cash, the assumption of outstanding interest-bearing debt in the amount of MEUR 9.6, and 6 million newly issued shares in Scandi Standard. In addition, a contingent consideration will be paid.

The contingent consideration will be paid depending on the development of the EBITDA of the acquired business during the years 2017–2020, with a first payment of MEUR 0.4 if EBITDA in 2017 exceeds MEUR 13. The remaining parts of the contingent consideration, which have a nominal aggregate base amount of MEUR 35, are subject to adjustments based on the actual EBITDA for each of the years 2018, 2019 and 2020 compared to EBITDA for 2016. For calculation of each part of the contingent consideration, a sliding EV/EBITDA multiple scale used ranging from a minimum multiple of zero to a maximum multiple of 9. The parts of the contingent consideration will be paid upon availability of audited accounts for the relevant year.

Transaction costs
Costs related to the acquisition have been expensed as incurred and amounted to MSEK 24.9 in total. The costs refer to due diligence, advice regarding the transaction and stamp duty, and have been reported as non-comparable items in the income statement.

Acquisition of remaining shares in Sødams

The remaining 20 percent of the shares in the Danish company Sødams Øko Fjerkræslagteri ApS was acquired in the third quarter 2017 in accordance with the option in the purchase agreement from 2016.

A revaluation of the contingent contribution by MSEK 29.6 was made in connection with the acquisition, which was reported in non-comparable items.

Purchase of own shares

In accordance with the authorization by the Annual General Meeting 2017, Scandi Standard has purchased own shares during the year to secure the cost and delivery of shares to participants in the Group's long-term incentive program 2017 (LTIP 2017). A total of 163,700 shares were purchased during November and December, corresponding to 0.2 percent of the total number of outstanding shares. The shares were purchased on Nasdaq Stockholm.

The Scandi Standard share

As of 31 December 2017, the share capital in Scandi Standard amounted to SEK 659,663 (599,749), comprising 66,060,890 (60,060,890) shares. Each share carries one vote. All shares have equal rights to the Company's assets and profits.

There are no restrictions on the transfer of shares, voting rights or the right to participate in the Annual General Meeting, nor is the Company party to any significant agreements which might be affected, changed or terminated if control of the Company were to change as a result of a public bid for acquisition of shares in the Company, with the exception of the Group's bank agreement. The Company is not aware of any agreements between shareholders which might limit the right to transfer shares. In addition, there are no stipulations in the Articles of Association regarding appointment or dismissal of Board members or agreements between the Company and Board members or employees which require remuneration if such persons leave their posts, or if employment is terminated as a result of a public bid to acquire shares in the Company.

As of 31 December 2017, the three largest shareholders were Investment AB Öresund, Carton Group Unlimited Company and Carnegie Fonder with 10.9, 9.1 and 6.9 percent of the share capital respectively. For information on major shareholders, see page 35.

Environmental activities

Scandi Standard operates 12 larger production facilities, of which four in Sweden, three in Norway, two in Denmark, one in Finland and two in the Republic of Ireland. Permits and notification requirements are in accordance with local legislation for all units. The main direct environmental impacts are noise, emissions into the air and water, and temporary storage of hazardous waste. There was no non-compliance reported in 2017.

Sustainability report

In accordance with the Annual Accounts Act, Chapter 6, 11§, Scandi Standard has chosen to prepare a sustainability report that is separated from the Annual Report. The extent of the sustainability report is stated on page 31.

Personnel

The average number of employees (FTE) in 2017 was 2,264 (1,680), of which 794 (699) in Sweden, 729 (644) in Denmark, 315 (257) in Norway, 135 (80) in Finland and 291 (-) in Ireland since the acquisition. See Note 5.

Annual General Meeting 2018

The Annual General Meeting (AGM) 2018 will be held on 22 May at 1 pm in Wallenbergssalen, at the IVA Conference Center, Grev Turegatan 16 in Stockholm, Sweden. More information about the AGM is available on: http://investors.scandistandard.com/en/agm.

Proposed appropriation of earnings

The Board of Directors and the Managing Director propose a dividend for 2017 of SEK 1.80 (1.35) per share, for a total dividend payment of approximately MSEK 117.6 (80.2), based on the number of outstanding shares as of 31 December 2017, except for shares that are expected to be held by the Company itself on the record date for the dividend, and is therefore subject to change if the Company acquires or disposes own shares before the record date. Accordingly, the Company has taken into account the expected allotment under LTIP 2015.

The proposed dividend corresponds to approximately 56 (57) percent of income for the year adjusted for non-comparable items.

Scandi Standard's dividend policy is to distribute a dividend of approximately 60 percent of income for the year, adjusted for non-comparable items, on average over time. The pay-out ratio shall take into account the financial position and future growth opportunities.

The proposed record date is 24 May 2018. The last day of trading in Scandi Standard shares including the right to dividend for 2017 is 22 May 2018.

SEK	2017	2016
Share premium reserve	974,718,450	702,724,690
Accumulated deficit	–53,225,921	–42,953,579
Income for the year	0	0
Total	**921,492,529**	**659,771,111**
Dividend to shareholders of SEK 1.80(1.35) per share	117,573,237	80,186,325
To be carried forward	803,919,292	579,584,786
Total	**921,492,529**	**659,771,111**

It is the the assessment of the Board and the Managing Director that the proposed dividend is justifiable with regard to the demands on the Company and Group equity imposed by the type, scope and risks of the business and with regard to the Company's and the Group's financial strength, liquidity and overall position.

Proposal regarding guidelines for remuneration to senior management

The Board of Directors proposes that the below guidelines for remuneration for the senior management be applied until the Annual General Meeting 2019.

In these guidelines, the senior management means the Managing Director of the Company, the senior managers in the Company and other Group companies who, from time to time, are reporting to the Managing Director or the CFO and who are also members of the senior management, as well as Board members of the Company that have entered into an employment or consulting agreement with a Group company. Salaries and other terms and conditions of employment shall be adequate to enable the Company and the Group to retain and recruit skilled senior managers at a reasonable cost. The remuneration to the senior managers shall consist of fixed salary, variable salary, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

Principles for fixed salary

Each senior manager shall be offered a fixed salary in line with market conditions and based on the manager's responsibility, expertise and performance.

Principles for variable salary

All senior managers may, from time to time, be offered a variable salary (i.e., cash bonuses). The variable salary shall be based on a set of financial and personal objectives determined in advance. The variable salary may not amount to more than 75 per cent of the fixed salary (in this context, fixed salary means cash salary earned during the year, excluding pension, benefits and similar). To the extent a Board member performs work for the Company, in addition to ordinary board work, a market-based consulting fee may be paid.

Principles for incentive programs

The General Meeting may resolve on long-term incentive programs such as share and share price-related incentive programs for the members of the senior management. Such incentive programs shall be designed to promote the long-term value growth of the Company and the Group and increase alignment between the interests of the participating individual and the Company's shareholders.

Principles for pensions, salary during periods of notice and severance pay

Agreements regarding pensions shall, where applicable, be premium based and designed in accordance with the level and practice applicable in the country in which the member of senior management is employed. Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for two years. The total severance payment for all members of the senior management shall be limited to the current monthly salary for the remaining months up to the age of 65.

Principles for deviations from the guidelines

The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying a deviation.

Proposal for long-term incentive program

The Board of Directors has decided to propose to the AGM a long-term incentive program 2018 (LTIP 2018) for key employees which is designed to promote the long-term value growth of the Company and the Group and increase alignment between the interests of the participating individual and the Company's shareholders. The program is of the same type as LTIP 2015, LTIP 2016 and LTIP 2017. The program comprises a maximum of 26 participants.

Performance share rights shall be allotted free of charge to the participants in relation to a fixed percentage of their base salary (fixed salary). After a three-year vesting period commencing in connection with the implementation of LTIP 2018 and provided that certain conditions are fulfilled, the participants may exercise their performance share rights through which they will be allotted shares in the Company free of charge.

In order for performance share rights to entitle to allotment of shares, it shall be required that the participant remains employed and has not given or been given notice of termination of employment within the Group during the vesting period.

In order to secure the delivery of shares under LTIP 2018 and for the purpose of hedging social security charges under LTIP 2018, the Board of Directors proposes that the Board of Directors be authorized to acquire a maximum of 337,634 shares in the Company on Nasdaq Stockholm. In addition, the Board of Directors proposes that the AGM resolves to transfer a maximun of 289,975 own shares to the participants of LTIP 2018 in accordance with the terms of the program.

Apart from LTIP 2015, LTIP 2016 and LTIP 2017, Scandi Standard has no other share- or shareprice related incentive programs. The intention is that a program similar to LTIP 2018 will be proposed annually to the AGM in the coming years.

Full details of LTIP 2018 are included in the notice to the AGM 2018. For information about LTIP 2015, LTIP 2016 and LTIP 2017, including impact on key ratios, dilution etc. see Note 5.

RISKS AND RISK MANAGEMENT

Scandi Standard's ability to reach its financial and other targets is dependent on the Group being able to maintain its strong market shares and brand positions, to continuously launch new, innovative and safe products, and to have cost-efficient and flexible production.

As all business activities involve risks, an effective risk management process is required to protect current assets and realise the Group's potential. Risks that are managed effectively can be reduced and result in opportunities and value creation, while risks that are not managed correctly can result in damage and value destruction.

The Group has a formalised and proactive risk management process, with clearly established roles and areas of responsibility. This involves risks being identified, evaluated, managed and followed up as a natural part of its corporate governance.

The risks are described below in no particular order of priority and without claiming to be exhaustive. Other risks and uncertainties presently unknown to the Group, or which the Group at present deems to be insignificant, could have a significant adverse impact in the future.

Risks and uncertainties

Risks connected with Scandi Standard's operations can generally be divided into strategic risks, operational risks, risks related to compliance with external laws and regulations and internal steering documents, reporting risks and financial risks.

All risks can have a negative impact on Scandi Standard's net sales, financial results and financial position, and affect the Group's ability to achieve the strategic, operational and financial goals that have been set.

Policies, instructions and manuals have been established to ensure that the strategic risks are taken into account when making important business decisions and to govern and control operations.

Strategic risks

Strategic risks are linked to business development and long-term planning, as well as brand value. These risks are largely dealt with by the Board of Directors as part of the annual strategy process, and in the work to establish the Group's annual business plan and budget.

Operational risks

Operational risks arise in the course of the day-to-day running of the businesses and are mainly managed by Group Management and other managers with operational responsibility.

Risks related to compliance with external laws and regulations as well as internal steering documents

These risks are related to inadequate compliance with applicable external laws and regulations as well as internal steering documents.

For more about important external laws and regulations and internal steering documents, see page 96 of the Corporate governance report. These include the Swedish Corporate Governance Code and the Scandi Standard Code of Conduct for example. In the case of financial reporting, this is to be prepared in accordance with external laws, accounting standards and other requirements applicable to listed companies.

Reporting risks

Reporting risks are related to the internal and external reporting in general and to the financial reporting in particular.

A description of internal control and risk management in the Group related to the financial reporting can be found in the Corporate governance report on page 101.

Financial risks

Through its international operations, the Group is exposed to various types of financial risks by the nature of its operations. These include fluctuations in the Group's financial results, financial position and cash flow due to currency risks, interest rate risks, refinancing and liquidity risks as well as credit and counterparty risks.

Sensitivity analysis

A sensitivity analysis of important factors affecting the Group's financial results is shown below. The analysis is based on values as of 31 December 2017 and assumes that all other factors remain unchanged.

			Change in exchange rates in relation to SEK		
	Average sale price	Costs of goods sold	DKK	NOK	EUR
Change on an annual basis	±1 %	±1 %	±5 %	±5 %	±5 %
Approximate impact on operating income	±71 Mkr	±61 Mkr	±6 Mkr	±6 Mkr	±3 Mkr

STRATEGIC RISKS

Risks	Description	Management
Dependency on a few major customers	The Group's five largest customers represented approximately 44 percent of net sales in 2017, and the ten largest approximately 62 percent. This is partly due to the fact that the Nordic food retail market is consolidated with only a few major chains in each country. Loss of customers or volumes with customers can have a substantial negative impact on the Group's net sales and financial results.	• Annual strategy process. • Reporting of sales and results to Group Management and other members of operational management on a weekly basis. • Group Management holds meetings every two weeks to review the results, to update forecasts and plans, and to discuss critical issues.
Access to birds to maintain current operations and achieve growth	It is almost exclusively external contract breeders in their local markets that breed chickens. The Group is dependent on buying significant volumes in order to maintain its current operations and achieve growth.	• The Group works closely with its contracted breeders on the efficiency and quality of the breeding and to promote good animal husbandry. • Continue to strenghten cooperation with the breeders overall and in terms of the legal agreements, and to formalize the follow-up.
New trends that could lead to lower demand for chicken	Demand for the Group's products can be affected by trends in health, diets, animal welfare, ethical values relating to animal husbandry, and the environment, which can also affect production costs.	• Greater focus on sustainability work throughout the organisation and the supply chain, including stakeholder dialogues. • A Group Sustainability Director and a Group Bio Security Officer were appointed during 2017. • Long-term marketing studies.
Changes in retail marketing	The retail sector is Scandi Standard's largest sales channel, representing more than half of Group sales. Retail has a major impact on the buying behaviour of consumers, for example, by where the goods are located in the store, shelf space and sales promotion. An increase in online sales can lead to changes in volumes and market shares for the Group's most important customers.	• The Group works actively with trade organisations and retail to promote the chicken category and to ensure that the demand is stimulated, for example, through store design, allocation of shelf space and sales promotion.

Risks	Description	Management
Political risks	The Nordic markets are governed by extremely strict and extensive regulations on hygiene, food safety and animal welfare. New or changed conditions for running the business, for example, regulations on climate issues, can result in unforeseen costs and require extensive investments. Inability to adapt the business could damage the reputation of the Group among customers and shareholders.	• Continuous improvement of work processes and quality management systems to ensure high food safety and quality throughout the value chain. • Greater focus on sustainability work throughout the organisation and the value chain. • Certification of the production facilities in accordance with global and leading standards. • Continuous tests in production for salmonella and campylobacter.
Brand damage	Any issues with the quality of products, production processes, animal husbandry or in other parts of the value chain can lower trust in the Group's bands and result in lower sales volumes.	• Internal codes, policies, instructions and manuals. • A process has been established to capture learnings from events that have occurred.
Company culture and the ability to attract competent employees	Motivated employees with the right competence are crucial to drive the Group's development and achieve the goals that have been set.	• Leadership development. • Annual employee survey (ScandiPuls). • More work on Employer branding. • Succession planning. • Further increase focus on sustainability work.

OPERATIONAL RISKS

Risks	Description	Management
Fluctuations in demand	In the event of a sudden increase or decline in demand, the Group may not be able to make an immediate adjustment to production, which may result in the build-up of inventory. Production costs have a substantial impact on the Group's financial results. The main cost items are personnel, distribution, energy and property costs.	• To some extent, the negative effect can be limited for example by freezing products and selling them later as frozen products with a longer shelf life. • Continuous focus on maximising the production processes and throughput in production. • Minimising waste, downtime and overtime are other important factors that affect the production costs and the profitability of a facility. • Continuous focus on planning, processes and systems.
Price competition	The domestic production of chicken-based food products in the Nordic countries is consolidated to a few main producers in each country. There is strong competition to maintain and strengthen positions in the retail and food service markets. Some competitors do not only specialise in chicken and are therefore not as dependent on maintaining prices and margins on chicken products.	• The Group is the largest producer in the Nordic region and has significant economies of scale and competitive advantages as a result of its high volumes, broad product range and strong brands. • Greater investments in product development and in processed product categories. Transfer of best practice between the countries to gain economies of scale.
Export prices	Fluctuations in export prices and for certain chicken parts that are sold on the export markets can affect in particular the profitability of the Danish business, which has a high proportion of exports.	• Drive export sales of further processed products and reduce exports of standard products.

Risks	Description	Management
Changes in purchasing costs	Total external purchasing costs in 2017 amounted to MSEK 4,150, of which the major part refers to the purchase of live chickens. The chickens are largely sourced from third party growing farms in each local market. By acquiring Manor Farm the Group is exposed to changes in the price of feed through the feed mill that is part of the business and that produces feed for the Company's breeders.	• The Group's purchasing department works closely with suppliers to manage materials supply and monitor the financial stability, quality assurance systems and delivery capacity of suppliers.
Disease outbreaks among the animals	Outbreaks of diseases among the animals within the Group, in the markets where Scandi Standard operates, other geographical markets or at competitors' facilities can have a negative impact on demand for chicken products. The greatest risk is an outbreak of bird flu or similar viruses, which can result in trade bans that restrict the Group's export sales, even if the disease has not been detected in the Group's value chain. Salmonella infection is a constant challenge for the entire poultry industry.	• Nordic chicken is considered to be of the highest quality as a result of the strict rules regarding animal health and welfare. • The Group has extensive experience and well-developed processes throughout the value chain to prevent disease outbreaks. • The Scandi Quality Chicken Program was developed in 2017 and is a Groupwide programme detailing the quality requirements for animal welfare. It applies to all breeders, irrespective of their country. • The costs of any damage are minimised through insurance solutions, when available.

OPERATIONAL RISKS cont.

Risks	Description	Management
Product quality and product safety Disruptions in production or in the supply chain	Supplying food which is safe to eat is decisive for the Group's success and survival. If internal processes in production and in the rest of the supply chain do not work as intended, it can have a negative impact on product quality and product safety, which can lead to lower sales volumes and less trust in the Group's brands. Typically an order from a customer must be processed within one to three days. Even minor disturbances to production may make it difficult to fulfil obligations to customers, which can increase the risk of customers changing supplier. Customers may sometimes also be entitled to compensation. A large proportion of the Group's products are sold as fresh food, which due to expiration dates must be distributed and sold to customers shortly after production. There may also be disruptions to the production as a result of fire, emissions or other damage to material resources.	• Continuous focus on improving work processes and quality management systems to ensure high food quality throughout the value chain. • Ethical risks, risks in the supply chain and raw material risks are mostly managed by implementing the Group's Supplier Code of Conduct, which is included in every agreement, and by regularly monitoring compliance with this Code of Conduct. • Tests for salmonella and campylobacter are performed continously in production. • The costs of any damage are minimised through insurance solutions, when available. • Crisis management routines and contingency plans. • Fire alarm on all sites. • Insurance coverage. • Cooperation with suppliers.
Ethical business risks and risks relating to health, the environment and animal husbandry	Weakened trust in the Group and its brands resulting from unethical behaviour, fraud, corruption or bribes. Risks relating to health, safety, the environment and animal husbandry can occur throughout the value chain, including at the Group's facilities. This can put the Group's reputation at risk, which can damage trust in the Group and its brands among customers and consumers, and also make it more difficult to recruit and retain employees.	• Internal systematic work and communication to maintain a sound company culture. • Continuous measures to create a good work environment with a minimised risk of damage. • Implementation of the Group's Code of Conduct and the Supplier Code of Conduct. • In 2017 a whistle-blowing function was set up to enable the reporting of illegal or unethical behaviour that violates the Group's Code of Conduct.

Risks	Description	Management
Risks related to climate change	A growing awareness of climate change can lead to restrictions in emissions that affect the environment, changed or new taxes on energy and transport, as well as changes in the consumers' preferences and buying behaviour.	• The Group is actively working to secure resource efficiency in all parts of the supply chain in terms of the use of energy and water, and managing waste and by-products. The target is to reduce carbon dioxide emissions from the company's own production by 40 percent per produced ton of chicken during the period 2015–2025. For more information, see the section on Sustainability Work on page 26–32.
Lack of internal processes	If roles and divisions of responsibility are unclear within the organisation, crucial action and changes can be delayed or not taken at all until the Group has suffered negative effects or damage.	• Internal codes, policies, instructions and manuals. • Clearly defined areas of responsibility and mandatory reporting for managers and all others in supervisory positions.
Integration of acquisitions	Integration of acquisitions always involves risks. The integration costs can be higher than anticipated, and the synergies may be lower than expected. It can take longer than expected to achieve the goals that were set up for the operations at the time of the acquisition. In August 2017 Manor Farm was acquired in Ireland, a market where Scandi Standard has not previously operated, substantially increasing the Group's net sales.	• Acquisitions are preceeded by thorough due diligence processes. • Following the acquisition of Manor Farm, an Integration Board was set up to provide advice on and follow up the integration work.

RISKS RELATED TO COMPLIANCE WITH EXTERNAL LAWS AND REGULATIONS AS WELL AS INTERNAL STEERING DOCUMENTS

Risks	Description	Management
Compliance with external laws and regulations as well as internal steering documents	The Group operates in several different countries, which means that there are many external laws and regulations governing all aspects of the business. If these are not observed, it can have both legal and financial consequences that can also damage the Group's reputation. As a Swedish public limited liability company listed on Nasdaq Stockholm, Scandi Standard has to follow the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's rule book, the Swedish Corporate Governance Code, and other Swedish and foreign external laws and regulations.	• The Group's management structure with strong local management in each country allows for relevant information to be disseminated quickly within the organisation. • Country risk policies and other internal steering documents, including the Instruction regarding financial reporting, Finance policy, Insider policy, Information policy and others are updated on a regular basis and approved by the Board. • Implementation of the Group's Code of Conduct, the Supplier Code of Conduct and whistle-blowing function. • The Group continuously works to streamline the financial reporting process for external financial information.

REPORTING RISKS

Risks	Description	Management
Inaccuracies in reporting	Errors can affect both internal and external reporting generally but also specifically the financial reporting. For information about the internal control over financial reporting, see the Corporate governance report on pages 101–103.	• Financial and Accounting Manual • The internal audit function and the process for identifying risks have gradually been strengthened.
IT-related risks	Disruptions or faults in critical IT systems can affect both internal and external reporting generally but also specifically the financial reporting.	• IT security policy. • During the year a new system was implemented for Group accounting.

FINANCIAL RISKS

Risks	Description	Management
Transaction and translation exposure	Transaction exposure relates mainly to export sales. Translation exposure is the effect of changes in exchange rates when foreign subsidiaries' income statements and statements of financial position in DKK, NOK and EUR are translated into SEK.	• The financial risks are managed by the Group's central finance function, based on the finance policy that has been established by the Board, and the risk policy for each country. • The Group's currency risk is hedged to some extent by denominating some loans in local currencies.
Interest, refinancing, liquidity, credit and counterparty risks	Interest-bearing liabilities expose the Group to interest rate risks, i.e. changes in market interest rates can negatively affect financial results and cash flow. Risks related to refinancing and liquidity include the risks of higher costs than expected and limited opportunities when renewing loans and other credit arrangements, as well as the risk of the inability to meet payment obligations as a result of insufficient liquidity. Credit and counterparty risks include the risks that a counterparty in a transaction will be unable to discharge its obligations. For more information, see Note 20.	• The interest rate risk is managed by limiting the fixed-rate period and is to a certain extent also secured by using rate swaps. • The Group's outstanding liabilities, including outstanding rate swaps, had a weighted average term of 7 (15) months, as of 31 December 2017. • The refinancing risk is limited by having a well diversified group of counterparties and maturities for the loans. • The weighted average maturity of loans was 4.0 (5.0) years at the end of the year.

CHICKEN STEAK WITH ROASTED ROOT VEGETABLES

SERVES 4

4 Chicken Steaks
Salt, pepper, 1 tbsp oil for frying

4 different colours of carrots
2 yellow beets
1 parsley root or parsnip
1 fennel
2 red onions
Salt, pepper, olive oil
3 tbsp cut parsley

Pan/Oven: Fry the chicken in a pan with the skin side down for about 6 minutes on medium heat. The skin should be crispy. Turn the chicken and fry for approx. 1 min on the other side. Finish the chicken in a hot air oven at 150° (175° ordinary oven) for approx. 15 min.

Peel and cut the root vegetables into even size pieces and toss with oil, salt and pepper. Cut the red onion into 8 pieces and mix in. Lay everything in an roasting tray and roast at 180° for 20–25 min. Top with parsley before serving.

Consolidated financial statements

Consolidated income statement

MSEK	Note	2017	2016
Net sales	4	**7,100.9**	**5,967.4**
Other operating revenues	4, 26	68.0	31.5
Changes in inventories of finished goods and work in progress		54.4	44.3
Raw materials and consumables		−4,330.2	−3,603.2
Cost of personnel	5	−1,399.8	−1,115.0
Depreciation, amortisation and impairment	6	−232.4	−201.3
Other operating expenses	7, 9	−968.7	−886.8
Share of income of associates	13	2.5	1.3
Operating income		**294.7**	**238.2**
Finance income	8, 9	1.1	1.2
Finance expenses	8, 9	−72.2	−72.5
Income after finance net		**223.6**	**166.9**
Income tax expense	10	−55.7	−35.5
Income for the year	27	**167.9**	**131.4**
Whereof attributable to shareholder´s of the Parent Company		167.9	131.4
Average number of shares		61,570,177[1)]	59,542,034[2)]
Earnings per share before dilution, SEK		2.73	2.21
Earnings per share after dilution, SEK		2.73	2.21
Number of shares at the end of the period		66,060,890	60,060,890

[1)] 163,700 shares were repurchased in 2017.
[2)] 214,900 shares were repurchased in 2016.

Consolidated statement of comprehensive income

MSEK	Note	2017	2016
Income for the year		167.9	131.4
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gains and losses in defined benefit pension plans	21	9.4	−28.5
Tax on actuarial gains and losses		−2.1	6.3
Total		**7.3**	**−22.2**
Items that will or may be reclassified to the income statement			
Cash flow hedges		5.3	4.7
Currency effects from conversion of foreign operations		41.8	43.6
Income from currency hedging of foreign operations		−18.2	12.3
Tax attributable to items that will be reclassified to the income statement		−1.1	−1.1
Total		**27.8**	**59.5**
Other comprehensive income for the year, net of tax		**35.1**	**37.3**
Total comprehensive income for the year		**203.0**	**168.7**
Whereof attributable to shareholder´s of the Parent Company		203.0	168.7

Consolidated statement of financial position

MSEK	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Goodwill	12	896.3	703.8
Other intangible assets	12	1,016.8	503.0
Property plant and equipment	11	1,245.0	1,010.8
Participations in associated companies	13	40.2	45.5
Financial assets	14	0.0	0.2
Deferred tax assets	10	39.9	46.8
Total non-current assets		**3,238.2**	**2,310.1**
Current assets			
Biological assets	30	71.7	50.1
Inventory	15	648.8	553.1
Trade receivables and other receivables	16	878.7	400.2
Other short term receivables	16	125.4	87.5
Prepaid expenses and accrued income	16	159.5	72.3
Derivate instruments	20	0.6	0.4
Cash and cash equivalents	17	30.2	23.2
Total current assets		**1,914.9**	**1,186.8**
TOTAL ASSETS		**5,153.1**	**3,496.9**

MSEK	Note	Dec 31, 2017	Dec 31, 2016
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		0.7	0.6
Other contributed equity		974.7	702.7
Reserves		70.5	42.7
Retained earnings		408.7	226.0
Total equity	18	**1,454.6**	**972.0**
Liabilities			
Non-current liabilities			
Non-current interest bearing liabilities	19, 20	1,849.5	1,427.6
Derivate instruments	20	9.1	14.2
Provisions for pensions	21	11.4	19.7
Other non-current liabilities	22	12.0	–
Deferred tax liabilities	10	171.8	109.3
Other non-current provisions	20	318.9	46.3
Total non-current liabilities		**2,372.7**	**1,617.1**
Current liabilities			
Current interest bearing liabilities	19, 20	57.8	96.8
Trade payables	20, 23	715.8	475.5
Tax payables	10	58.7	35.1
Other current liabilities	20, 23	187.6	100.9
Accrued expenses and prepaid income	20, 23	305.9	199.5
Total current liabilities		**1,325.8**	**907.8**
TOTAL EQUITY AND LIABILITIES		**5,153.1**	**3,496.9**

Pledged assets and contingent liabilities, see Note 28.

Consolidated statement of changes in equity

MSEK	Note	Share capital	Other con-tributed equity	Reserves	Retained earnings	Total equity
Opening balance, January 1, 2016		**0.6**	**810.0**	**–16.8**	**131.1**	**924.9**
Income for the year					131.4	131.4
Other comprehensive income, net after tax				59.5	–22.2	37.3
Total comprehensive income				59.5	109.2	168.7
Dividend			–107.3			–107.3
Repurchase own shares					–14.3	–14.3
Transactions with the owners			**–107.3**		**–14.3**	**–121.6**
Closing balance December 31, 2016		**0.6**	**702.7**	**42.7**	**226.0**	**972.0**
Opening balance, January 1, 2017		**0.6**	**702.7**	**42.7**	**226.0**	**972.0**
Income for the year					167.9	167.9
Other comprehensive income, net after tax				27.8	7.3	35.1
Total comprehensive income				27.8	175.2	203.0
Dividend			–80.2			–80.2
Repurchase own shares					–10.4	–10.4
Issue of new shares		0.1	352.8			352.9
Transaction costs related to issue of new shares			–0.6			–0.6
Transactions with the owners		**0.1**	272.0		**–10.4**	**261.7**
Long term incentive programme					**10.9**	**10.9**
Profit from used option to buy shares in Sødams Øko Fjerkraeslagteri Aps					**6.4**	**6.4**
Other changes					**0.6**	**0.6**
Closing balance December 31, 2017	18	**0.7**	**974.7**	**70.5**	**408.7**	**1,454.6**

Consolidated statement of cash flows

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Operating income		294.7	238.2
Adjustment for non-cash items		206.3	180.9
Paid finance items net	29:1	–59.0	–59.3
Paid current income tax		–3.1	–25.1
Cash flows from operating activities before changes in operating capital		**438.9**	**334.7**
Change in inventories and biological assets		–56.6	–49.0
Change in operating receivables		–248.2	–94.0
Changes in operating payables		157.6	82.9
Cash flows from operating activities		**291.8**	**274.6**
INVESTING ACTIVITIES			
Business combinations	29:2	–274.1	–30.2
Investment in property, plant and equipment		–214.2	–265.4
Sale of property, plant and equipment		15.4	–
Cash flows used in investing activities		**–472.9**	**–295.6**
FINANCING ACTIVITIES			
New loans	29:4	1,904.5	19,5
Repayment of loans	29:4	–1,520.8	–87,2
Change in credit facility	29:4	–98.7	93,3
Paid dividend		–80.2	–107,3
Repurchase own shares		–10.3	–14,3
Cash flow in financing activities		**194.5**	**–96,0**
Cash flows for the year		**13.4**	**–117,0**
Cash and cash equivalents at beginning of the period		**23.2**	**142.7**
Currency effect in cash and cash equivalents		–6.4	–2.5
Cash flows for the period		13.4	–117.0
Cash and cash equivalents at end of the year	29:3	**30.2**	**23.2**

Parent Company financial statements

The Parent Company Scandi Standard AB (publ.) owns shares in the subsidiaries in which operations are conducted. These operations are shown in the section that describes the Group. No operations are conducted in the Parent Company and there are no employees.

Parent Company income statement

MSEK	Note	2017	2016
Net sales		–	–
Operating expenses	31	0.0	–
Operating income		**0.0**	**–**
Finance net		11.1	14.6
Income after finance net		**11.1**	**14.6**
Group contribution		–11.1	–14.6
Income tax expense		–	–
Income for the year		**0.0**	**0.0**

Parent Company statement of comprehensive income

MSEK	Note	2017	2016
Income for the year		0.0	0.0
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		**0.0**	**0.0**

Parent Company statement of financial position

MSEK	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Investments in subsidiaries	34	532.7	532.7
Receivables from Group entities	35	405.2	358.8
Total non-current assets		**937.9**	**891.5**
TOTAL ASSETS		**937.9**	**891.5**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		0.7	0.6
Non-restricted equity			
Share premium account		974.7	702.7
Retained earnings		–53.2	–42.8
Income for the year		0.0	0.0
Total equity		**922.2**	**660.5**
Current liabilities			
Liabilities to Group entities		15.7	231.0
Total current liabilities		**15.7**	**231.0**
TOTAL EQUITY AND LIABILITIES		**937.9**	**891.5**

Pledged assets and contingent liabilities, see Note 32.

Parent Company statement of changes in equity

MSEK	Share capital	Share premium account	Retained earnings	Total equity
Equity, January 1, 2016	**0.6**	**810.0**	**–28.5**	**782.1**
Income for the year			0.0	0.0
Dividend		–107.3		–107.3
Repurchase own shares			–14.3	–14.3
Equity, December 31, 2016	**0.6**	**702.7**	**–42.8**	**660.5**
Equity, January 1, 2017	**0.6**	**702.7**	**–42.8**	**660.5**
Income for the year			0.0	0.0
Dividend		–80.2		–80.2
Issue of new shares	0.1	352.8		352.9
Transaction costs related to issue of new shares		–0.6		–0.6
Repurchase own shares			–10.4	–10.4
Equity, December 31, 2017	**0.7**	**974.7**	**–53.2**	**922.2**

For more information about the equity and the share, see Note 18.

Parent Company statement of cash flows

MSEK	2017	2016
OPERATING ACTIVITIES		
Operating income	0.0	0.0
Paid finance items net	11.1	–
Paid current income tax	–	–
Cash flows from operating activities before changes in operating capital	**11.1**	**–**
Changes in operating payables	–211.8	–
Cash flows from operating activities	**–200.7**	**–**
FINANCING ACTIVITIES		
Lending to subsidiaries	305.9	121.6
Paid dividend	–80.2	–107.3
Repurchase own shares	–10.4	–14.3
Paid group contribution	–14.5	–
Cash flows from financing activities	**200.7**	**0.0**
Cash flows for the year	**–**	**–**

Notes to the consolidated financial statements

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Amounts in MSEK unless otherwise stated.

The Board of Directors of Scandi Standard AB (publ.) is domiciled in Stockholm, Sweden.
The address of the main office is Franzéngatan 5. The corporate identity number is 556921–0627.
The Group's operations are described in the Board of Directors' report and in Note 3, Segment reporting. The Group's and Parent Company's financial statements for 2017 will be presented for adoption by the AGM, on May 22, 2018.

Note 1 Accounting policies

The principal accounting policies applied in preparing this annual report are summarized in this note. The same policies are normally applied for both the Parent Company and the Group. Parent Company policies that differ from those of the Group are described under separate headings.

BASIS OF PREPARATION

Scandi Standard's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. IFRS includes International Accounting Standards (IAS) and interpretations of standards from IFRS Interpretations Committee (IFRS IC). In addition to the Annual Accounts Act and IFRS, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

The Parent Company's annual financial statements have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities.

Scandi Standard applies the cost method for measuring assets and liabilities, except for derivative instruments and the categories 'available for-sale financial assets' and 'financial assets and liabilities measured at fair value through profit or loss'. These financial assets and liabilities are not measured at fair value in the Parent Company. Non-current assets and non-current liabilities essentially consist only of amounts expected to be recovered or paid after more than twelve months reckoned from the closing date. Current assets and current liabilities essentially consist only of amounts that are expected to be recovered or paid within twelve months reckoned from the closing date.

Standards, amendments and interpretations that have been adopted by the EU entered into force in 2017 and are applied by the Group

Disclosure Initiative, Amendments to IAS 7

The ammendments to IAS 7 impacts dislosure requirements regarding changes of liabilities due to financing activities. See note 29.

Standards, amendments and interpretations not yet adopted by the Group

IFRS 9, Financial Instruments: Recognition and Measurement

IFRS 9, Financial instruments was publised in July 2014 and replaces the standard IAS 39. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard must be applied for financial years commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed its financial assets and liabilities and assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Based on the assessments performed Scandi Standard concluded that its current hedge relationships qualifies as continuing hedges upon the adoption of IFRS 9 and has updated its hedge documentation in accordance with IFRS 9. This does not have an impact on the company's balance sheet or income statement. Also in other areas IFRS 9 does not have a material impact on Cloetta's consolidated financial statements. The Group applies the new rules retrospectively from 1 January 2018.

The following accounting principles will be applied with effect from the adoption of IFRS 9 on 1 January 2018:
From 1 January 2018, the Group classifies its financial assets into the following categories: fair value via the income statement, fair value via other comprehensive income or accrued acquisition value. Assets that are held for the purpose of collecting contractual cashflow and where such cashflow only comprises capital amounts and interest, and not identified assets that are valued at fair value, are valued at accrued acquisition value. The book value of such assets are adjusted for possible expected credit losses that have been recognised (see write-downs below). Interest income from these financial assets is reported using the effective interest method and is included in financial income. Financial assets that are held for the purpose of collecting contractual cashflow and for the sale of assets, where such asset cashflow only comprises capital amounts and interest, and not identified assets that are valued at fair value, are valued at fair value via other comprehensive income. Assets that do not meet the requirements for accrued acquisition value or fair value via other comprehensive income are valued at fair value via the income statement.

The Group assesses the future expected credit losses that are linked to assets reported at accrued acquisition value. The Group reports a credit provision for such expected credit losses on each reporting date. For accounts receivable, the Group applies the simplified approach when calculating credit provision, i.e. the provision will correspond to the expected loss across the entire life of the accounts receivable. To price the expected credit losses, accounts receivables have been grouped based on credit risk characteristics and days overdue. The Group uses forward looking variables for expected credit losses. On each closing day, the company is to assess whether the credit risk of a financial instrument has significantly increased since the first reporting occasion. For this assessment, the company is to use the change in risk of default during the expected duration of the financial instrument instead of changing the expected credit loss.

The switch to IFRS 9 from IAS 39 will not have any effect on Scandi Standard with regard to hedge accounting. To conform with IFRS 9, Scandi Standard has updated its hedging documentation and summed sources of ineffectiveness. IFRS 9 has three hedging effectiveness requirements for the application of hedge accounting of which the first is that there should be a clear financial connection between hedged object and hedged instrument. The second is that the credit risk does not dominate the change in value and the third is that the chosen hedging ratio is in accordance with the company's hedging strategy (applied hedging ratio should be that the company applies in practice in its hedging strategy). Scandi Standard meets all the above requirements. For more detailed information, please see under Hedge accounting.

IFRS 15, Revenue from contracts with customers
IFRS 15, Revenue from contracts with customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This standard replaces IAS 18 covering contracts for goods and services, IAS 11 covering construction contracts and IFRIC 13 covering Customer Loyalty Programmes. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The standard is mandatory for financial years commencing on or after 1 January 2018, with early adoption permitted. The Group finalized the assesment during the previous financial year and has analyzed the majority of customer contracts. Scandi Standard has not identifed any instance where the new standard will change the recognition of revenue. Implementation will therefore have no impact on the financial statements of the Group.

The following accounting policies will be used as of the adoption of IFRS 15 on 1 January 2018:
Net sales: Revenue from sale of goods from the main operations, comprising sales of products, are recognized when the customer obtains control of a product. Control is obtained when the customer can direct and realize all of the remaining benefits associated with the use of the asset. Any promise to transfer an asset to a customer that can be separated from other promises in a contract represents a performance obligation. Each distinct perfomance obligation is recognized separately. An obligation has been satisifed when the customer has control of the asset. The Group considers that this occurs at delivery to the customer in accordnace with agreed freight terms. Revenue is recognized at a transaction price which is the consideration to which the Group expects to be entitled in exchange for those goods or services. When determining the transaction price, consideration is mainly made for any discounts but also for any commitments made in respect to goods the customer has been unable to resell. The transaction price is not adjusted to reflect the customer's credit risk, but any impairment is made in accordance with IFRS 9 and the credit loss is recognized in profit or loss as an impairment loss. Payment is made on the basis of agreed payment terms in contractual agreements, which is normally on a date after deliver has taken place. Scandi Standard does not have any financing solutions.

Net sales includes invoiced sales pertaining to primary activities. Most of the Group's revenue is generated by the sale of manufactured products. Revenue is recognized excluding vaue-added tax since the Group does not collect tax on its own account but acts as a representative for the state.

Other revenue: Revenue from activities outside the Group's core operations is recognized as other revenue. Other revenue consists primarily of rental income, insurance compensation and capital gains on property, plant and equipment. Other revenue includes exchange-rate gains pertaining to operating receivables and liabilities arising from translation to balance rate. and profit of unhedged derivatives. Other revenue and gains arising from activities outside the Group's ordinary operations are also recognised.

IFRS 16, Leases
IIFRS 16, 'Leases', was issued in January 2016 and supersedes IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019. A company can choose to apply IFRS 16 before this date but only if it also applies IFRS 15 Revenue from contracts with customers. The standard will affect the accounting for the Group's operating leases. The Group started the implementation process in 2017 and will complete the identification of relevant information in the Group's leasing contracts during 2018. The operating leases that will be recorded on Scandi Standard's balance sheet as a result of IFRS 16 will mainly be for land and buildings (offices and production facilities), transport (cars, forklifts and trucks) and other equipment (e.g. IT and other office equipment). At this stage, the Group is not able to quantify the impact of the new rules on the Group's financial statements or to decide on the method of first-time application. However, the Group does not intend to adopt the standard before its effective date.

IFRS 2, Classification and measurement of share-based payment transactions - amendment
Changes in IFRS 2 are changes regarding measurement of cash settled program and measurement and accounting when changing from a share-based program to a cash settled program.

The amendment is effective from 1 January 2018 and not yet adopted by EU. The changes will not have a material effect on the Group´s financial reports.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Groups financial reports.

Changes to the Parent Company's accounting policies
No standards, amendments and interpretations effective from January 1 2016, have been implemented that have had material impact on the Parent Company's financial statements.

ASSUMPTIONS AND ACCOUNTING ESTIMATES
To ensure preparation of the financial statements in accordance with IFRS, assumptions and estimates must be made which affect reported assets and liabilities and income and expenses, as well as other information disclosed. The actual outcome may differ from these estimates. The areas in which assumptions and accounting estimates have the greatest impact on carrying amounts are described in more detail in Note 2.

CONSOLIDATED FINANCIAL STATEMENTS
The Group's financial statements comprise the financial statements for the Parent Company and all Group entities in accordance with the definitions below.

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated

from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements are prepared according to the purchase method. The cost of an investment in a subsidiary is the cash amount and the fair value of any non-cash consideration paid for the investment. The value of the acquired net asset, the equity in the Company, is determined by measuring acquired assets and liabilities and contingent liabilities at their fair value on the date of acquisition. Those fair values constitute the Group's cost. If the cost of an investment in a subsidiary exceeds the fair value of the acquired Company's identifiable net assets, the difference is recognised as consolidated goodwill.

Whether a minority's share of goodwill should be measured and included as an asset is determined for each acquisition. If the cost is less than the final fair value of the net assets the difference is recognised directly in the income statement. Acquisition-related costs are recognised in profit and loss as they arise.

All intra-Group transactions, including receivables and liabilities, income and expenses as well as unrealized earnings, are eliminated in their entirety.

Associates

Associates are companies over which Scandi Standard has a significant, but not controlling, influence. This is normally the case when the Group holds between 20 and 50 percent of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Acquired assets and liabilities are measured in the same way as for subsidiaries and the carrying amount includes any goodwill and other Group adjustments. The Group's share of the associate's income after tax arising after the acquisition, adjusted for any depreciation/reversals of the consolidated value, is reported on a line in the income statement and is included in operating income. The share of income is calculated on the basis of Scandi Standard's share of equity in the associate. The equity method means that the consolidated carrying amount of investments in associates corresponds to the Group's share of the equity of associates plus the residual value of fair value adjustments.

Unrealized gains and losses that do not involve an impairment loss are eliminated in proportion to the Group's investment in the associate.

The Group does not have any joint arrangements reported according to IFRS 11.

Translation of foreign Group entities

Statements of financial position and income statements for all Group entities whose functional currency is not the presentation currency are translated into the Group's presentation currency using the following procedures:

- Assets and liabilities are translated at the closing rate on each reporting date reported in the statement of financial position.
- Revenues and expenses are translated at the average rate for each year reported in the income statement and statement of comprehensive income.
- All translation differences that arise are recognised as a separate item under other comprehensive income in the statement of comprehensive income.

In cases where net investments in foreign operations are hedged with financial instruments the foreign exchange differences arising on translation of these instruments are also recognised in the statement of comprehensive income. When a foreign operation is disposed of, the cumulative translation differences and exchange differences for any financial instruments held for hedging the net investment in the Company are recognised as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated according to the same principles as the entity.

Parent

The Parent Company recognises all investments in Group entities at cost, adjusted where applicable by accumulated impairment losses.

FOREIGN CURRENCY TRANSACTIONS AND BALANCE SHEET ITEMS

The various entities within the Group present their reports in the currency of the primary economic environment in which they operate (the functional currency).

The consolidated financial statements are prepared in Swedish kronor (SEK), which is the Parent Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date.

Foreign currency receivables and liabilities are remeasured at closing date rates at the end of each reporting period. Exchange differences arising on such remeasurement, and upon payment of the transaction, are recognised in the income statement. However, exchange differences arising on remeasurement of items that are hedging transactions, and that qualify for hedge accounting, are recognised in other comprehensive income. Gains and losses on operating receivables and liabilities are netted and reported within operating income. Gains and losses on borrowings and financial investments are reported as financial items.

Exchange differences on receivables which represent an extended investment in subsidiaries are recognised in other comprehensive income in the same way as translation differences relating to investments in foreign subsidiaries.

SEGMENT REPORTING

Reported operating segments are consistent with the internal reporting submitted to the chief operating decision maker, who is the person that allocates resources and evaluates the results of the operating segments. At Scandi Standard, this role is assumed by the Managing Director & CEO, who, on behalf of the Board, takes charge of day-to-day management and governance.

The business segments are consistent with the Group's operational structure in which activities are divided into Regions. The Regions, which are based on geographical areas, are Denmark, Norway, Sweden, Finland and Ireland. Activities not included in a Region and corporate functions are reported as Other operations. A further description of the operating segments is provided in Note 3.

The Regions are responsible for their operating income and the assets and liabilities used in their own operations, the operating capital. Financial items and taxes do not fall within the Regions' responsibility; these are reported centrally for the Group. The same accounting policies are used for the Regions as for the Group, apart from financial instruments (IAS 39 only at Group level).

Transactions between Regions and other operations are carried out on commercial terms.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditure that can be directly attributed to the acquisition of the asset, including the effect of cash flow hedges relating to investment purchases in foreign currencies. Start-up and pre-production costs that

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are necessary for bringing the asset to its predetermined condition are included in the cost. For major investments, where the total investment value is at least MSEK 100 and the investment period lasts at least 12 months, interest during construction is included in the cost of the asset.

Subsequent expenditure on property, plant and equipment increases the cost only if it is probable that the Group will have future economic benefit from the subsequent expenditure. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation policies for property, plant and equipment

Land is assumed to have an indefinite useful life and is therefore not depreciated. Depreciation of other property, plant and equipment is based on cost less estimated residual value. Depreciation is straight-line over the asset's estimated useful life. Each component of a larger item of property, plant and equipment with a cost that is significant in relation to the asset's total cost and with a useful life significantly different from the rest of the asset, is depreciated separately.

The assets' residual values and useful lives are tested at least annually and adjusted as necessary.

The following depreciation schedules are applied:

Buildings	25–30 years
Property fixtures	10–25 years
Plant and machinery	5–20 years
Equipment, tools	5–15 years
Vehicles	5–10 years
Office equipment	5–10 years

INTANGIBLE ASSETS

An intangible asset is recognised when the asset is identifiable, the Group controls the asset, and it is expected to yield future economic benefits. Intangible assets such as goodwill, trademarks and customer and supplier relationships are identified and measured normally in connection with business combinations. Expenditures on internally generated trademarks, customer relationships and internally generated goodwill are recognised in the income statement as an expense when they are incurred.

Goodwill

Goodwill is the amount by which the cost of acquisition exceeds the fair value of the net assets acquired by the Group in a business combination. The value of the goodwill is allocated to the operating segment's cash generating units which are expected to benefit from the acquisition that gave rise to the goodwill item. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment. Goodwill impairment is not reversed.

Goodwill arising on acquisition of associates is included in the carrying amount of the associate and is tested for impairment as part of the value of the total investment in the associate.

Net gains or losses on the disposal of Group entities include the remaining carrying amount of the goodwill attributable to the divested entity.

Trademarks

The value of trademarks is carried at cost less any accumulated amortisation and impairment losses. Trademarks with an indefinite useful life are not amortised but are tested annually for impairment in the same way as goodwill. Consumer trademarks that Scandi Standard intends to continue using for the foreseeable future and that have a cost of at least MSEK 10 are classified as trademarks with an indefinite useful life.

The relief from royalty method is used to measure trademarks identified in a business combination.

As trademarks in segments Sweden, Denmark and Norway have indefinite useful lives, no estimated useful lives have been defined. Trademarks in segment Ireland has an estimated useful life of 20 years.

Customer and supplier relationships

Intangible assets in the form of customer and supplier relationships are identified in connection with business combinations. The value of customer relationships is calculated using the multi-period excess earning method, together with any other relevant information, and is carried at cost less accumulated amortisation and impairment losses.

At present, existing customer relationships are considered to have a useful life of 8, 10 or 20 years and existing supplier relationships a useful life of 5 or 10 years.

Research and development

No research is conducted within the Group. Expenditure on development is recognised as an intangible asset only if it is technically and financially feasible to complete the asset, it is expected to provide future economic benefits, the cost of the asset can be measured reliably and the development is substantial. Currently, this means that all expenditure on the development of commercial products and similar products is expensed as incurred. Expenditure on development of business-related IS/IT-systems is capitalized if the general preconditions according to the above are met and the total expenditure is estimated to exceed MSEK 3.

Capitalized expenditure is amortised on a straight-line basis over the estimated useful life of 5 to 10 years.

IMPAIRMENT LOSSES

Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually or more frequently if there is an indication of impairment. The carrying amounts of assets that are amortised are regularly tested. At the end of each reporting period, an assessment is made as to whether there is any indication that the assets are impaired and need to be written down. The recoverable amount is estimated for these assets and for assets with indefinite useful lives. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised if the recoverable amount is less than the carrying amount. A previously recognised impairment loss is reversed if the reasons for the earlier impairment no longer exist. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the amount that would have been determined had no impairment loss been recognised in prior years. Impairment of goodwill is never reversed.

For an asset that depends on other assets generating cash flows, the value in use of the smallest cash-generating unit to which the asset belongs is estimated. Goodwill is always allocated to the cash-generating units that benefit from the acquisition that generated the goodwill.

An asset's value in use is the present value of the estimated future cash flows that are expected from using the asset and its estimated residual value at the end of its useful life. When calculating the value in use, future cash flows are discounted at an interest rate before tax that takes into account a market assessment of risk-free interest rates and risk involved with the specific asset.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value at the reporting date. The cost is estimated by applying the FIFO (first in/ first out) method or weighted average prices. The cost of self-produced goods includes raw materials, direct wages, other direct costs and production-related overhead costs, based on normal production capacity. Borrowing costs are not included in the measurement of inventories. Net realizable value is the estimated selling price in operating activities less the estimated costs to complete and sell the product.

FINANCIAL ASSETS AND LIABILITIES – FINANCIAL INSTRUMENTS

All financial instruments are recognised in the statement of financial position. Financial assets include cash and cash equivalents, trade receivables, shares, loan receivables, other interest-bearing instruments and derivatives. Financial liabilities include trade payables, loans and derivatives. Derivative instruments consist of forward contracts and swaps, which are used to cover risks of exchange rate fluctuations and exposure to interest-rate risks. Derivative instruments are recognised in the statement of financial position when the agreements are made. Trade receivables are recognised in the statement of financial position when the invoice is issued. Trade payables are recognised when an invoice is received. Other financial assets and financial liabilities are recognised in the statement of financial position on the settlement date. A financial asset or part of the asset is derecognised on the settlement date or when it expires. A financial liability or part of a financial liability is derecognised on the settlement date or when it is extinguished in another manner.

Classification of financial assets and liabilities

Measurement of financial assets and liabilities is based on how a particular financial instrument is classified. Classification takes place at the time the transaction is conducted. Scandi Standard classifies its financial instruments in the following categories:

Financial assets measured at fair value through profit or loss

A financial asset is assigned to this category if it is held for trading. Derivative instruments with a positive market value are assigned to this category if they have not been identified as hedging instruments. Changes in value in this category are recognised in profit or loss.

Loans and receivables

This category comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are carried at amortised cost and are subject to impairment testing.

Impairment of a financial asset takes place if events occur that provide evidence that the future cash flows from the asset will be adversely affected.

Available-for-sale financial assets

Financial assets that have not been classified in any of the above categories and are not a derivative instruments, e.g. unlisted shares, are included in this category. Financial assets are carried at fair value, and the change in value is recognised in OCI and accumulated in equity until the asset is sold, unless an impairment loss requires a change in value to be reclassified to profit or loss before then.

Financial liabilities measured at fair value through profit or loss

Derivative instruments with a negative fair value are assigned to this category, unless the instrument has been identified as a hedging transaction. Changes in the values of these instruments are recognised in profit or loss.

Other liabilities

This category includes all liabilities except for derivative instruments. Other liabilities are carried at amortised cost.

Derivatives used in hedge accounting

This category includes derivatives used in hedge accounting in accordance with the description in the section on Derivative instruments and hedge accounting.

Non-current financial assets

Equities and interest-bearing securities acquired for permanent use in operations are reported under non-current financial assets. Listed equities are categorized as “available-for-sale financial assets”.

Short-term investments

Short-term investments are mainly short-term bank deposits with an original maturity of between 3 and 12 months or instruments that are immediately marketable. Short-term investments are included in the “loans and receivables” category.

Cash and cash equivalents

Cash and cash equivalents comprise cash, immediately available bank deposits as well as other money market instruments with an original maturity less than three months and are included in the “loans and receivables” category.

Interest-bearing liabilities

Interest-bearing liabilities are mainly loans from credit institutions. Interest-bearing loans are initially recognised at cost corresponding to the fair value of the performance received. Transaction costs are allocated by adding to the value of the loans and recognised as an interest expense over these loan terms in line with the effective interest method.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

Holdings of financial derivative instruments comprise interest rate swaps and currency forward contracts.

Derivative instruments are carried at fair value and the result of the remeasurement affects the income statement when the derivative does not qualify for hedge accounting. Hedge accounting may be applied if certain criteria are met with regard to documentation of the hedge relationship and the hedge effectiveness.

Financial instruments that are hedging instruments hedge either an asset or a liability, a net investment in foreign operations or are a hedge of an actual or forecast transaction.

IAS 39 defines three different hedging relationships: cash flow hedges, hedging of net investments and fair value hedges. Scandi Standard currently only applies cash flow hedging and hedging of net investments.

Cash flow hedges

A cash flow hedge is a hedge held to reduce the risk of an impact on profit or loss from changes in cash flow relating to a highly probable forecast future transaction or in transactions associated with an asset or liability. In cash flow hedge accounting, the change in the derivative instrument’s fair value is recognised in other comprehensive income and accumulated in equity, while any ineffective portion is recognised in profit or loss. When the hedged position is recognised in profit or loss, the result of the revaluation of the derivative instrument is also transferred to profit or loss.

Cash flow hedging is applied for currency risks in commercial flows and for interest rate risks in the debt portfolio.

Hedging of net investments

Hedging of net investments refers to hedges held to reduce the effect of changes in the value of a net investment in a foreign operation owing to a change in foreign exchange rates. Foreign currency gains or losses arising from remeasurement of the fair value of the instruments used for these hedges are recognised in other comprehensive income and accumulated in equity. The result is reclassified from equity to profit or loss upon disposal of the foreign operation. Net investments are currently hedged by borrowing.

Currency risk
Currency derivatives are entered into with the aim of limiting the impact of short-term currency movements on Scandi Standard's earnings and financial position.

Interest rate risk
Interest rate derivatives are used for the purpose of changing the fixed rate interest period of underlying financial assets and liabilities. Interest rate swaps are used to hedge against interest rate risks.

Parent
In the Parent Company, financial instruments are accounted for using the cost method. As the interest-bearing assets and liabilities of the Parent Company are consistent in all material respects with those of the Group, no special disclosures are provided for the Parent Company.

DETERMINATION OF FAIR VALUE
For unlisted financial instruments, or if the market for a certain financial asset is inactive, the value is determined through the application of generally accepted valuation techniques, whereby the Group makes assumptions based on market conditions prevailing at the reporting date. The fair value of forward exchange contracts is estimated based on current forward rates at the reporting date, while interest rate swaps are valued using estimates of future discounted cash flows. Market rates and current credit margins form the basis for determining the fair value of long-term borrowings.

For financial assets and liabilities with short maturities, the fair value is estimated at cost adjusted for any impairment. If the fair value of equity instruments cannot be determined, they are reported at cost adjusted for any impairment.

PROVISIONS
Provisions are recognised when Scandi Standard has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The amount of the provision recognised is the best estimate of the expenditure required to settle the obligation at the reporting date. For long-term material amounts, provisions are measured at the present value of the expenditure required to settle the obligation, taking into account the time value of money. Provisions for restructuring measures are made when a detailed, formal plan for measures is in place and well-founded expectations have been created for those who will be affected by the measures. No provisions are made for future operating losses.

EMPLOYEE BENEFITS
Pensions
Scandi Standard has both defined contribution and defined benefit pension plans, most of which are funded. With defined contribution plans, the Company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions thereafter. The costs for these plans are charged to consolidated profit as the benefits are earned.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, based on factors such as salary, years of service and age. The Group's companies bear the risk associated with paying out promised benefits. Plan assets in funded plans can only be used to pay benefits under the pension agreement.

The liability recognised in the statement of financial position consists of the net of the estimated present value of the defined benefit obligation and the fair value of the plan assets associated with the obligation at the reporting date, either in a pension fund or in some other arrangement.

Pension costs and pension obligations for defined benefit plans are calculated according to the projected unit credit method. This method allocates the costs for pensions as the employees carry out services for the Company that increase their entitlement to future benefits. The Company's obligation is calculated annually by independent actuaries. The obligation comprises the present value of the expected future payments. The discount rate that is used corresponds to the interest rate for high-quality corporate bonds or treasury bonds with a maturity that corresponds to the average term for the obligations and the currency. An interest rate equivalent to the interest rates of high-quality mortgage bonds is used for Swedish plans, which represent the vast majority of the defined benefit plans. These bonds are considered equivalent to corporate bonds as they have a sufficiently deep market to be used as the basis for the discount rate.

Actuarial gains and losses may arise in determining the present value of the defined benefit obligation and fair value of plan assets. These arise either when the actual outcome diverges from the previously calculated assumption or the actuarial assumption changes. These actuarial gains and losses are recognised in Other comprehensive income.

A special payroll tax is calculated on the difference between the pension obligation determined according to IAS 19 and the pension obligation determined according to the rules applied in the legal entity. The calculated future payroll tax is included in the recognised pension liability. The present value of the provision is not calculated. The change in the provision is recognised in OCI to the extent that it relates to actuarial gains or losses.

Termination benefits
A provision for costs in connection with termination of personnel is recognised only if the Company is obligated to end employment before the normal retirement date or when benefits are provided as an incentive to encourage voluntary termination. Estimated termination benefits are recognised as a provision when a detailed plan for the measure is presented.

Long term incentive programs
Scandi Standard have annual long term incentive programs ("LTIPs") for key employees, which are intended to contribute to long-term value growth and provide a shared interest in value growth between shareholders and employees.

The LTIPs are equity-settled, share based and implies that performance rights shall be allotted free of charge to the participants in relation to a fixed percentage of their fixed salary.

The compensation plans are accounted for in accordance with IFRS 2, Share base payments.
The accounting costs that will arise in accordance with IFRS 2 are determined in connection with allotment date and are allocated over the vesting period (3 years).

At the end of each reporting period, the Company considers changes in anticipated number of vested shares. Social charges related to the program are recognised as a cash-settled instrument.

Hedging of commitments according to LTIPs
No new shares will be issued due to LTIPs and in order to ensure the delivery of shares and for the purpose of hedging social security charges under LTIPs, the Company acquire own shares.

The repurchased shares reduces the Group's equity and are considered in the calculations of earnings per share ("EPS").

Variable salary
Provisions for variable salary are expensed on an ongoing basis in accordance with the economic substance of current agreements.

INCOME TAX
The Group's tax expense consists of current tax and deferred tax. Taxes are recognised in the income statement, except when the underlying transaction is recognised in OCI, in which case the related tax effect is also recognised in OCI. Current tax is the tax payable or receivable for the current year. Current tax also includes adjustments to current tax attributable to prior periods.

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amount. Deferred tax is measured at the nominal amount and is calculated by applying the tax rates and regulations that have been enacted or substantively enacted by the reporting date. Deferred taxes relating to temporary differences attributable to investments in subsidiaries and associates are not recognised, as, in each case, Scandi Standard is able to control the date for their reversal and it is not considered probable that any such reversal will occur in the near future.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognised only to the extent that it is considered probable that these will result in lower tax payments in the future.

Deferred tax assets and deferred tax liabilities are offset when they are attributable to the same tax authority and the companies in question have a legally enforceable right to offset current tax assets against current taxation liabilities.

REVENUE

Revenue is recognised net of value added taxes and, where relevant, the value of discounts provided.

Revenue from the sale of goods and services is recognised on delivery to the customer and in accordance with the terms of the sale, i.e., when the significant risks and rewards of ownership have been transferred to the customer. Interest income is recognised on a time-proportion basis using the effective interest method.

Royalties and similar revenues are recognised on an accruals basis in accordance with the substance of the relevant agreement. Dividends are recognised when the right to receive a dividend has been established. Other revenue includes compensation for sales outside the Group's ordinary activities, such as insurance payments, external rental income and income from the sale of non-current assets.

LEASING

The Group acts only as a lessee. Leases are classified in the consolidated financial statements as finance leases or operating leases. A finance lease is a lease that transfers substantially all the financial risks and rewards incident to ownership. An operating lease is a lease other than a finance lease.

The lessee recognises a finance lease as a non-current asset and a corresponding interest-bearing liability in the statement of financial position at an amount equal to the value of the leased asset. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The lease payments are apportioned between interest and amortisation of the initially recognised liability.

The lessee does not recognise an operating lease as asset in the statement of financial position. The total lease payments are recognised as an expense on a straight-line basis over the lease term.

GOVERNMENT GRANTS

Government grants are recognised in the statement of financial position and the income statement when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate If the government grant or assistance is neither related to the acquisition of assets nor to compensation of costs, it is recognised as other income.

BORROWING COSTS

Borrowing costs attributable to investments in assets that take more than 12 months to complete, and for which the investment amount is at least MSEK 100, are capitalized as part of the investment amount. Other borrowing costs are expensed in the period in which they are incurred.

BIOLOGICAL ASSETS

Biological assets are measured and carried at fair value less cost of sales in accordance with IAS 41. Scandi Standard has biological assets in the form of broiler parent stock within the operations of rearing day-old chicks in Sweden as well as broilers kept at some contract broiler producers in Denmark and Ireland. The lifespan of the parent stock is approximately one year and the lifespan of the broilers is about 30 days. The assets of broiler parent stock is valued at fair value less cost of sales.

The stock has been valued using cash flow projections from expected sales of day old chicks and the direct and indirect costs of keeping the stock. For costs, estimates have been made based on past experience. There is an observable market price for the day-old chicks and for number of chicks produced, the breeder norms for the variety kept have been used.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Scandi Standard only reclassifies assets as held for sale if their value is substantial. The current threshold is MSEK 5.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Parent Company

The Swedish Financial Reporting Board has introduced rules for reporting Group contributions in its recommendation RFR 2 Accounting for legal Entities. Scandi Standard is applying the alternative rule, which means that both Group contributions received and Group contributions made are reported as an appropriation.

The issuer capitalizes the shareholder contribution in shares and interests to the extent that impairment is not required. The recipient recognises the shareholder contribution directly in equity.

RELATED PARTIES

By virtue of its control, the Parent Company has a related party relationship with its subsidiaries and sub-subsidiaries. By virtue of their significant influence, the Group and Parent Company have a related party relationship with their associates, which include directly and indirectly owned companies.

"Lantmännens Gemensamma Pensionsstiftelse Grodden" is a post-employment benefit plan for employees of certain companies in the Group as such, the fund is considered to be a related party.

Intra-Group purchases and sales of goods and services are conducted at market prices.

By virtue of their right to participate in the decisions concerning the Group's strategies, members of the Group's Operational Board have significant influence over the Parent Company and Group are therefore considered to be related parties.

The Group's main currencies in addition to SEK, 2017

SEK	Average rate	Closing rate
DKK	1.29	1.32
NOK	1.03	1.00
EUR	9.63	9.85

Note 2 Significant judgements, accounting estimates and assumptions

Preparation of annual financial statements in accordance with IFRS in many cases requires management to make judgments and use of accounting estimates and assumptions in determining the carrying amounts of assets and liabilities. These estimates are based on historical experience and assumptions that are considered reasonable and realistic in the current circumstances. The actual outcome may differ from the accounting estimates and assumptions.

The estimates and underlying assumptions are regularly reviewed. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

A general description of the accounting policies where management's accounting estimates and assumptions are expected to have a material effect on Scandi Standard Group's financial position and financial statements is provided below. The carrying amounts at the reporting date can be found in the statement of financial position and associated notes.

Impairment of goodwill and other assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or whenever there are indications of possible impairment - in situations such as a changed business environment, a divestment decision or closure of operations. The Group's goodwill and other intangible assets amounted to MSEK 1,913.1 (1,206.8) at the end of the year, which corresponds to 37 (34) percent of the Group's total assets. The increase refers to the acquistition of Carton Bros in Ireland. Other assets are tested for impairment as soon as there is an indication that an asset's recoverable amount is lower than its carrying amount.

In most cases, an asset's value in use is estimated by reference to the present value of the future cash flows the Group expects to derive from the asset. The cash flow projection is based on assumptions that represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset, and are based on the latest financial plan. An impairment loss is recognised if the estimated value in use is lower than the carrying amount.

The discount rates used to calculate the present value of the expected future cash flows are estimated from the current weighted average cost of capital established within the Group for the markets in which the cash-generating units are active. Other estimates regarding expected future results and the discount rates used can give different values of assets from those applied. Impairment is described in more detail in Note 6.

Contingent consideration agreed in connection with the acquisition of Carton Bros in Ireland is recognized as a liability. The liability is determined based on the most probable outcome of the consideration and is assessed at the end of each reporting period. Changes in the reported value is recognised in the profit and loss.

Deferred tax assets and tax liabilities

Assessments are made to determine deferred tax assets and tax liabilities. Deferred tax assets are recognised as an asset when it is considered likely that they can be utilized and offset against future taxable profits. Other assumptions regarding the outcome of these future taxable profits, as well as changes in tax rates and rules can result in significant differences in the measurement of deferred taxes.

More detailed information about amounts can be found in Note 10.

Pensions

The value of pension obligations for defined benefit pension plans is determined by using actuarial calculations based on assumptions about discount rates, future salary increases, inflation and demographics. The discount rate, which is the most critical assumption, is based on the market return on high-quality corporate bonds, namely mortgage bonds with long maturities. The rate is extrapolated to correspond to the pension plan's obligations. A lower discount rate increases the present value of the pension obligation and pension cost, while a higher discount rate has the reverse effect. A 0.25 percent change in the discount rate would change the pension obligation by approximately MSEK 6 (6).

More detailed information about amounts can be found in Note 21.

Biological assets

The Group has biological assets in the form of broiler parent stock in the rearing of day old chicks in Sweden as well as broilers kept at some contract broiler producers in Denmark and Ireland. These assets are valued at fair value less cost of sales according to IAS 41. The value of those assets are dependent on assumptions. For broiler parent stock, the market price for day-old chicks as well as operational expenses for keeping the stock impacts the value of the assets. A 1 percent change in the price of day-old chicks impacts the value of the assets by about MSEK 2 (2).

During 2014 the Group changed measurement method from carried at cost to valued at fair value less cost of sales.

Detailed information about the amounts and changes can be found in Note 30.

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2017, Jan 1–Dec 31 MSEK	Region Sweden	Region Denmark	Region Norway	Region Finland	Region Ireland	Group-wide[1]	Eliminations	Total Group
Net sales								
External sales	2,361.0	2,344.5	1,483.0	316.3	596.3	–	–	7,100.9
Internal sales	195.7	815.1	–	12.2	–	–	–393.0	–
Total net sales	**2,556.7**	**2,529.3**	**1,483.0**	**328.5**	**596.3**	–	**–393.0**	**7,100.9**
Adjusted income	**151.3**	**120.6**	**122.0**	**–43.0**	**36.3**	–58.1	–	**329.1**
Non-comparable items	–35.3	–4.0	–	–	–	4.9	–	–34.4
Operating income	**116.0**	**116.6**	**122.0**	**–43.0**	**36.3**	**–53.2**	–	**294.7**
Of which share of income of associates		2.1	0.4					2.5
Finance income								1.1
Finance expenses								–72.2
Income tax expenses								–55.7
Income for the period								**167.9**
Other disclosures								
Assets	994.4	1,622.1	751.2	41.5	496.2	3,742.0	–2,534.4	5,113.0
Holdings in associates	–	25.1	15.1	–	–	–	–	40.2
Total assets	**994.4**	**1,647.2**	**766.3**	**41.5**	**496.2**	**3,742.0**	**–2,534.4**	**5,153.1**
Liabilities	914.8	910.6	800.2	172.0	410.5	1,186.0	–2,544.3	1,849.8
Unallocated liabilities								1,848.7
Equity								1,454.6
Total liabilities and equity	**914.8**	**910.6**	**800.2**	**172.0**	**410.5**	**1,186.0**	**–2,544.3**	**5,153.1**
Investments	69.8	41.3	40.0	32.3	13.0	17.8	–	214.2
Depreciation, amortisation and impairment	–77.9	–67.1	–53.3	–16.1	–17.2	–0.9	–	–232.4

[1] EBIT reported under Group-wide includes central corporate costs of MSEK –58.1.
Group-wide assets includes assets and liabilities relating to central functions.

Note 3 Segment reporting cont.

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2016, Jan 1–Dec 31 MSEK	Region Sweden	Region Denmark	Region Norway	Region Finland	Group-wide[1]	Eliminations	Total Group
Net sales							
External sales	2,221.6	2,139.5	1,433.7	172.7	0.0	–	5,967.4
Internal sales	170.3	192.6	0.0	0.0	68.8	–431.6	0.0
Total net sales	**2,391.9**	**2,332.0**	**1,433.7**	**172.7**	**68.8**	**–431.6**	**5,967.3**
Adjusted operating income	**174.0**	**94.5**	**94.9**	**–52.4**	**–59.4**	**–**	**251.6**
Non-comparable items	–1.1	–11.9	–	–	–0.4	–	–13.4
Operating income	**172.9**	**82.6**	**94.9**	**–52.4**	**–59.8**	–	**238.2**
Of which share of income of associates	–	1.8	–0,5	–	–	–	1.3
Finance income							1.2
Finance expenses							–72.5
Income tax expenses							–35.5
Income for the period							**131.4**
Other disclosures							
Assets	1,013.1	1,420.9	851.6	242.4	2,639.9	–2,716.5	3,451.4
Holdings in associates	–	30.0	15.5	–	–	–	45.5
Total assets	**1,013.1**	**1,450.9**	**867.0**	**242.4**	**2639.9**	**–2,716.5**	**3,496.9**
Liabilities	806.9	826.4	942.4	278.4	868.1	–2,716.5	1,005.6
Unallocated liabilities							1,519.3
Equity							972.0
Total liabilities and equity	**806.9**	**826.4**	**942.4**	**278.4**	**868.1**	**–2,716.5**	**3,496.9**
Investments	–84.2	–40.0	–65.7	–59.2	–16.3	–	–265.4
Depreciation, amortisation and impairment	–76.0	–68.5	–47.4	–8.5	–0.9	–	–201.3

[1] EBIT reported under Group-wide includes central corporate costs of MSEK –68.8.
Group-wide assets includes assets and liabilities relating to central functions.

INFORMATION ABOUT GEOGRAPHIC AREAS, BASED ON CUSTOMER LOCATION

MSEK	External sales 2017	External sales 2016
Sweden	2,621.7	2,633.4
Norway	1,504.6	1,449.3
Denmark	1,324.3	1,002.8
Ireland	529.9	0.2
Germany	358.0	291.2
Finland	324.4	193.6
United Kingdom	138.8	152.1
Rest of Europe	230.3	109.9
Rest of world	69.0	135.0
Total	**7,100.9**	**5,967.5**

One of Scandi Standard's customers accounts for more than 10 percent of the Group's total net sales. The net sales amount on a Full Year basis is MSEK 1,061.3 (950.4). The customer is located in Region Sweden.

Scandi Standard's business is operationally divided into the countries of Sweden,Denmark,Norway, Finland and Ireland

Internal reporting to Group Management and the Board corresponds with the Group's operational structure. The division is based on the Group's operations from a geographic perspective. Those countries where business is operated equals the Group segments. The segments are managed on the basis of the operating result (EBIT) and operating capital.

The responsibility for the Group's financial assets and liabilities, provisions for taxes, gains and losses on the remeasurement of financial instruments (IAS 39) are dealt with by the corporate functions and are not allocated to each segment. All capital expenditure on property, plant and equipment and intangible assets, apart from expendable equipment, is included in the segments' investments.

Segment Sweden comprises the companies Kronfågel AB, SweHatch AB, Bosarpskyckling AB and AB Skånefågel. SweHatch engages in the rearing, production and hatching of day-old chicks for Kronfågel AB's contract broiler producers and other small players in the Swedish market. Kronfågel AB is the segment's largest business engaged in slaughtering, production and development of chilled and frozen chicken products, mainly for the Swedish market.

AB Skånefågel slaughters and sells chicken for the Swedish market and export.

Segment Denmark comprises Danpo A/S, Sødams øko Fjerkræslagteri Aps and the associate Farmfood A/S. Danpo slaughters, produces, develops and processes chicken products with heat treatment for both the Danish market and exports within Europe and to Asia. Sødams øko Fjerkræslagteri Aps rears free-range organic chicken and manages the slaugthering. Farmfood processes slaughterhouse byproducts from the Group's different segments, mainly for use in pet food sold in the international markets.

Segment Norway comprises Den Stolte Hane AS, Scandi Standard Norway AS and the associate Nærbo Kyllingslakt AS. The segment consists of two parts – the production, processing and sale of chicken products and the packing of eggs in the segment's own egg packing facility. Both types of product are sold in the Norwegian market.

Segment Finland comprises Kronfågel Oy. The segment includes slaughtering, production and development of chilled and frozen chícken products for the Finnish market.

Segment Ireland comprises Carton Bros ULC, which includes the operations of Manor Farm acquired as of 28 August 2017. The segment includes slaughtering, production and development of chilled chícken products for the Irish market. The segment also produces feed for its contracted farmers.

Note 4 Breakdown of revenue

MSEK	2017	2016
Net sales		
Sales of goods	7,100.9	5,967.4
Total	**7,100.9**	**5,967.4**
Other operating income		
Capital gains	2.1	3.6
Rental income	3.6	0.3
Government grants	0.3	0.4
Canteen sales	7.0	6.8
Insurance compensation	18.5	3.7
Compensation for extra costs due to wrongly installed machine	20.3	–
Other	16.2	16.7
Total	**68.0**	**31.5**

Note 5 Employees and employee benefits expenses

Average number of employees	2017	of which women	2016	of which women
Group				
Sweden	794	37%	699	39%
Denmark	729	38%	644	37%
Norway	315	56%	257	59%
Finland	135	48%	80	48%
Ireland[1]	291	38%	–	–
Total, Group[2]	**2,264**	**40%**	**1,680**	**42%**

[1] Ireland included in group since September 2017. The company had an average of 930 employees in all of 2017.

[2] No employees in the Parent company.

Employee benefits MSEK	2017	2016
Salaries and benefits, Board of Directors and MDs	25.3	19.0
- of which variable salary	10.2	6.9
Salaries and benefits, other employees	1,095.0	872.8
Social security expenses	145.7	127.8
Pension expenses[1]	82.8	72.6
Other staff costs	39.9	22.9
Total	**1,338.7**	**1,115.0**

[1] MSEK 1.4 (1.1) of the Group's pension costs relate to boards and Managing Directors. There are no outstanding pension obligations for these individuals.

Gender representation in executive management

	Group		Parent Company	
Female representation, %	**2017**	**2016**	**2017**	**2016**
Board of Directors	2.9	2.0	11.1	12.5
Other senior executives	25.5	–	–	–

REMUNERATION TO SENIOR MANAGEMENT

Senior managers

Senior managers as referred to in this note are Scandi Standard's Group Management which consists of the Managing Director and CEO, the CFO, the COO, the Director of Group Live Operations and Country Managers in Sweden, Denmark and Norway. Members of the Group Management team are employees of the different Group companies, although none of them are employees of the Parent Company.

Guidelines

Remuneration principles have been approved by the Board of Directors in accordance with guidelines for remuneration for senior management.The Board of Directors may resolve to deviate from these guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying that.

Remuneration principles

The objective of Scandi Standard's remuneration principles is to offer compensation that reflects the Company's commitment to attract and retain qualified expertise. The fundamental guidelines are to:

- ensure that employees at Scandi Standard receive market-based compensation that makes it possible to recruit and retain capable employees in line with Scandi Standard's common values of open dialogue, challenge and 'acting now'.
- offer a salary structure that is based on individual performance, duties, qualifications, experience and position, and is therefore neutral with regard to gender, ethnicity, disability, sexual orientation, etc.

Remuneration structure

Scandi Standard's remuneration structure has the following components:

- Fixed salary
- Variable salary
- Pension
- Termination and other benefits

Fixed salary

Members of Scandi Standard's senior management undergo an annual salary review on January 1. The review considers individual performance, market salary growth, changed areas of responsibility, Company performance and local agreements and regulations.

Variable salary

Scandi Standard has an overall variable salary program for a defined target group. The target group consists of Group Management, and senior management in the countries and other key personnel. The variable salary program may consist of both quantitative and qualitative targets. Decisions about target groups and guidelines for variable salary schemes are made annually by Scandi Standard's Board. Variable compensation is accrued for in line with expected pay-out.

Pension

Scandi Standard offers its employees occupational pensions unless otherwise regulated in local agreements or other regulations. The Managing Director and CEO is entitled to a defined contribution pension scheme, with a premium of 15 percent of the pensionable salary, and has a retirement age of 65 years.

In Sweden, the majority of employees are covered by defined benefit pension plans (ITP) through PRI Pensionsgaranti. There are currently two different pension guidelines for Scandi Standard's senior management: occupational pension accrual in accordance with the ITP agreement, with a pensionable salary ceiling of 30 income base amounts and payment of sickness benefits as laid down in the ITP agreement, and a defined contribution pension scheme, with a premium equal to 25–30 percent of the pensionable salary where the individual employee decides on the split between old-age, survivor and sickness benefits.

In Denmark, the pension contribution corresponds to 10 or 15 percent of the pensionable salary.

In Norway, the pension contributions is based on individual defined contribution pension agreements with contributions of between 5 and 12 percent of the pensionable salary.

Termination and other benefits

Termination benefits/notice

The Managing Director and CEO has a notice period of six months for termination of employment at the Company's request and six months for termination at his own request. If employment is terminated at the Company's request, termination benefits corresponding to 12 months' salary (including fixed and variable salary, pension and other benefits) is payable after the notice period with a full deduction of any salary from a new employer.

Other senior managers have notice periods of between six and 12 months for termination of employment at the Company's request and between three and six months for termination at their own request. Certain senior managers have non-competition clauses with financial compensation to be paid to the Group if breached, corresponding to between three and 12 months remuneration.

Other benefits

In addition to fixed and variable salaries and pensions, Scandi Standard offers occupational injury insurance and occupational group life insurance in accordance with local agreements and regulations. In addition, senior managers are entitled to private health insurance, telephone and car benefits.

Long term incentive program

The AGM 2016 accepted a long term incentive program comprising 19 senior managers and key employees and the AGM 2017 accepted a long term incentive program comprising 22 senior managers and key employees. LTIP 2016 and LTIP 2017 are mainly based on the same terms as the earlier program, LTIP 2015. A maximum of 209,976 could be allotted under LTIP 2016 and a maximum of 294,773 could be allotted under LTIP 2017. The Board of Directors have decided to propose to the AGM a long-term incentive program for 2018 (LTIP 2018), of the same type as the earlier programs.

LTIP 2015, which at year-end 2016 comprised 16 participants, implies that performance share rights shall be allotted free of charge to the participants in relation to a fixed percentage of their fixed salary. The vesting period is three years and provided that certain conditions are fulfilled, the participants may exercise their performance share rights through which they will be allotted shares in the Company free of charge. Each performance share right is entitled to allotment of up to one share. In order for performance share rights to entitle to allotment of shares, it shall be required that the participant remains employeed and has not given or been given notice of termination of employment within the Group during the vesting period.

Performance requirement

In order for full allotment of shares under the programs, the average annual growth rate of earnings per share ("EPS CAGR") must, during a period of three years as from January 1, the year when the individual program was decided, be at least 12.5 percent. If the average EPS CAGR during the period is 5 percent, the participants shall be allotted shares for 25 percent of their performance share rights. If the average EPS CAGR during the period is more than 5 percent but less than 12.5 percent, the participants shall receive linear allotment. If the average EPS CAGR during the period is less than 5 percent, no shares shall be allotted.

Value and estimated costs for Long term incentive programs

The compensation plans are accounted for in accordance with IFRS 2, Share based payments. The total cost for the programs are initially estimated as; number of shares to be awarded multiplied with the share price at program start and social charges. The programs are expensed linear over the vesting time (three years).

The vesting period for LTIP 2015 expires May 21, 2018. EPS CAGR for the period January 1, 2015 - December 31, 2017 was 5,74%, leading to allotments according the terms for the program, corresponding to 32,4% of the performance share rights and of 84,887 shares.

Assuming 100 percent vesting, full fulfilment of the EPS requirement and a share price at the time of exercise of the performance share rights of SEK 57.58 for LTIP 2016 and 53.58 for LTIP 2017, the incentive programs will result in allocations of 207,455 shares in the Company, representing a value of SEK 11,945,259 for LTIP 2016 and 277,314 shares representing a value of SEK 17,496,381 for LTIP 2017.

As per December 2017, accrued costs for the incentive programs amounted to MSEK 3.2 (5.4) for LTIP 2015, MSEK 4.5 (2.6) for LTIP 2016 and MSEK 3.5 for LTIP 2017.

Social security charges are expected to amount in average to approximately 17 percent of the market value of the shares allocated upon exercise of the performance share rights. The average percentage of social charges is also depending on the mix of nationalities participating in the programs. In order to ensure the delivery of shares and for purpose of hedging social charges, Scandi Standard AB repurchased 448,712 own shares during 2015, 214,900 shares during 2016 and 163,700 shares during 2017.

Board of Directors' Fees TSEK	2017	2016
Per Harkjaer, chairman of the Board	600	600
Kate Briant	–	117
Ulf Gundemark	350	350
Michael Parker[1]	275	275
Karsten Slotte[1]	275	275
Heléne Vibbleus	405	428
Samir Kamal	300	200
Harald Pousette	325	217
Asbjörn Reinkind	275	275
Øystein Engebretsen	183	–
Total	**2,988**	**2,737**

1) In addition a consultancy fee of TSEK 100 (0) each to Michael Parker and Karsten Slotte was decided by the Remuneration Committee.

Salaries and remuneration of senior management 2017, TSEK	Directors' fees	Fixed salary[2]	Variable salary[3]	LTIP[6]	Pension[2]	Other benefits[4]	Total 2017
Board members, specified below	2,988						2,988
Managing Director and CEO Leif Bergvall Hansen		3,715	2,200	3,502	550	134	10,101
Group Management, other[1]		13,806	4,146	4,787	1,064	745	24,547
	2,988	**17,521**	**6,346**	**8,289**	**1,614**	**878**	**37,636**

Salaries and remuneration of senior management 2016, TSEK	Directors' fees	Fixed salary[2]	Variable salary[3]	LTIP[5]	Pension[2]	Other benefits[4]	Total 2016
Board members, specified below	2,737						2,737
Managing Director and CEO Leif Bergvall Hansen		3,666	917	2,573	550	127	7,833
Group Management, other[1]		9,417	922	3,217	757	541	14,854
	2,737	**13,083**	**1,839**	**5,790**	**1,307**	**668**	**25,424**

1) Group Management consists of 7 (7) individuals that are members of the Group Management of the Scandi Standard Group.

2) Certain members of Group Management is entitled to exchange fixed salary for pension contribution within the framework of current tax legislation.

3) The variable salary is based on financial performance and financial targets. For 2016, variable salary is based on a discretionary assessment.

4) Mainly car, phone and health insurance benefits.

5) The Group´s expense per December 31 for 2015 and LTIP 2016.

6) The Group´s expense per December 31, 2016 referring to LTIP 2015–2017.

Note 6 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

MSEK	2017	2016
Depreciation and amortisation		
Land and buildings	22.5	20.1
Plant and machinery	150.7	111.5
Equipment, tools, fixtures and fittings	23.0	43.5
Intangible assets	36.2	26.2
Total	**232.4**	**201.3**

Impairment

The Group tests intangible assets with indefinite useful lives for impairment annually. These assets include Goodwill and Brands with indefinite lives .The intangible assets are allocated to the cash generating units in which they generated cash flow.

The cash generating units are the Groups operating segments. Cash flow expectations for the segments are based on business plans agreed by Group management for the next five years and on 2 percent organic growth thereafter. The cash flows are discounted by a calculated WACC before tax at 9.7–11.3 (9.5–9.6) percent based on the estimated return requirement for the segments.

For the testing at the end of 2017, all cash generating units are expected to perform in line with the market. EBITDA is expected to improve slightly over the forecasting period towards the Group's medium term target of 10 percent.

The test as of the end of the year shows that no need for impairment of the intangible assets in any of the cash generating units. The assumptions included in the calculations are forward looking and as such are inherently uncertain and based on management assumptions. To evaluate the risk that a change in any of the assumptions would have caused an impairment, sensitivity analyses have been performed.

The WACC used is based on long term variables and as such should be stable over time. Nevertheless, return requirements can change and testing for this variable shows no impairment when increasing the WACC three percentage points.

Cash flow expectations in the cash generating units are an important variable in the impairment test. The cash flows used are based on management's best estimate of the future cash flow in each cash generating unit. There is a risk that these cash flows will be lower than expected over time, especially in the long term. Long term assumptions are based on a growth rate below the expected market growth to be prudent. The cash flows for the coming five years have greater impact on the value of the assets and are more important to test.

The operation in Norway is vulnerable due to its concentrated customer structure, but sensitivity analysis shows cash flows are expected to be sufficient even if the positive development of market share would ground to a halt.

Market growth is strong in Sweden nut margins have been under pressure due to the attention to campylobacter. It is our expectation that this is a passing effect and that margins will recover over time. This change is not reflected in the business plan used as basis for the impairment test thus understating expected cash flow. There is a risk that EBITDA in Sweden will be impacted by supply constraints in the short term which would affect cash flow negatively. The test show no impairment need even if EBITDA margin were to drop by three percentage points.

Denmark is assumed to show modest growth in line with the market. Denmark is exposed to fluctuating prices in the export markets since a large share of the sales is sold on export. Testing for this factor shows that there is no need for impairment even if prices on export markets would cause EBITDA margin to be reduces by more than three percentage points.

When the operation in Finland was acquired in 2015 it showed a low level of capacity utilization and generated a negative income. The valuation of Goodwill is based on a business plan where the operation is generating profit and a higher capacity utilization. In 2017 the production volumes and sales are up but inefficiency and bottle necks has led to the operation still generating losses. A number of actions have been initiated, such as changes in management and reduction of labor force. The business position in the market continues to be strong and it is the estimate of management that the future profitability development mainly is dependent on the positive effects of internal actions. Hence impairment of Goodwill is not considered necessary.

The operations in Ireland, which was recently acquired, is tested with the assumptions and calculations made at the tiome of the acqusisition. No impairment is required.

Note 7 Fees and reimbursement to auditors

MSEK	2017	2016
PricewaterhouseCoopers (PWC)		
Audit services	4.0	3.2
Audit related services	0.1	0.4
Tax services	0.9	0.7
Other services[1)]	1.1	1.7
Total	**6.1**	**6.0**
Other auditors: KPMG	1.0	–
Total	**7.1**	**6.0**

[1)] Off which MSEK 0.3 (0.3) conserns audit services beyond the annual audit.

Annual audit includes the audit of the financial statements of the Parent Company and the Group, the accounting records and the administration of the Board of Directors and the Managing Director. It also includes other duties incumbent on the auditor of the Company as well as advice and other assistance arising from observations made while performing the audit or carrying out such other duties.

The part of the total fees to PwC that refers to non-audit services, defined by the EU audit legislation, performed by the Swedish Öhrlings PricewaterhouseCoopers AB amounts to MSEK 0.4, whereoff MSEK 0.1 regarding audit services and MSEK 0.3 regarding tax services. The services include advices regarding taxes relating to the acquisition of Carton Bros ULC. and advices from an accounting perspective for preparation of the financial reports, as well as other guidance regarding accounting and tax.

Note 8 Finance income and finance expenses

	2017			2016		
MSEK	Income	Expenses	Total	Income	Expenses	Total
Loans and receivables						
Other interest income	1.1	–	1.1	1.2	–	1.2
	1.1		**1.2**	**1.2**		**1.2**
Derivatives used in hedging						
Interest and currency swaps	–	–7.7	–7.7	–	–6.0	–6.0
		–7.7	**–7.7**		**–6.0**	**–6.0**
Other financial liabilities						
Interest expense, pension plans	–	–3.4	–3.4	0.6	–	0.6
Interest expense, borrowing	–	–38.1	–38.1	–	–43.2	–43.2
Other borrowing expenses	–	–8.5	–8.5	–	–13.9	–13.9
Other interest expenses	–	–2.6	–2.6	–	–4.4	–4.4
Currency effects	–	–11.9	–11.9	–	–11.6	–11.6
		–64.5	**–64.5**	**0.6**	**–67.1**	**–72.5**
Total	**1.1**	**–72.2**	**–71.1**	**1.8**	**–73.1**	**–71.3**

Note 9 Exchange differences affecting income

MSEK	2017	2016
Exchange differences affecting operating income	8.0	3.6
Exchange differences, financial items	–11.9	–11.6
Total	**–3.9**	**–8.0**
Exchange differences in operating income are included in:		
Other operating income/expense	8.0	3.6
Total	**8.0**	**3.6**

Note 10 Taxes

Tax on income for the year, MSEK	2017	2016
Current tax expense (–) / tax income (+)		
Tax expense / income for the year	–53.8	–33.0
Adjustment of tax attributable to prior years	–0.2	0.0
Total current tax	**–54.0**	**–33.0**
Deferred tax expense (–) / tax income (+)		
Deferred tax from changes in temporary differences	–18.5	2.5
Deferred tax income in capitalized losses carry forward	16.8	12.4
Deferred tax expense use of capitalized losses carry forward	–	–17.4
Total deferred tax	**–1.7**	**–2.5**
Total recognised tax expense	**–55.7**	**–35.5**

	2017		2016	
Reconciliation of effective tax	%	MSEK	%	MSEK
Income after finance net				166.9
Anticipated tax according to enacted Swedish tax rate	–22.0	–49.2	–22.0	–36.7
Effect of other tax rates for foreign subsidiaries	0.1	0.2	0.3	0.5
Non-deductable expenses	–2.4	–5.2	–0.3	–0.5
Non-taxable income	0.0	0.0	0.3	0.5
Effect of tax related to previous year	0.1	0.1	0.0	0.0
Reversal of income of associates	0.2	0.5	–0.2	–0.3
Other	–0.9	–2.1	0.6	1.0
Recognised effective tax	**–24.9**	**–55.7**	**–21.3**	**–35.5**

Tax items recognised in equity through other comprehensive income, MSEK	2017	2016
Actuarial gains and losses on defined benefit pension plans	–2.1	6.3
Cash flow hedges	–1.1	–1.1
Total tax effects in other comprehensive income	**–3.2**	**5.2**

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Deferred tax assets/tax liabilities, MSEK	December 31, 2017 Deferred tax assets	Deferred tax liabilities	Net	December 31, 2016 Deferred tax assets	Deferred tax liabilities	Net
Buildings	30.5	0.7	29.8	34.5	0.0	34.5
Machinery and equipment	12.2	29.4	–17.2	18.5	30.8	–12.4
Intangible assets	0.0	184.9	–184.9	0.1	107.5	–107.4
Other assets	0.6	10.2	–9.6	–	3.7	–3.7
Pension provisions	1.6	0.0	1.6	3.7	–	3.7
Other liabilities	10.9	0.1	10.8	7.9	1.4	6.4
Losses carry forward	40.8	0.0	40.8	12.4	–	12.4
Other	6.6	9.8	–3.2	3.9	–	3.9
Total	**103.2**	**235.1**	**–131.9**	**80.8**	**143.4**	**–62.6**
Netting of offsettable assets/liabilities by jurisdiction	–63.3	–63.3	0.0	–34.1	–34.1	0.0
Total net deferred tax liability	**39.9**	**171.8**	**–131.9**	**46.7**	**109.3**	**–62.6**

Deferred tax assets and liabilities nettable within the same jurisdiction was netted in 2016 och 2017.

Change in deferred tax in temporary differences and loss carryforwards 2017 Group, MSEK	Amount at beginning of period	Recognised in income statement	Recognised in OCI	Changes in acquisition/ divestment of companies	Translation differences	Amount at end of period
Buildings	34.5	–4.0	–	–1.5	0.8	29.8
Machinery and equipment	–12.4	–4.5	–	–0.8	0.5	–17.2
Intangible assets	–107.4	–9.2	–	–67.3	–1.0	–184.9
Other assets	–3.7	–5.9	–	–	0.0	–9.6
Pension provisions	3.7	–	–2.1	–	–	1.6
Other liabilities	6.4	3.0	–1.1	2.5	0.0	10.8
Losses carry forward	12.4	27.5	–	–	0.9	40.8
Other	3.9	–8.6	–	–	1.5	–3.2
Total	**–62.6**	**–1.7**	**–3.2**	**–67.1**	**2.7**	**–131.9**

Change in deferred tax in temporary differences and loss carryforwards 2016 Group, MSEK	Amount at beginning of period	Recognised in income statement	Recognised in OCI	Changes in acquisition/ divestment of companies	Translation differences	Amount at end of period
Buildings	29.2	3.8	–	–	1.4	34.5
Machinery and equipment	–4.3	–8.9	–	–	0.8	–12.4
Intangible assets	–108.5	6.5	–	–	–5.4	–107.4
Other assets	–4.1	0.5	–	–	–0.1	–3.7
Pension provisions	–3.6	1.0	6.3	–	–	3.7
Other liabilities	0.9	2.1	–1.1	3.9	0.6	6.4
Losses carry forward	17.4	–6.0	–	–	1.0	12.4
Other	3.5	–1,5	–	–	1.9	3.9
Total	**–69.5**	**–2,5**	**5.2**	**3.9**	**0.3**	**–62.6**

Loss carry forward

At the end of the year, the Group had losses carry forward of MSEK 201.1 (61.4), all of which were recognised as deferred tax assets. MSEK 34.6 (12.4) of the deferred tax assets relates to losses carry forward in Finland, which expire after ten years. The remaining tax losses have indefinite lives. Operations in Finland have so far shown a loss because of low capacity utilization and inefficient production. A number of actions have been initiated, such as changes in management and reduction of labor force. The business position in the market continues to be strong and it is the estimate of management that the future profitability development mainly is dependent on the positive effects of internal actions. Positive effects of the actions were seen already during the fourth quarter of 2017. Hence the management has come to the conclusion that the tax asset reported concerning the losses in Finland should be further reported in the Balance sheet.

Note 11 Property, plant and equipment

	Land and land improvements		Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total property, plant and equipment	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Accumulated cost	25.4	18.2	742.9	518.5	2,306.0	1,679.4	239.5	456.0	173.7	179.2	3,487.5	2,851.2
Accumulated depreciation	–7.4	–5.5	–319.1	–238.2	–1,616.9	1,204.4	–160.9	–257.8	–	–	–2,104.3	–1,705.9
Accumulated impairment	–	–	–67.9	–66.0	–66.1	–64.3	–1.0	–1.0	–3.2	–3.2	–138.2	–134.4
Carrying amount	**18.0**	**12.7**	**355.9**	**214.2**	**623.0**	**410.7**	**77.6**	**197.2**	**170.5**	**176.0**	**1,245.0**	**1,010.8**
Balance at beginning of the period	12.7	7.5	214.2	205.8	410.7	395.6	197.2	144.1	176.0	128.7	1,010.8	881.7
Expenditure[1)]	6.8	5.1	24.9	3.8	92.4	6.7	38.3	62.6	63.8	187.3	226.1	265.6
Acquisitions	–	–	123.8	1.3	98.8	2.4	1.2	0.1	–	–	223.8	3.8
Sales and disposals	–0.4	–	–7.9	–	–4.1	–2.2	–2.0	–	–	–1.4	–14.4	–3.6
Depreciation for the period	–2.3	–0.4	–20.2	–19.7	–150.7	–111.5	–23.0	–43.5	–	–	–196.2	–175.2
Reclassifications	0.8	0.2	10.2	14.0	170.6	108.3	–130.7	22.2	–70.7	–141.1	–19.8	3.6
Translation differences	0.4	0.3	10.9	8.9	5.3	11.4	–3.4	11.7	1.4	2.6	14.7	35.2
Book value	**18.0**	**12.7**	**355.9**	**214.2**	**623.0**	**410.7**	**77.6**	**197.2**	**170.5**	**176.0**	**1,245.0**	**1,010.8**
Leases, MSEK												
Carrying amount of assets held under finance leases	–	–	0.8	0.3	0.3	8.2	–	–	–	–	1.1	8.5

1) Expenditure does not include any capitalized interest.

No government grants affecting investment values were received in 2017 or 2016.
For further information about depreciation, amortisation and impairment, see Note 6.
For further information about leases, see Note 24.

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Note 12 Intangible assets

	Goodwill		Other intangible assets							
			Brands		Customer and supplier relationships		Capitalized expenditure on internal development work		Total other intangible assets	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Accumulated cost	896.3	703.8	397.9	323.6	705.5	230.8	81.1	80.1	1,184.5	634.5
Accumulated amortisation	–	–	–1.3	–	–99.1	–70.1	–67.3	–61.4	–167.7	–131.5
Carrying amount	**896.3**	**703.8**	**396.6**	**323.6**	**606.4**	**160.7**	**13.8**	**18.7**	**1,016.8**	**503.0**
Balance at beginning of year	703.8	596.5	323.6	310.6	160.7	151.2	18.7	28.1	503.0	489.9
Investments	–	–	–	–	–	–	1.2	3.2	1.2	3.2
Additions	196.3	63.7	74.0	–	460.9	18.4	–	–	534.9	18.4
Sale and disposals	–	–	–	–	–	–	–	–5.6	–	–5.6
Amortisation for the year	–	1.5	–1.3	–	–29.0	–20.4	–5.9	–7.3	–36.2	–27.7
Translation differences	–3.8	42.1	0.3	13.0	13.8	11.5	–0.2	–0.2	13.9	24.4
Book value	**896.3**	**703.8**	**396.6**	**323.6**	**606.4**	**160.7**	**13.8**	**18.7**	**1,016.8**	**503.0**

Allocation of goodwill, brands and customer/supplier relationships						
Sweden	120.7	120.7	144.0[1)]	144.0[1)]	24.0	26.3
Denmark	195.9	190.6	85.0[2)]	82.7[2)]	30.2	32.7
Norway	346.8	365.1	92.1[3)]	97.0[3)]	81.6	101.7
Finland	28.6	27.5	–	–	–	–
Ireland	204.3	–	75.5[4)]	–	470.7	–
Total	**896.3**	**703.8**	**396.6**	**323.6**	**606.4**	**160.7**

1) Brands with indefinite useful life (Kronfågel, Ivars, Vitafågeln, Bosarp).
2) Brands with indefinite useful life (Danpo, BornholmerHanen).
3) Brand with indefinite useful life (Den Stolte Hane).
4) Brand with a limited useful life (Manor Farm).

Further information about amortisation, impairment and impairment testing, please see Note 6.

Note 13 Participations in associated companies

Group, MSEK	**Dec 31, 2017**	**Dec 31, 2016**
Balance at the beginning of the year	45.5	41.4
Share of income in associates	2.5	9.0
Dividend (Farmfood A/S)	–	–7.7
Other adjustment	–7.7	–
Translation difference	–0.1	2.8
Carrying amount	**40.2**	**45.5**

Any impairment and reversal of impairment is recognised in the income statement classified as Share of income of associates.

Information on associates in 2017

MSEK	**Assets**	**Liabilities**	**Net sales**	**Income for the period**
Farmfood A/S	159.8	79.5	286.6	6.3
Nærbø Kyllingslakt AS	30.5	19.9	66.8	0.8

Information on associates in 2016

MSEK	**Assets**	**Liabilities**	**Net sales**	**Income for the period**
Farmfood A/S	161.1	66.7	7.6	5.4
Nærbø Kyllingslakt AS	30.6	19.3	57.9	–1.0
UAB ScanEcoBalt	0.0	0.0	0.0	0.0

Note 13 Participations in associated companies cont.

Group holdings in associates, December 31, 2017

	Corporate name	Corp. identity no.	Domicile	Number of shares	Share of capital, %	Carrying amount in Group 2017, MSEK	Carrying amount in Group 2016, MSEK
Associates in the Group:							
Denmark	Farmfood A/S	27 121 977	Loegstoer	10,000	33.3	25.1	30.0
Norway	Nærbø Kyllingslakt AS	985 228 175	Nærbø, Hå	3,875	50.0	15.1	15.5
Total						**40.2**	**45.5**

Note 14 Non-current financial assets

Group, MSEK	Dec 31, 2017	Dec 31, 2016
Other shares and interests	0.0	0.2
Total	**0.0**	**0.2**

Note 15 Inventory

Group, MSEK	Dec 31, 2017	Dec 31, 2016
Raw materials and consumables	81.1	49.3
Goods in progress	6.5	21.2
Finished goods and merchandise	561.2	482.6
Total	**648.8**	**553.1**

MSEK 6.9 (56.5) of inventories this year were measured at net realizable value. Impairment losses of MSEK 14.4 (15.6) were recognised during the year. Previous impairments of MSEK 9.8 (–) has been reversed during the year.

The comparison year adjusted due to separate reporting of Biological assets as from 2017, see note 30.

Note 16 Trade receivables and other receivables

MSEK	Dec 31, 2017	Dec 31, 2016
Trade receivables	878.7	400.2
Other current receivables	125.4	87.5
Prepayments and accrued income	159.5	72.3
Total	**1,163.6**	**560.0**

Age analysis of trade receivables MSEK	Dec 31, 2017	Dec 31, 2016
Receivables, not yet due	575.4	338.7
Receivables, past due		
< 31 days	278.0	58.3
31–60 days	6.1	2.0
61–90 days	12.4	0.3
> 90 days	34.8	0.9
Total	**906.7**	**400.2**
Provision for doubtful debts	–28.0	0.0
Total	**878.7**	**400,2**

All provision for doubtful debt origins from operation added to the group in 2017.
For information of assessment of trade receivables, see Note 20.

Prepayments and accrued income, MSEK	Dec 31, 2017	Dec 31, 2016
Prepaid rent	0.8	3.9
Prepaid insurance	1.5	4.0
Prepayments to contract broiler producers	19.5	17.0
Up front fee, financing	–	1.1
Other prepaid expenses	137.3	46.0
Other accrued income	0.4	0.2
Total	**159.5**	**72.3**

Note 17 Current interest-bearing assets and cash and cash equivalents

Cash and cash equivalents MSEK	2017	2016
Cash and bank balances	30.2	23.2
Total	**30.2**	**23.2**

Receivables with a maturity of up to one year are recognised as current interest-bearing assets.

Note 18 Equity

MSEK	Share capital[1]	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent
Total equity, opening balance January 1, 2016	**0.6**	**810.0**	**–37.7**	**20.9**	**131.1**	**924.9**
Income for the year					131.4	131.4
Actuarial gains and losses on pension plans					–28.5	–28.5
Cash flow hedges						
– remeasurement for the year			4.7			4.7
– reclassified to income statement						
Exchange differences on translation of foreign operations				43.6		43.6
Net gain on hedge of net investments in foreign operations				12.3		12.3
Tax relating to components of other comprehensive income			–1.1		6.3	5.2
Other comprehensive income for the period, net of tax			**3.6**	**55.9**	**–22.2**	**37.3**
Transactions with owners						
Dividend		–107.3				–107,3
Repurchase own shares					–14.3	–14.3
Total equity, closing balance December 31, 2016	**0.6**	**702.7**	**–34.1**	**76.8**	**226.0**	**972.0**

[1] The share capital in Scandi Standard AB amounted to SEK 599,749.

MSEK	Share capital[1]	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent
Total equity, opening balance January 1, 2017	**0.6**	**702.7**	**–34.1**	**76.8**	**226.0**	**972.0**
Income for the year					167.9	167.9
Actuarial gains and losses on pension plans					9.4	9.4
Cash flow hedges						
– remeasurement for the year			5.3			5.3
– reclassified to income statement						
Exchange differences on translation of foreign operations				41.8		41.8
Net gain on hedge of net investments in foreign operations				–18.2		–18.2
Tax relating to components of other comprehensive income			–1.1		–2.1	–3.2
Other comprehensive income for the period, net of tax			**4.2**	**23.6**	**7.3**	**35.1**
Transactions with owners						
Issue of new shares	0.1	352.8				352.9
Transaction costs related to issue of new shares		–0.6				–0.6
Repurchase own shares					–10.4	–10.4
Dividend		–80.2				–80.2
Long term incentive programme					10.9	10.9
Profit from used option to buy shares in Sødams Øko Fjerkraeslagteri Aps					6.4	6.4
Other changes					0,6	0,6
Total equity, closing balance December 31, 2017	**0.7**	**974.7**	**–29.9**	**100.4**	**408.7**	**1 454.6**

[1] The share capital in Scandi Standard AB amounted to SEK 659,663.

During 2017 payment of the shareholder dividend decreased equity by MSEK 80.2 (107.3). Repurchase of own shares also affected the equity by MSEK −10.4 (−14.3).

For cash flow hedges where the hedged transaction has not yet occurred, the hedge reserve comprises the cumulative effective portion of gains or losses arising from remeasuring the hedging instruments at fair value. The cumulative gain or loss recognised in the hedge reserve will be recycled to profit or loss when the hedged transaction affects profit or loss.

The translation reserve comprises all exchange differences arising on translation of financial statements of foreign operations to the Group's presentation currency (SEK). Gains and losses on hedging instruments that qualify as hedges of a net investment in a foreign operation are also included in the translation reserve and recognised there after deduction of tax.

	2016	
Share capital, total	**Number of shares**	**SEK**
Opening balance, Jan 1, 2016	60,060,890	599,749
Change during year	–	–
Closing balance	60,060,890	599,749

	2017	
Share capital, total	**Number of shares**	**SEK**
Opening balance, Jan 1, 2017	60,060,890	599,749
Change during year	6,000,000	59,914
Closing balance	**66,060,890**	**659,663**

According to the articles of association for Scandi Standard AB, the share capital shall amount to a minimum of SEK 500,000 and a maximum of SEK 2,000,000. The quota value of the share is SEK 0.009986.

Earnings per share	2017	2016
Income for the period, MSEK	167.9	131.4
Earnings per share, SEK	**2.73**	**2.21**
Average number of shares, million	61.6	59.5
Equity per share, SEK	23.61	16.34

Changes in share capital

		No. of shares		Share capital		
Registered	**Transaction**	**Change**	**After transaction**	**Quota value SEK**	**Change**	**After transaction**
Feb 1. 2013	Incorporation	50,000	50,000	1 000 000	50,000	50,000
Jun 26. 2013	New share issue	500,716,726	500,766,726	0.000500	200,287	250,287
Jun 26. 2013	Reduction of share capital	–	500,766,726	0.000200	−150,215	100,072
Jun 26. 2013	Reduction of share capital	−50,000	500,766,726	0.000100	−50,000	50,072
May 19. 2014	Bonus issue	–	500,766,726	0.000999	449,928	500,000
May 19. 2014	Reclassification of shares	–	500,766,726	0.000999	–	500,000
May 20. 2014	New share issue	4,569,376	505,286,102	0.000999	4,563	504,563
Jun 27. 2014	Reclassification of shares	–	505,286,102	0.000999	–	504,563
Jun 27. 2014	Reversed split 1:10	−454,757,492	50,528,610	0.009986	–	504,563
Jun 27. 2014	New share issue	95,186	50,623,796	0.011847	95,186	599,749
Jun 27. 2014	Set-off of shareholder loans	9,437,094	60,060,890	0.009986	–	599,749
Aug 28, 2017	New share issue	6,000,000	66,060,890	0.009986	59,914	659,663

Note 19 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	Dec 31, 2017	Dec 31, 2016
Non-current liabilities to credit institutions	20	1,848.7	1,425.5
Derivative instruments		9.1	14.2
Financial liabilities, leases	24	0.8	2.1
Total		**1,858.6**	**1,441.8**

Current interest-bearing liabilities

MSEK	Note	Dec 31, 2017	Dec 31, 2016
Current liabilities to credit institutions	20	57.8	93.8
Derivatives		−0.6	–
Other short term interest-bearing debt		–	3.0
Total		**57.2**	**96.8**

Financing of the Scandi Standard Group is mainly carried out through the group company Scandinavian Standard Nordic AB. External financing in the subsidiaries is only conducted if this is optimal for the Group.

Syndicated Multicurrency term agreement

An agreement for two new loan facilities was signed on December 22th 2016, replacing previous outstanding debt. The new financing is a five-year facility of MSEK 1,450 and a revolving facility of MSEK 750. Both facilities are to be repaid in December 2021. The agreement also gives Scandi Standard the opportunity to extend the loan facility with up to additionally MSEK 1,250 if needed. The facilities are available to Scandinavian Standard Nordic AB and selected subsidiaries. Furthermore, the ability for the Group to take on new debt is regulated by the loan agreement. The new facilities that were agreed upon 2016 were capitalized in January 2017 and thereafter the long term finacing of the group amounts to MSEK 1,450.

Covenants

The syndicated loan agreement sets forth a covenant on *leverage* (quotaratio of net debt in relation to EBITDA on rolling twelve–months basis) and a covenant on *interest cover* (ratio of finance charges in relation to EBITDA on rolling twelve month basis). The definition of leverage in the loan agreement is different from the definition used when calculating the Group's financial targets. Scandi Standard complied with its covenants at the end of 2017.

Note 20 Financial instruments and financial risk management

Scandi Standard is exposed to different types of financial risk in the course of its international operations. Financial risk is the risk of fluctuations in the Group's financial results and position as a result of currency risk, interest rates risk, and refinancing- and liquidity risk and credit and counterparty risks.

CURRENCY RISK

In the course of its operations, Scandi Standard is exposed to currency risk, in the form of exchange rate fluctuations affecting the Group's financial results and position.

The Group's currency exposure includes both transaction exposure and translation exposure. The Group's currency risk management is aimed at minimizing the short-term effect of exchange rate fluctuations and their adverse impact on the Group's financial results and position.

Transaction exposure

Scandi Standard's goal is to avoid exposure to exchange rate fluctuations within Europe and worldwide in export trading.

Distribution of trade receivables by currency

MSEK	Dec 31, 2017	Dec 31, 2016
SEK	128.2	116.2
DKK	110.1	95.1
NOK	102.2	67.1
EUR	523.0	104.6
Other currencies	43.2	17.2
Total	**906.7**	**400.2**

Distribution of trade payables by currency

MSEK	Dec 31, 2017	Dec 31, 2016
SEK	176.1	185.2
DKK	163.8	75.6
NOK	99.7	112.6
EUR	266.1	100.7
Other currencies	10.1	1.4
Total	**715.8**	**475.5**

Translation exposure

Translation exposure is the effect of changes in exchange rates when foreign subsidiaries' income statements and statements of financial position are translated into the Group's presentation currency (SEK). Currency hedging of investments in foreign subsidiaries (net assets including goodwill on consolidation) is managed by means of loans in the subsidiaries' currencies, and is referred to as the equity hedge. These loans are recognised at the closing rate on the reporting date. In the Parent Company, exchange differences attributable to these loans (net of tax) and translation differences from the net assets of subsidiaries are recognised in other comprehensive income and accumulated in consolidated equity. At present, net investments in EUR, DKK and NOK are hedged.

If the Swedish krona weakened against other currencies by 5 percent, equity would decrease by MSEK −127.3 (−56.7), not taking into account the equity hedge. If the equity hedge is taken into account, equity would decrease by MSEK −68.7 (−10.7), all other things being equal.

Exchange rate fluctuations also affect the translation of foreign subsidiaries' income statements to SEK. As this translation is not hedged, the translation difference is exposed to currency risk and as such is included in the sensitivity analysis below.

Foreign-exchange sensitivity in transaction and translation exposure

Scandi Standard is primarily exposed to the DKK, NOK and EUR. The different currencies represent both inflows and outflows against the Swedish krona.

If, on translation of operating income, the Swedish krona were to weaken against subsidiaries' currencies by 5 percent, this would have an adverse impact of MSEK −15.1 (−12.3) on operating income, all other things being equal. The impact is broken down as follows: DKK/SEK −6.0 (−7.9) MSEK and NOK/SEK −6.1 (−6.4) MSEK and EUR/SEK −3.0 (2.0) MSEK. The calculation does not take into account any changes in prices and customer behavior caused by the exchange rate movements.

INTEREST RATE RISK

Interest-bearing borrowing means that the Group is exposed to interest rate risk. Interest rate risk is the risk that changes in market interest rates will have an adverse effect on the Group's financial results and cash flows. How quickly a lasting change in interest rates is reflected in the Group's net financial items depends on the borrowing's fixed-rate period.

At December 31, 2017, the Group's outstanding liabilities to credit institutions, including outstanding interest rate swaps, had a weighted average fixed-rate period of 7 (15) months.

REFINANCING RISK AND LIQUIDITY RISK

Refinancing risk is the risk that costs will be higher and opportunities for financing limited when loans and other credit arrangements are renewed. Liquidity risk is the risk that the Group will encounter difficulty in discharging payment obligations. Scandi Standard limits its refinancing risk by having a well-diversified group of counterparties and maturities for its loans. The weighted average maturity of loans with credit institutions at the end of the year was 4.0 (5.0) years.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity, thereby reducing the liquidity risk. Payment capacity, i.e. cash and cash equivalents and unused credit facilities, at December 31, 2017 was MSEK 419.7 (307.0).

Maturity structure of liabilities to credit institutions by currency 2017

MSEK	2018	2019	2020	2021	2022–	Total
EUR	27.8	23.6	19.8	342.0	22.3	435.6
DKK	9.2	9.2	9.2	549.5	–	577.1
NOK	9.7	9.7	9.7	328.7	–	411.7
SEK	9.6	9.6	9.6	573.6	–	602.4
Total	**56.3**	**52.1**	**48.3**	**1,847.8**	**22.1**	**2,026.8**
Of which interest	35.2	35.0	34.7	34.6	0.2	139.8

Maturity structure of liabilities to credit institutions by currency 2016

MSEK	2017	2018	2019	2020	2021–	Total
EUR	9.9	9.8	9.7	28.5	78.3	163.3
DKK	8.9	8.9	8.9	8.9	534.6	570.3
NOK	10.7	10.7	10.7	10.7	403.5	446.4
SEK	7.9	7.9	7.9	7.9	471.9	503.4
Total	**37.5**	**37.4**	**37.3**	**56.1**	**1,488.3**	**1,656.4**
Of which interest	29.5	29.4	29.3	29.0	28.8	146.1

Maturity structure of derivative instruments, nominal amounts December 31, 2017

MSEK	2018	2019	2020	2021–	Fair value
Currency derivatives	115.5	–	–	–	0.7
Interest rate derivatives	494.8	494.8	–	12.7	–8.9
Total	**610.3**	**494.8**		**12.7**	**–8.2**

Maturity structure of derivative instruments, nominal amounts December 31, 2016

MSEK	2017	2018	2019	2020–	Fair value
Currency derivatives	28.2	–	–	–	0.4
Interest rate derivatives	–	497.8	497.8	16.6	–14.2
Total	**28.2**	**497.8**	**497.8**	**16.6**	**–13.8**

Maturity of short term debt is up to 1 year.
Maturity of trade payables is normally within 60 days.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the risk that the counterparty in a transaction will be unable to discharge its obligations, thereby causing a financial loss for Scandi Standard. Counterparty risk is limited by only accepting counterparties with high credit-worthiness.

Customer credit risk

The credit risk associated with trade receivables is managed through special credit rating reviews. Scandi Standard has credit control procedures in place and obtains information about the financial position of customers from various credit-rating agencies.

VALUATION FINANCIAL LIABILITIES

An agreement of additional payments where made when acquiring Carton Bros ULC, by the time of closing of the books calculated to MSEK 318.9, which is to be paid during the first half of 2018 to 2021. The amount is depending on the progress of operating income before depreciation and amortization (EBITDA) of the acquired operation. The amount is the most likely outcome and recognized as liability in the Group balance sheet.

Financial assets and liabilities by measurement category December 31, 2017

December 31, 2017, MSEK	Loans and receivables	Derivatives used in hedge accounting	Other financial assets and liabilities	Total carrying amount	Measured at amortised cost[2)]	Fair value by level[1)]
ASSETS						
Other non-current financial assets	–	–	–	–	–	–
Trade and other recievables	878.7	–	–	878.7	878.7	–
Derivatives	–	0.6	–	0.6	–	0.6
Cash and cash equivalents	30.2	–	–	30.2	30.2	–
Total financial assets	**908.9**	**0.6**	–	**909.5**	**908.9**	**0.6**
LIABILITIES						
Non-current interest bearing liabilities	–	–	1,849.5	1,849.5	1,849.5	–
Other non-current liabilities	–	–	318.9	318.9	–	318.9
Derivatives	–	9.1	–	9.1	–	9.1
Current interest bearing liabilities	–	–	57.8	57.8	57.8	–
Trade and other payables	–	–	715.8	715.8	715.8	–
Total financial liabilities	–	**9.1**	**2,942.0**	**2,951.1**	**2,623.1**	**328.0**

Financial assets and liabilities by measurement category December 31, 2016

December 31, 2016, MSEK	Loans and receivables	Derivatives used in hedge accounting	Other financial assets and liabilities	Total carrying amount	Measured at amortised cost[2)]	Fair value by level[1)]
ASSETS						
Other non-current financial assets	–	–	–	–	–	–
Trade and other recievables	400.2	–	–	400.2	400.2	–
Derivatives	–	0.4	–	0.4	–	0.4
Cash and cash equivalents	23.2	–	–	23.2	23.2	–
Total financial assets	**423.4**	**0.4**	**–**	**423.8**	**423.4**	**0.4**
LIABILITIES						
Non-current interest bearing liabilities	–	–	1,427.6	1,427.6	1,427.6	–
Other non-current liabilities	–	–	46.3	46.3	16.7	29.6
Derivatives	–	14.2	–	14.2	–	14.2
Current interest bearing liabilities	–	–	96.8	96.8	96.8	–
Trade and other payables	–	–	475.5	475.5	475.5	–
Total financial liabilities	**–**	**14.2**	**2,046.2**	**2,060.4**	**2,016.6**	**43.8**

1) Fair value hierarchy with information on inputs used to measure fair value

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than the quoted prices included in level 1 that are observable for the asset or liability, i.e. quoted prices or data derived therefrom. Derivative instruments in this level are interest rate swaps, interest rate caps, forward exchange rates and restricted placements.

Level 3: Unobservable inputs for measurement of the asset or liability.

2) For the Group´s long term borrowing fair value is considered to be equal to the amortised cost as the borrowings are held at floating market rates and hence the book value will be approximated as the fair value. For other financial instruments fair value is estimated at cost adjusted for any impairment.

3) Non-current liabilities recognized per December 31 2016 refers to additional payment regarding the acquisition of Sødams Øko Fjerkræslagteri ApS.

Note 21 Pensions

Scandi Standard has both defined contribution and defined benefit pension plans. The defined benefit plans, as reported in the consolidated statement of financial position, are mainly funded and relate to PRI pensions in Sweden. These plans are funded in Lantmännen's 'Gemensamma Pensionsstiftelse Grodden' pension fund, which enables a number of companies that are part of, or have been part of, Lantmännen Group to safeguard their pension obligations. Each company has its own part of the fund's assets. There is no obligation for the companies in the fund to make additional contributions to the fund. The obligations are also credit insured via PRI Pensionsgaranti. PRI Pensionsgaranti is a mutual insurance company that guarantees employees' future pensions. Now that the assets are in a separate fund, the obligations can be reduced by the market value of the fund's assets when reported in the statement of financial position. Kronfågel AB and SweHatch AB are connected to the fund with regard to obligations accrued up to the end of May 2013. After this date, all new pension earnings within the Group are financed by direct charges.

The obligations in Ireland concern closed pension plans.

Pension plans with surpluses are recognised as an asset in the statement of financial position under "Surplus in funded pension plans". Other pension plans that are unfunded or partially funded are recognised under "Provisions for pensions".

Defined benefit obligations and value of plan assets in the Group:

Defined benefit plans, MSEK	Dec 31, 2017	Dec 31, 2016
Funded plans		
Defined benefit obligations under Swedish PRI pensionsgaranti plans	169.9	177.2
Fair value of plan assets	–162.8	–159.4
Total net value of funded plans	**7.1**	**17.8**
Surplus in pension plan reported as asset	–	
Partially funded plan reported as liability	7.1	17.8
Unfunded plans		
Other unfunded obligations	4.3	1.9
Total unfunded plans	**4.3**	**1.9**
Provision for pensions, net value	**11.4**	**19.7**

Defined benefit pension plans are in Sweden and Ireland.

Pension cost in the income statement, MSEK	2017	2016
Defined benefit plans		
Incurred pension expense during the year		1.7
Interest income / expenses	–3.4	0.6
Cost of defined benefit plans	**–3.4**	**2.3**
Cost of defined contribution plans	–82.8	–74.3
Total pension cost	**–86.2**	**–72.0**
The cost is recognised in the following lines in the income statement		
Employee benefits expenses, Note 5	–82.8	–72.6
Finance expenses, Note 8	–3.4	0.6
Total pension cost	*–86.2*	*–72.0*

Pension-related charges in other comprehensive income, MSEK	2017	2016
Defined benefit plans		
Return on plan assets in excess of what is recognised as interest income in the income statement	6.9	2.2
Experience based adjustment of obligation	2.0	2.5
Effect of changes in demographic assumptions	–	–
Effects of changes in financial assumptions	0.5	–33.2
Total actuarial gains (+) and losses (–)	**9.4**	**–28.5**
Tax in gain / loss	–2.1	6.3
Total recognised in other comprehensive income	**7.3**	**–22.2**

Note 21 Pensions cont.

Changes in obligations, assets and net amount:

	December 31, 2017			December 31, 2016		
MSEK	**Defined benefit obligations**	**Plan assets**	**Net**	**Defined benefit obligations**	**Plan assets**	**Net**
Opening balance	177.2	–159.4	17.8	150.5	–165.2	–14.7
Service cost	–1.6	–	–1.6	–1.8	–	–1.8
Interest recognised in income statement	3.7	–3.5	0.2	5.0	–5.6	–0.6
Payment of pension benefits	–7.0	–	–7.0	–7.2	–	–7.2
Compensation received[1]	–	7.0	7.0	–	13.6	13.6
Curtailments and settlements	–	–	–	–	–	–
Return in plan assets in excess of recognised interest	–	–6.9	–6.9	–	–2.2	–2.2
Remeasurement of pension obligations recognised in other comprehensive income	–2.58	–	–	30.7	–	30.7
Closing balance, pension liability	**169.9**	**–162.8**	**7.1**	**177.2**	**–159.4**	**17.8**
Of which funded plans	–	–	7.1	–	–	–
Of which unfunded plans	–	–	4.3	–	–	–

[1] Both Kronfågel AB and Swehatch AB have received compensation from the pension fund in 2016 and 2015.

Fair value of plan asset categories and share of total plan assets

	2017		2016	
	MSEK	**%**	**MSEK**	**%**
Property	84.6	52.0	92.9	58.3
Fixed-interest investments	26.8	16.5	18.9	11.8
Structured products	–	–	2.6	1.6
Equity investments	36.6	22.5	33.7	21.1
Hedge funds	14.5	8.9	8.2	5.2
Cash and cash equivalents	0.3	0.2	3.1	2.0
Total	**162.8**	**100.0**	**159.4**	**100.0**

Equity investments are all listed equity.

Actuarial assumptions	**2017**	**2016**
Discount rate	2.45%	2.20%
Future pension increase	1.75%	1.50%
Inflation	1.75%	1.50%
Mortality table	DUS14	DUS14

A reduction of the discount rate by 0.25 percentage points would increase the pension obligation by MSEK 6.2 (6.6) while an increase would reduce the obligation by MSEK 5.8 (6.3). A change in the expected life span of one year would change the obligation by MSEK 6.8 (6.9). A change of the inflation rate of 0.25 percentage points would change the obligation by about MSEK 6.2 (6.5). The pension fund's return was 6 (5) percent and a change of 1 percentage point would change the value of plan assets by about MSEK 1.6 (1.6).

Funded plans cover to 54.6 (56.7) percent paid-up policy holders and to 45.4 (43.3) percent retired persons. Duration is 14.7 (15.1) years.

Expected payments under defined benefit pension plans in 2018 are MSEK 7.1.

For certain employees in Sweden insurance premiums are paid to Alecta under the ITP plan (individual supplementary pension). The plan is a multi employer defined benefit plan. Alecta is currently unable to disclose the information required to recognise the plans as a defined benefit pension plan. Consequently, pension plans under Alecta are recognised as defined contribution plans. MSEK 3.5 (3.5) of total pension cost of MSEK 81.4 (72.0) for defined contribution plans are related to Alecta premiums for ITP plans. Alecta may distribute its surplus to policy holders and/or the insured. At the end of the year, Alecta's surplus defined as collective funding ratio was 154 percent (149). The collective funding ratio reflects the market value of the Assets of Alecta as a percentage of its pension obligations, calculated with Alecta's Actuarial assumptions, which do not follow IAS19.

Note 22 Other provisions

In corporate groups the size of Scandi Standard, there are normally a number of ongoing disputes. Scandi Standard assesses the most likely outcome of the disputes currently at issue, and where an outflow of financial resources is probable, a corresponding amount is recognised as a provision.

MSEK	2017	2016
Restructuring	11.8	–
Other provisions	0.2	–
Total	**12.0**	**–**

Note 23 Trade payables and other current liabilities

MSEK	Dec 31, 2017	Dec 31, 2016
Trade payables	715.8	475.5
Other current liabilities	187.6	100.9
Accruals and deferred income	305.9	199.5
Total	**1,209.3**	**775.9**

Accruals and deferred income

MSEK	2017	2016
Accrued personnel-related costs	168.6	131.3
Bonuses and discounts	28.9	20.7
Other accruals	108.4	36.8
Deferred income	–	10.7
Total	**305.9**	**199.5**

Note 24 Leases

The Group's leases are mainly operating leases. Finance leases are used to a limited extent.

Operating leases are mainly property leases, representing more than 70 percent reported minimum lease obligations.

Operating leases
Recognised cost of operating leases

MSEK	2017	2016
Minimum lease payments	87.0	71.9
Total	**87.0**	**71.9**

Future committed lease obligations are disclosed below.

Minimum lease payments due

MSEK	Dec 31, 2017	Dec 31, 2016
Within one year	61.1	64.3
Between one and five years	202.7	194.2
Beyond five years	140.7	120.8
Total	**404.5**	**379.3**

One company in the Group are tenants in properties owned by Lantmännen ek för. The annual rent for this amounted to MSEK 2.2 (2.2).

Finance leases
Liabilities under finance leases are recognised as interest-bearing liabilities in the consolidated statement of financial position. Payments due within one year are recognised as current financial liabilities while payments due beyond one year are recognised as non-current financial liabilities.

Recognised costs and payment of finance leases

MSEK	2017	2016
Minimum lease payments		
– reported as interest	0.1	0.1
– reported as repayment of liability	1.2	1.6
Total payments under finance leases	**1.3**	**1.7**

The carrying amount of the leased assets at the reporting date is disclosed in Note 11.

Future minimum lease payments by period

	Dec 31, 2017		
	Payment	Interest	Total charge
Within one year	0.6	0.0	0.6
Between one and five years	0.1	0.0	0.1
More than five years	0.0	0.0	0.0
Total	**0.7**	**0.0**	**0.7**

	Dec 31, 2016		
	Payment	Interest	Total charge
Within one year	0.0	0.0	0.0
Between one and five years	1.2	0.1	1.3
More than five years	0.7	0.0	0.7
Total	**1.9**	**0.1**	**2.0**

Note 25 Related party transactions

Salaries and benefits received by senior management are reported in Note 5. No dividends from subsidiaries or associates have been received during the year.

Receivables from and liabilities to associates are shown in notes 14 and 23. Further information about associated companies can be found in Note 13.

Owner transactions

MSEK	2017	2016
Paid rentals to Lantmännen	2.2	2.2

Other related party transactions

MSEK	2017	2016
Intra-group purchases, share of total purchases, %	11.5	11.0
Intra-group sales, share of total sales, %	8.5	8.0
Purchases of goods and services from associates, MSEK	66.4	59.9
Sales of goods and services to associates, MSEK	73.3	7.1
Other transactions with associates, MSEK	6.5	11.1
Transfer of capital from pension fund, credited, MSEK	7.0	13.6

Note 26 Government grants

MSEK	2017	2016
Grants recognised as revenue	0.3	0.8
Total	**0.3**	**0.8**

Note 27 Acquired operations

On 28 August 2017 the Group completed the acquisition of Manor Farm in the republic of Ireland by acquiring 100 percent of the outstanding shares in Carton Bros ULC. Consideration and acquired assets and liabilities are specified in the table below. The purchase price allocation is final.
Goodwill refers to expected synergies through transfer of technical knowledge and production methods as well as an improved diversification by being present on one more market. None of the goodwill is expected to be deductible for tax purposes.

A deferred tax liability of MSEK 67.3 is recognized referring to the fair value adjustment of MSEK 534.9 relating to trademarks and customer relationships.

The contingent consideration will be paid depending on the EBITDA of the acquired business during the years 2017–2020, with a first payment of MEUR 0.4 if EBITDA in 2017 exceeds MEUR 13. The remaining parts of the contingent consideration, which have an expected nominal aggregate base amount of MEUR 35, are subject to adjustments based on the actual EBITDA in each of the years 2018, 2019 and 2020 compared to the 2016 EBITDA. For the calculation of each part of the contingent consideration, a sliding EV/EBITDA multiple scale is used ranging from a minimum multiple of zero to a maximum multiple of 9. The parts of the contingent consideration will be paid upon availability of audited accounts for the relevant year

Transaction costs

Costs related to the acquisition have been expensed as incurred and amounts to MSEK 24.9. The costs have been reported as non-comparable items in operating income and refer to due diligence, transaction advice and stamp duty.

Revenue and profit contribution

The acquired business contributed with net sales of MSEK 596.3 and operating income of MSEK 36.3 for the period 28 August 2017 to 31 December 2017. If the acquisition had occurred on 1 January 2017, consolidated net sales and income for the period for the full year 2017 had been MSEK 8,179.4 and MSEK 213,1 respectively.

Acquistition of Sødam

The remaining 20 percent of Sødam Øko Fjerkræslagteri Aps was acquired during 2017 for MSEK 10.4. No additional consideration is payable and remaining liability for contingent consideration has been resolved in the profit and loss. A positive effect in operating profit of MSEK 29 has been recognized as a non comparable item in the profit and loss.

MSEK	2017, Carton Bros ULC	2016, Sødam Øko Fjerkræslagteri Aps
Acquisition price		
Cash payment	278.0	31.6
Issued shares (6 million shares)	336.1	
Deferred consideration, recognised liability	307.9	27.9
Liability related to the acquisition of minority	–	16.1
Total	**922.0**	**75.6**
Acquired assets and liabilities at fair value		
Brand	74.0	–
Other intangible assets	460.9	17.9
Provisions etc.	–27.3	–
Deffered tax	–67.3	–3.9
Property, plant and equipment	223.7	3.7
Inventories	56.9	0.5
Other current and non current assets	361.2	1.9
Other liabilities	–265.5	–6.9
Net assets acquired, total	**816.6**	**13.1**
Cash and bank balances	3.9	1.4
Borrowing	–94.8	–
Net debt, acquired	**–90.9**	**1.4**
Goodwill	**196.3**	**61.0**
Total	**922.0**	**75.6**

The above values include fair value adjustments made to assets and liabilities in the acquired companies. Those adjustments are specified below.

MSEK	Sødam Øko Fjerkræslagteri Aps	Huttulan Kukko Oy
Cash impact from acquisition		
Cash paid for acquired companies	–278.0	–22.3
Cash and cash equivalents in acquired companies	3.9	1.4
Total	**–274.1**	**–20.9**

Note 28 Pledged assets and contingent liabilities

Pledged assets	For own liabilities	
MSEK	Dec 31, 2017	Dec 31, 2016
Real estate mortgages	317.7	63.4
Total	**317.7**	**63.4**

Contingent liabilities

MSEK	Dec 31, 2017	Dec 31, 2016
Guarantee multicurrency credit facilitiy	2,200.0	2,200.0
Rent guarantee	1.2	1.2
Other contingent liabilities	7.3	12.2
Total	**2,208.5**	**2,213.4**

The parent company Scandi Standard AB (publ) has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.2 (10.9).

Note 29 Notes to the statement of cash flows

1) Paid finance items net, MSEK	2017	2016
Interest received	1.1	0.3
Interest paid	–51.6	–46.1
Other paid financial items	–8.5	–13.5
Total	**–59.0**	**–59.3**

2) Business combinations	2017	2016
Acquired assets and liabilities		
Property, plant and equipment	223.8	3.7
Intangible assets	731.2	75.0
Inventories	56.9	0.5
Trade and other receivables	361.3	1.9
Liabilities	–387.6	–6.9
Cash and cash equivalents	3.9	1.4
	922.0	**75.6**
Additional consideration, recognized liability	–307.9	–27.9
Provision for acquisition of minority		–16.1
Loans in acquired business combination	–336.1	–
Paid consideration	**278.0**	**31.6**
Cash and cash equivalents in acquired business combination	–3.9	–1.4
Cash flow effect	**274.1**	**30.2**

3) Cash and cash equivalents, MSEK	2017	2016
Cash and bank deposits	30.2	23.2
Total	**30.2**	**23.2**

The Group's total liquidity, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, amounted to MSEK 307.0 (547.2) at the end of the year.

4) Reconciliation of Net debt

The net debt and the movement of it is analysed below, for the presented periods.

Net debt[1]	2017	2016
Cash and cash equivalents	30.2	23.2
Borrowings - repayable within one year	–57.2	–96.8[2]
Borrowings - repayable after one year	–1,858.6	–1,441.8
Net debt	**–1,885.6**	**–1,515.4**
Cash and bank deposits	30.2	23.2
Gross debt - variable interest rates	–1,915.8	–1,538.6
Net debt	**–1,885.6**	**–1,515.4**

1) The Group utilises the same definition of Net debt as the current Credit agreement

2) Including overdraft facilities

	Liabilities from financing activities			
Changes in gross debt	Borrowing due within 1 year	Finance leases due after 1 year	Borrowing due after 1 year	Total
Gross debt December 31, 2016 (note19)	**–96.8**		**–1,441.8**	**–1,538.6**
Of which finance leases		–2.1	2.1	0
Cash flows				
- new loans	–32.9		–1,871.6	–1,904.5
- repayments		1.3	1,519.5	1,520.8
- changes in credit facility	98.7			98.7
Cash flows	65.8	1.3	–352.1	–285.0
Foreign exchange adjustments	–1.6		–11.3	–12.9
Acquisitions	–24.0		–378.7	–402.7
Other non-cash movements	–0.6	–	5.1	4.5
Total	**–57.2**	**–0.8**	**–2,176.7**	**–2,234.7**
Excluded: Additional acquisition payments recognised as debt			318.9	318.9
Gross debt December 31, 2017 (note 19)	**–57.2**	**–0.8**	**–1,857.8**	**–1,915.8**

Note 30 Biological assets

MSEK	2017	2016
Balance at beginning of the period	46.8	38.7
Change to due to change of estimate	–	15.9
Change in number of hens	–9.5	4.3
Change in revenue per hen	3.7	–5.6
Change in production cost	15.1	–4.3
Other	15.6	–2.2
Balance at end of the period	**71.7**	**46.8**

The biological assets consists primarily of parent broiler stock that produces day-old chicks sold to contract broiler producers. The lifespan of the parent broilers is about 60 weeks and the main source of revenue is sales of the day-old chicks that they produce. Each hen produces about 129 chicks between week 25 and week 60. Production costs include direct and indirect costs such as feed, rent and energy used. At the end of the year there were about 469 thousand (548) hens in stock with a total fair value less cost of sales of MSEK 49.4 (46.8).

The Biological assets also consist of broilers in Denmark and Ireland, with a value of MSEK 22.3 (3.3). These are measured at cost as an approximation of fair value.

Notes to the Parent Company financial statements

Note 31 Fees and reimbursements to auditors

MSEK	2017	2016
Öhrlings Pricewaterhouse-Coopers AB		
Annual audit	0.5	0.5
Total	**0.5**	**0.5**

Note 32 Pledged assets and contingent liabilities

MSEK	Dec 31, 2017	Dec 31, 2016
Contingent liabilities		
Guarantor long-term multicurrency credit facilities	2,200.0	2,200.0
Total	**2,200.0**	**2,200.0**

Scandi Standard AB (publ) has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.2.

Note 33 Investments in subsidiaries

MSEK	2017	2016
Accumulated cost of acquisition	532.7	532.7
Carrying amount	**532.7**	**532.7**

MSEK	2017	2016
Balance at the beginning of the period	532.7	532.7
Carrying amount	**532.7**	**532.7**

Any impairment is recognised in the income statement under Income from investments in Group companies.

Parent Company and Group holdings of interests in Group companies, December 31, 2017
The table includes directly-owned subsidiaries and indirectly-owned companies.

Company name	Corporate identity no.	Domicile	Share, %	Carrying amount, MSEK
Scandinavian Standard Nordic AB	556921–0619	Stockholm, Sweden	100	532.7
Scandi Standard ApS	25 710 029	Farre, Denmark	100	
Kronfågel OY	2644740–9	Helsingfors, Finland	100	
Kronfågel Holding AB	556529–6372	Stockholm, Sweden	100	
Kronfågel AB	556145–4223	Stockholm, Sweden	100	
SweHatch AB	556033–3386	Stockholm, Sweden	100	
AB Skånefågel	556056–1457	Örkelljunga, Sweden	100	
Bosarpskyckling AB	556673–6608	Stockholm, Sweden	100	
Danpo A/S	31 241 316	Farre, Denmark	100	
Sødam Øko Fjerkræslagteri A/S	32 360 297	Skærbæk, Denmark	100	
Scandi Standard Norway AS	911 561 077	Oslo, Norway	100	
Den Stolte Hane AS	980 403 715	Jæren, Norway	100	
Scandi Standard Ireland Holding AB	559119–0789	Stockholm, Sweden	100	
Carton Bros ULC	151030	Dublin, Ireland	100	
Total, Parent Company				**532.7**

Note 34 Financial instruments

MSEK	Dec 31, 2017	Dec 31, 2016
Loans and receivables		
Non-current interest-bearing receivables from subsidiaries	405,2	358.7
Total	**405,2**	**358.7**
Financial liabilities measured at amortised cost		
Liabilities to subsidiaries	15,7	231.0
Total	**15,7**	**231.0**

There are no derivative instruments in the Parent Company. See Note 20 for information on interest-bearing liabilities.

Note 35 Proposed appropriation of earnings

The Board of Directors and the Managing Director proposes a dividend for 2017 of SEK 1.80 (1.35) per share to the Annual General Meeting 2018.

The following earnings are at the disposal of the Annual General Meeting

SEK	
Share premium reserve	974,718,450
Accumulated deficit	–53,225,921
Income for the year	0
Total	**921,492,529**
Dividend to shareholders of SEK 1.80 per share	117,573,237
To be carried forward	803,919,292
Total	**921,492,529**

Proposed appropriation of earnings and the Board of Directors' and the Managing Director's certification

The following earnings are at the disposal of the Annual General Meeting

	SEK
Share premium reserve	974,718,450
Accumulated deficit	–53,225,921
Income for the year	0
Total	**921 492 529**

	SEK
Dividend to shareholders of SEK 1.80 per share	117,573,237
To be carried forward	803,919,292
Total	**921,492,529**

The Board of Directors and the Managing Director and CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's financial position and performance. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles, and give a true and fair view of the Parent Company's financial position and performance.

The Board of Directors' Report for the Group and Parent Company provides a true and fair overview of the development, financial position and performance of the Group and Parent Company, and describes significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 23 April 2018

Per Harkjær
Chairman of the Board

Øystein Engebretsen
Board member

Ulf Gundemark
Board member

Samir Kamal
Board member

Michael Parker
Board member

Harald Pousette
Board member

Asbjørn Reinkind
Board member

Karsten Slotte
Board member

Heléne Vibbleus
Board member

Leif Bergvall Hansen
Managing Director and CEO

The Group's and Parent Company's annual financial statements will be presented for adoption by the Annual General Meeting on 22 May 2018.

Our audit report was submitted on 23 April 2018
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

This Annual Report in English is a translation of the original Swedish version published on www.scandistandard.com.

Auditor’s report

To the Annual General Meeting of Scandi Standard AB (publ), Corporate Identity Number 556921–0627

Report on the audit of the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Scandi Standard AB for the year 2017. The annual accounts and consolidated accounts of the company are included in on pages 37–86 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2017 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We, therefore, recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and for the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are further described in the Auditor´s Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled tour ethical responsibilities in accordance with these requirements.

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

Our audit approach

Scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the white meat industry in which the Group operates.

The financial statements of the Group consists of 16 reporting units operating in four countries in the Nordic region and Ireland. The operations are managed and monitored through the business per country – Sweden, Denmark, Norway, Finland and Ireland. We have therefore scoped our audit procedures for the reporting units within each country, taking into account the control environment and business processes at the individual reporting unit level but also by assessing business performance reviews and Group management oversight and follow-up activities on each entity.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting entities in scope by component auditors. For the most significant entities we required a full audit on their complete financial information.

The group consolidation, financial statement disclosures and a number of complex transactions, and Swedish entities were audited by the Group engagement team. These procedures include impairment test of goodwill and other intangible assets with indefinite life, long-term incentive program for management, business combinations and pension obligations.

The entities in scope for the Group audit procedures represent approximately 90 percentage of Group net sales.

Our audit is carried out continuously during the year. For the interim report covering the period January 1, 2017 to September 30, 2017, we issue a public limited review report. In connection with the issuance of the interim reports for the third quarter and year-end, we report our observations to Group management and the Audit Committee. At year-end, we also report our main observations to the entire Board of Directors.

Materiality

The scope of our audit are influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVENTORIES *Refer to the Annual Report Note 15 - Inventories and Accounting policies* Inventory of frozen chicken and processed products is held at a few locations in the Group and amounts to SEK 648.8 million as at December 31, 2017. Inventory is a significant asset in the consolidated balance sheet. It is arduous to perform accurate accounting and recognition of the acquisition cost for the reason that the manufacturing process includes a large variety of products. Production calculations require a number of judgments necessary by management that have consequences to the inventory values recognised. Accurate inventory valuation, including making proper write-downs when necessary, is therefore a significant area in our audit.	Our audit included an assessment of the Group's accounting policy for provision of obsolescence, analytical procedures and inquiries with controllers and detailed tests of significant inventory accounts. We have tested the design and effectiveness of the methods applied in determining product calculations for finished goods, for inward and outward deliveries from the inventory, and as regards the monitoring undertaken to ensure that stock-taking takes place at all inventory sites and that inventory differences are investigated. We have performed price tests of the inventory stock of frozen chicken products. We have walked through management's monitoring controls of slow moving items and management's assessment of obsolescence. We have participated in stock-takings and performed our own control stock-takings to verify existence and test obsolescence. Our group audit procedures at year-end focused on assessing the remaining risk of write-downs and evaluate management's assessment for write-downs made. Scandi Standard's inventory amounted to SEK 648.8 million at year end of which SEK 6.9 million were recognised at net selling value.
RECOGNITION OF BUSINESS COMBINATION AND VALUATION OF RELATED GOODWILL AND INTANGIBLE ASSETS *Refer to the Annual Report Note 6 - Depreciation, amortization and impairment of intangible assets and property, plant and equipment, Note 12 - intangible assets and Note 27 - Acquired operations and Accounting policies.* In 2017 Scandi Standard closed the acquisition of Manor Farm by a purchase price of SEK 922 million. The recognition of a business combination requires the use of significant estimates and judgments by the management to identify the fair value of the acquired assets and liabilities. After the acquisition an annual impairment test for goodwill and other intangible assets with indefinite life related to the acquisition has to be performed. The impairment tests require the use of significant estimates and judgements by the management to identify and determine the different cash-generating units and to assess the reasonableness of the forecast of future revenue, profit, working capital, investments and discount rate. The carrying value of goodwill amounts to SEK 896,3 million as of December 31, 2017 Intangible assets with indefinite life comprise various brand names acquired in Sweden, Denmark and Norway. The carrying value of brands with indefinite life amounts to SEK 321,1 million as of December 31, 2017. Goodwill and brands are significant intangible assets in the consolidated balance sheet. No impairment charge has been recognised against goodwill or brand names with indefinite life in 2017.	Our audit included a number of audit procedures to verify that the business combination has been recognised according to the accounting policies and that the impairment tests of goodwill and other intangible assets with indefinite life have been performed by the use of general accepted valuation methods, mathematically correctness and by the use of reasonable future cash-flow estimates and discount rates. In our audit we have performed the following procedures among others: • tested the purchase price allocation for the acquisition of Manor Farm to assess the fair value of the identified assets and liabilities • evaluated the significant assumptions in the impairment tests of goodwill and other intangible assets with indefinite life • verified the management's assumptions and forecasts of future cash-flow to the budgets and forecasts consistent with the business plans and verified the assumptions in the budgets and forecasts are consistent with the management's strategic plans and intentions and also with the minutes from the Board of Directors meetings, • evaluated the management's sensitivity analysis of changes in the assumptions that could lead to impairment.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36 and pages 91–95 and page 108.

The Board of Directors and Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover the other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning the information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, as concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have audited the administration of the Board of Directors and Managing Director of Scandi Standard AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under to those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of dividend, this include an assessment of whether the dividend is justifiable consideration the requirements which the company's and the group's type of operations, and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation of the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage ongoing administration according to the Board of Directors' guidelines and instructions and for among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibilities

Our objective concerning the audit of the administration and, thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any Board member of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Scandi Standard AB (publ) by the general meeting of the shareholders on the 25 April 2017 and has been the company's auditor since the 9 September 2013.

Stockholm, 23 April 2018
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

Four year summary

MSEK, unless otherwise stated	2017	2016	2015	2014
Net sales	7,100.9	5,967.4	5,422.9	5,267.2
EBITDA	524.6	438.2	445.4	407.7
Operating income	294.7	238.2	259.5	238.5
Income for the period	167.9	131.4	163.9	56.1
EPS, SEK	2.73	2.21	2.73	1.02
Adjusted EBITDA[1)]	559.0	451.6	477.4	470.2
Adjusted EBITDA-marginl[1)], %	7.9	7.6	8.8	8.9
Adjusted operating income[1)]	329.1	251.6	291.5	301.0
Adjusted operating margin[1)], %	4.6	4.2	5.4	5.7
Adjusted income after finance net[1,2)]	258.0	180.3	247.5	189.8
Adjusted income for the period [1,2,3)]	202.3	141.9	188.7	145.1
Adjusted EPS [1,2,3)], SEK	3.29	2.38	3.15	2.63
Dividend, SEK	1.80[4)]	1.35[4)]	1.80	1.30
Adjusted operating cash flow	247.5	126.1	324.2	438.1
Capital expenditure	472.9	265.4	206.5	141.3
Adjusted return on operating capital (ROC)[1)], %	11.2	10.6	12.9	13.6
Adjusted return on capital employed (ROCE)[1)], %	11.1	10.3	12.7	12.9
Net debt/Adjusted EBITDA, times	3.4	3.4	2.8	3.0
Equity to assets ratio, %	28.2	27.8	29.4	28.6
Average number of employees	2,264	1,680	1,670	1,660

[1–3)] See table to the right.

[4)] Proposed by the Board.

Non-comparable items in EBITDA and operating income	2017	2016	2015	2014
Staff reduction costs[a)]	–1.5	–4.5	–	–
Write down of inventory[b)]	–	–6.7	–	–
Financial support to associated company [c)]	–	–	–7.0	–
Transaction costs[d)]	–24.9	–2.2	–25.0	–2.3
IPO costs[e)]	–	–	–	–36.5
Transition costs[f)]	–	–	–	–13.9
Monitoring fees[g)]	–	–	–	–5.8
Pension revaluation[h)]	–	–	–	–4.0
Restructuring of production[i)]	–19.2			
Revaluation of contingent consideration[j)]	29.8			
Costs related to fire[k)]	–4.0			
Cancellation of leasing contract[l)]	–14.6			
[1)] **Total**	**–34.4**	**–13.4**	**–32.0**	**–62.5**
Non-comparable items in finance net and tax effects				
[2)] Refinancing	–	–	–	–51.0
[3)] Tax effect on adjustments	–	2.9	7.2	24.5
Non-comparable items in income for the period	**–34.4**	**–10.5**	**–24.8**	**–89.0**

[a)] Staff reduction costs in Denmark, i.e salaries during notice period.

[b)] Write down of inventory in Denmark.

[c)] Financial support to associated company Farmfood A/S.

[d)] Costs for completed and non-completed acqusitions, as well as costs related to the formation of the Scandi Standard Group.

[e)] Non-reccuring costs related to the IPO in June 2014.

[f)] Transition costs related to the carve-out of the Swedish and Danish operations from Lantmännen, e.g. IS/IT-costs.

[g)] Monitoring fees charged by the former owners, which ceased at the time of the IPO.

[h)] Pension revaluation related to the closure of the defined benefit plan.

[i)] Restructuring of and changes in production in Sweden

[j)] Revaluation of contingent consideration in connection with the acquisition of the remaining 20% of the shares in Sødams in Denmark.

[k)] Costs related to a fire in Sødams' facility in Denmark.

[l)] Costs for cancellation of leasing contract and project costs in Sweden.

Segment information by quarter

Group, proforma MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	2,016.3	1,759.0	2,047.9	1,895.4	2,082.2	1,957.3	2,060.6	1,932.2	8,207.0	7,543.9
Adjusted operating income	75.2	83.2	91.1	93.9	94.5	99.4	115.5	41.8	376.3	318.3
Adjusted operating margin, %	3.7	4.7	4.5	5.0	4.5	5.1	5.6	2.2	4.6	4.2
Non-comparable items [1]	–1.2	–1.1	–7.8	–	–0.5	–0.7	–25.0	–11.6	–34.4	–13.4
Operating income	74.0	82.1	83.3	93.9	94.0	98.7	90.5	30.2	341.8	304.9

Sweden MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	647.5	563.9	636.1	618.6	657.8	625.4	615.3	583.9	2,556.7	2,391.9
Adjusted operating income	35.2	43.7	34.2	51.8	41.0	51.0	40.8	27.5	151.3	174.0
Adjusted operating margin, %	5.4	7.7	5.4	8.4	6.2	8.2	6.6	4.7	5.9	7.3
Non-comparable items [1]	–	–1.1	–	–	–14.6	–	–20.7	–	–35.3	–1.1
Operating income	35.2	42.5	34.2	51.8	26.5	51.0	20.1	27.5	116.0	172.9

Denmark MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	579.7	548.8	625.3	596.3	653.7	636.7	670.7	550.2	2,529.3	2,320.0
Adjusted operating income	22.1	28.7	29.3	21.8	34.6	30.4	34.6	13.6	120.6	94.5
Adjusted operating margin	3.7	5.2	4.6	3.7	5.3	4.8	5.2	2.4	4.8	4.1
Non-comparable items [1]	–	–	–	–	–	–0.7	–4.0	–11.2	–4.0	–11.9
Operating income	22.1	28.7	29.3	21.8	34.6	29.7	30.6	2.4	116.6	82.6

Norway MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	388.1	331.9	373.6	313.0	360.4	360.7	360.9	388.1	1,483.0	1,433.7
Adjusted operating income	31.0	20.1	33.0	26.1	28.0	20.9	30.1	27.8	122.0	94.9
Adjusted operating margin, %	8.0	6.1	8.8	7.4	7.8	5.8	8.3	7.2	8.2	6.6
Non-comparable items [1]	–	–	–	–	–	–	–	–	–	–
Operating income	31.0	20.1	33.0	26.1	28.0	20.9	30.1	27.8	122.0	94.9

[1] For a description of non-comparable items, see page 39.

Finland MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	69.8	20.7	87.4	34.0	80.3	47.2	91.0	70.8	328.5	172.7
Adjusted operating income	–12.5	–9.2	–9.8	–11.7	–12.7	–11.1	–8.1	–20.4	–43.0	–52.4
Adjusted operating margin, %	–17.9	–44.6	–11.2	–34.4	–15.8	–23.5	–8.9	–28.8	–13.1	–30.3
Non-comparable items [1]	–	–	–	–	–	–	–	–	–	–
Operating income	–12.5	–9.2	–9.8	–11.7	–12.7	–11.1	–8.1	–20.4	–43.0	–52.4

Ireland, proforma MSEK	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016	Full year 2017[1]	Full year 2016[1]
Net sales	422.5	372.7	426.1	391.9	423.3	387.4	430.5	424.6	1,702.4	1,576.6
Adjusted operating income	22.6	21.6	27.9	26.4	26.8	29.9	24.2	15.6	101.5	93.5
Adjusted operating margin, %	5.3	5.8	6.5	6.7	6.3	7.7	5.6	3.7	6.0	5.9
Non-comparable items [1]	–	–	–	–	–	–	–	–	–	–
Operating income	22.6	21.6	27.9	26.4	26.8	29.9	24.2	15.2	101.5	93.5

[1] For a description of non-comparable items, see page 39.

Alternative KPIs

Calculations and reconciliation to financial statements

From income statement, MSEK		2017	2016
Net sales	A	7,100.9	5,967.4
Income for the period	B	167.9	131.4
+ Income tax expense		55.7	35.5
Income after finance net	**C**	**223.6**	**166.9**
+ Financial income and expenses, net		71.1	71.3
Operating income	**D**	**294.7**	**238.2**
+ Depreciation, amortization and impairment		232.4	201.3
+ Share of income of associates		–2.5	–1.3
EBITDA	**E**	**524.6**	**438.2**

From income statement, MSEK		2017	2016
Non-comparable items in income for the period	F	34.4	13.4
Adjusted income for the period	**D+F**	**329.1**	**141.9**
Adjusted operating margin, %	**(D+F)/A**	**4.6**	**4.2**
Non-comparable items in EBITDA	F	34.4	13.4
Adjusted EBITDA	**E+F**	**559.0**	**451.6**
Adjusted EBITDA-margin, %	**(E+F)/A**	**7.9**	**7.6**

From balance sheet, MSEK		Dec 31, 2017	Dec 31, 2016
Total assets		**5,153.1**	**3,496.9**
Non-current non interest bearing liabilities			
– Deferred tax liabilities		–171.8	–109.3
– Other non-current liabilities		–318.9	–46.3
Total non-current interest bearing liabilites		**–490.7**	**–155.6**
Current non interest bearing liabilities			
Trade payables		–715.8	–475.5
Tax payables		–58.7	–35.1
Other current liabilities		–187.6	–100.9
Accrued expenses and prepaid income		–305.9	–199.5
Total current non interest bearing liabilities		**–1,268.0**	**–811.0**
Capital employed		**3,394.4**	**2,530.3**
Cash and cash equivalents		–30.2	–23.2
Operating capital		**3,364.2**	**2,507.1**
Average capital empoyed	**H**	**2,962.4**	**2,457.8**
Average operating capital	**I**	**2,935.7**	**2,374.8**
Operating income, LTM		294.7	238.2
Adjusted operating income, LTM	J	329.1	251.6
Finance income	K	1.1	1.2
Adjusted return on capital employed	**(J+K)/H**	**11.1**	**10.3%**
Adjusted return on operating capital	**J/I**	**11.2**	**10.6%**

From balance sheet, MSEK	Dec 31, 2017	Dec 31, 2016
Interest bearing liabitities		
Non-current interest bearing liabilities	1,849.5	1,367.6
Derivates	9.1	14.2
Current interest bearing liabilities	57.2	156.8
Total interest bearing liabilities	1,915.8	1,538.6
Cash and cash equivalents	–30.2	–23.2
Net interest bearing debt	**1,885.6**	**1,515.4**

From statement of cash flows, MSEK		2017	2016
Operating activities			
Operating income		294.7	238.2
Adjustment for non-cash items			
Depreciation, amortization and impairment		232.4	201.3
Share of income of associates		–2.5	–1.3
EBITDA		**524.6**	**438.2**
Non-comparable items in EBITDA	G	34.4	13.4
Justerad EBITDA		**559.0**	**451.6**

Definitions

EBIT
Operating income.

- ***Adjusted EBIT***
  Operating income adjusted for non-recurring items.
- ***EBIT margin***
  Operating income (EBIT) as percent of net sales.
- ***Adjusted EBIT margin***
  Adjusted operating income (adjusted EBIT) as percent of net sales.

EBITDA
Operating income before depreciation, amortization and impairment and share of income of associates.

- ***Adjusted EBITDA***
  Adjusted operating income before depreciation, amortization and impairment and share of income of associates.
- ***EBITDA margin***
  EBITDA as percent of net sales.
- ***Adjusted EBITDA-margin***
  Adjusted EBITDA as a percentage of net sales.

Adjusted return on operating capital (ROC)
Adjusted operating income last twelve months (LTM) divided by average operating capital.

Adjusted return on capital employed (ROCE)
Adjusted operating income last twelve months (LTM) plus interest income divided by average capital employed.

Adjusted operating margin
Operating income adjusted for non-comparable items assessed by Group Management, as a percentage of net sales.

Adjusted operating cash flow
Cash flow adjusted for non-comparable items assessed by Group Management.

Adjusted income after financial net
Income after financial net adjusted for non-comparable items assessed by Group Management.

Adjusted income for the period
Income for the period adjusted for non-comparable items assessed by Group Management.

Adjusted EPS
Adjusted income for the period divided by average number of shares.

Adjusted operating income
Operating income adjusted for non-comparable items assessed by Group Management.

Raw materials and consumables
Costs of raw materials and other consumables include the purchase costs of live chicken and other raw materials such as packaging etc.

Net sales
Net sales is gross sales less sales discounts and joint marketing allowances.

Production costs
Production costs include direct and indirect personnel costs related to production and other production-related costs.

Net interest-bearing debt
Interest-bearing debt excluding arrangement fees less cash and cash equivalents.

Working capital
Total inventory and operating receivables less non-interest bearing current liabilities.

Operating capital
Total assets less cash and cash equivalents and non-interest-bearing liabilities, including deferred tax liabilities.

Capital employed
Total assets less non-interest-bearing liabilities, including deferred tax liabilities.

Other operating expenses
Other operating expenses include marketing, Group personnel and other administrative costs.

Other operating revenues
Other operating revenue is revenue not related to sales of chicken, such as rent of excess land/ buildings to other uses and payment by non-employees for use of the Company's canteens.

Corporate governance report

Corporate governance within Scandi Standard aims to promote sustainable value creation for shareholders and a sound corporate culture where business opportunities are utilised within the framework of good risk control. This corporate governance report, which is a part of the Annual Report for 2017, has been prepared by the Board of Directors and has been examined by Scandi Standard's external auditor. No deviations from the Swedish Corporate Governance Code are reported.

Scandi Standard AB (publ) (Scandi Standard, the Company or the Company with subsidiaries (the Group) is a Swedish Public Limited Liability Company with its registered office in Stockholm. The Company's shares have been listed on Nasdaq Stockholm since June 2014.

Responsibility for management and control of Scandi Standard is distributed between the shareholders at the general meetings, the Board of Directors with appointed committees, and the Managing Director, pursuant to applicable laws and regulations, Scandi Standard's Articles of Association, as well as internal codes, policies, instructions and manuals etc.

Share capital and shareholders

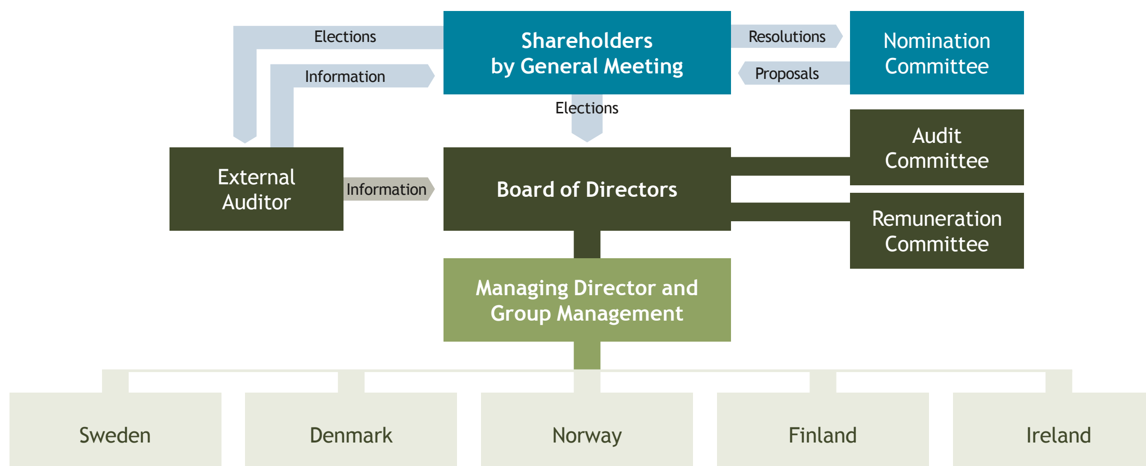
As of 31 December 2017, the share capital amounted to SEK 659,663, represented by 66,060,890 shares with a quota value of SEK 0.009986 per share. Each share carries one vote. All shares have equal rights to Scandi Standard's assets and profits.

The total number of shareholders as of 31 December 2017 was 6,074. Approximately 42 percent of the share capital was owned by foreigners. One owner, Investment AB Öresund, had just over 10.0 per cent of the capital. For more information on the share and shareholders, see pages 34–35.

General Meeting of shareholders

The General Meeting of shareholders is Scandi Standard's highest decision-making body through which shareholders exercise their rights to make decisions on Scandi Standard's affairs. There are no restrictions on the shareholders' rights in the Articles of Association or, as far as the Company is aware of, in any shareholders' agreements.

GOVERNANCE STRUCTURE



Major external laws and regulations
- Swedish Companies Act.
- Swedish Annual Accounts Act.
- Nasdaq Stockhom Rule Book for Issuers.
- Swedish Corporate Governance Code.
- Other Swedish and foreign laws and regulations.

Major internal steering documents
- Articles of Association.
- Procedure for the Board of Directors, Instruction for the Managing Director, Instruction regarding financial reporting etc.
- Code of Conduct.
- Other codes, polices, instructions, manuals etc.

MATTERS TO BE RESOLVED BY THE AGM:

- Adoption of the Annual Report for the Parent Company and the Group.
- Dividend.
- Discharge of liability for the Board members and the Managing Director.
- Election of Chairman of the Board, other Board members and external auditor.
- Fees to the Chairman of the Board, other non-employed Board members and the external auditor.
- Guidelines for remuneration of senior management.
- Long-term incentive program (LTIP).
- Authorization for the Board to resolve on issue of new shares and to acquire and transfer own shares to hedge commitments under LTIP.
- Other matters in accordance with the Swedish Companies Act.

The Annual General Meeting (AGM) in Scandi Standard shall be held in Stockholm, Sweden, within six months from the end of the financial year. Besides the AGM, extraordinary General Meetings may be convened.

Participation in the decision-making at the General Meetings requires the shareholder's presence at the meeting, either in person or through proxy. In addition, the shareholders must be registered directly in the share register kept by Euroclear five business days prior to the General Meeting, and must provide notice of participation at the latest by the date specified in the notice convening the General Meeting.

Annual General Meeting 2017

The AGM 2017 was held in Stockholm, Sweden, on April 25. Decisions by the AGM included among other:

- Adoption of the Annual Report for the Parent Company and the Group.
- Dividend of SEK 1.35 per share for the 2016 financial year.
- Discharge of liability for the Board members and the Managing Director for the 2016 financial year.
- Change in Instruction for the Nomination Committee.
- An amendment to the Articles of Association, so that the maximum number of Board members shall be nine instead of eight to better reflect the ownership structure of the Company.
- Re-election of Ulf Gundemark, Per Harkjaer, Samir Kamal, Michael Parker, Harald Pousette, Asbjørn Reinkind, Karsten Slotte and Heléne Vibbleus.
- Election of Øystein Engebretsen as a new board member.
- Re-election of Per Harkjaer as Chairman of the Board.
- Total fees to the Board for the period until the next AGM should amount to SEK 3,080,000, of which SEK 550,000, as before, to the Chairman of the Board, SEK 275,000 each to the seven other Board members, SEK 130,000 to the Chairman of the Audit Committee and SEK 50,000 each to the other two members of this Committee, and SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 each to the other two members of this Committee.
- Re-election of PricewaterhouseCoopers AB as Scandi Standard's external auditor until the end of the AGM 2018.
- Approval of Guidelines for remuneration for senior management, long-term incentive programme 2017 (LTIP 2017) and authorisation for the Board of Directors to acquire and transfer own shares to hedge the commitments under LTIP 2017 on the conditions set forth in the AGM 2017 minutes, available at http://investors.scandistandard.com/en/previous-general-meetings.

Extraordinary general meeting in 2017

An extraordinary General Meeting held on 15 August 2017 authorised the Board of Directors to resolve on a new issue of up to six million shares in Scandi Standard directed to the sellers of Manor Farm in order to complete the acquisition of Manor Farm.

The issue was carried out and the acquisition was completed on 28 August 2017. The new issue shares corresponded to approximately 9.99% of the total number of shares before the issue. The issue increased the share capital by approximately SEK 60,000.

Annual General Meeting 2018

The AGM 2018 will be held on 22 May at 1 pm. For more formation regarding the AGM see page 108 and http://investors.scandistandard.com/sv/stamma.

Nomination Committee

The Nomination Committee represents the Company's shareholders and shall, in accordance with the instruction which is available on the Company's web site, submit proposals to the AGM 2018 regarding:

- Chairman of the AGM, other Board members, Chairman of the Board, and when applicable the external auditor.
- Fees to the non-employed Board members elected at the AGM and to the Chairman of the Board, and when applicable to the external auditor.
- To the extent it is considered necessary, amendments to the Instructions for the Nomination Committee.

In accordance with the Instruction for the Nomination Committee shall consist of no less than four members. One of these members shall be the Chairman of the Board or a Board member nominated by the Chairman of the Board. Based on the shareholding statistics as per the last bank day of August following the AGM, the Nomination Committee shall identify the four largest shareholders in the Company in terms of number of votes and urge them to elect the person which each shareholder wishes to appoint as member of the Nomination Committee.

The proposals of the Nomination Committee to the AGM are publicly announced no later than on the date of notification of the AGM.

The Nomination Committee started its work by reviewing the tasks incumbent on it under the Swedish Corporate Governance Code and the Instruction for the Nomination Committee adopted at the Annual General Meeting 2017. A time plan was set for the Nomination Committee's work going forward and the Chairman of the Board of Directors presented his views on the company's position and strategy.

The Nomination Committee reviewed the results of the external evaluation of the Board work and procedures, including the performance of the Chairman of the Board and its members individually. On this basis, the Nomination Committee has assessed what competence and experience is required of Scandi Standard's Board members and evaluated the need for increased diversity on the Board in terms of age, gender, cultural/geographic background and ownership representation and has interviewed candidates for nomination as Board members. The Nomination Committee also had contacts with the Chairman of the Audit Committee to familiarize itself with the assessments made by the Company and the Audit Committee of the quality and efficiency of external auditor work. The Audit Committee also provided its recommendations on external auditor and auditor fees. The Nomination Committee also has been in contact with the external auditor regarding the cooperation with the Company and the Audit Committee. Prior to submitting their proposal to the AGM, the Nomination Committee had held three meetings.

The Nomination Committee's proposals to the AGM 2018
The proposals of the Nomination Committee to the 2018 AGM were announced in a press release on 12 March 2018, which is available on the company's website: http://investors.scandistandard.com/sv/. The proposals will be included in the notice convening the AGM, which is available on the website: http://investors.scandistandard.com/sv/stamma.

Diversity policy

The nomination committee applies Rule 4.1 of the Swedish Corporate Governance Code as Board diversity policy. This means that when preparing its proposals to the AGM, the Nomination Committee will consider that the Board of Directors is to have a composition appropriate to Scandi Standard's operations, phase of development and other relevant circumstances. The Board members elected by the AGM are collectively to exhibit diversity and breadth of qualifications, experience and background. The Nomination Committee is to strive for gender balance on the Board of Directors of Scandi Standard.

All Board assignments in Scandi Standard are to be based on merit with the prime consideration being to maintain and enhance the Board of Directors' overall effectiveness. Within this, a broad set of qualities and competences is sought for and the Nomination Committee recognises that diversity (including age, gender, geographical provenance and educational and professional background) is an important factor to take into consideration. In particular, the Nomination Committee notes the necessity to increase the gender balance of the Board of Directors over time.

Nomination Committee for the 2018 AGM
The names of the members of the Nomination Committee as set out below were announced in a press release on 16 November 2017.

Member	Appointed by	Percent of share capital Aug 31, 2016	Percent of share capital Dec 31, 2016	Independent[1]
Gustav Lindner	Investment AB Öresund, Ordförande	9.8	10.9	Yes/No
Justin Carton	Carton Group	9.1	9.1	No/Yes
Hans Hedström	Carnegie Fonder	8.3	6.9	Yes/Yes
Ulf Zenk	Lantmännen Animalieinvest AB	4.6	5.0	Yes/Yes
Per Harkjaer	Chairman of the Board of Scandi Standard	–	–	Yes/Yes

[1] Refers to independence of the company and its executive management and the main shareholder in the Company.

Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of not less than three and not more than nine members, without deputy members. The AGM elects the Board members and the Chairman of the Board.

Until the AGM 2017, the Board comprised eight ordinary members, elected by the AGM 2016, with no deputies and no employee representatives. In accordance with a decision by the AGM 2017, the Articles of Association was amended so that the number of Board members shall be nine instead of eight to better reflect the ownership structure of the company. All members are non-executive members. For more information on the Board of Directors, see pages 104–105.

Independence
The Board is considered to be in compliance with the independence requirements of the Swedish Corporate Governance Code in that the majority of the Board members are independent of Scandi Standard and its management and at least two of these Board members also are independent of Scandi Standard's major shareholders. See the table on page 100.

The Board's tasks and responsibilities

The Board of Directors is responsible for the organisation and management of the Company's affairs. The Board's responsibility and work are governed by laws, regulations and internal steering documents, including the Procedure for the Board of Directors. In addition the General Meeting can provide instructions.

The Procedure for the Board of Directors describes the Board's tasks and responsibilities, the work of the Board including responsibility for the Chairman as well as responsibilities delegated to Committees appointed by the Board, Board meetings and information and reporting to the Board, insider trading, relations with Nasdaq Stockholm, information and reporting to the Board, and information about corporate governance. The Procedure is reviewed annually.

In addition to the inaugural Board meeting held in conjunction with the AGM, the Board shall meet at least six times a year.

The Board has established an Instruction for the Managing Director, including among other things specifications of issues requiring the Board's approval and an instruction regarding financial reporting to the Board.

Board activities in 2017

In 2017, the Board held 19 meetings, of which six were held by telephone and five per capsulam.

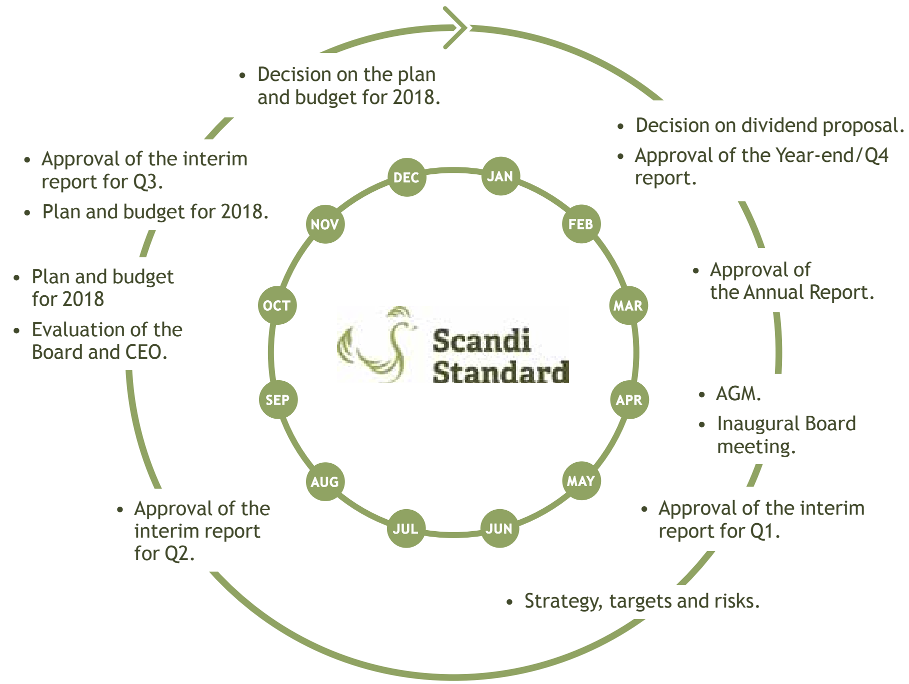
The standing items on the agenda for the ordinary Board meetings include a financial and operational review of the operations and an outlook for the coming quarter, a review of investments, and reports from the committees.

In addition, the Board continuously addresses strategic issues concerning the market, production, purchasing, product development, acquisitions and financing.

BOARD TASKS AND RESPONSIBILITIES INCLUDE:

- Establish the overall objectives and strategy.
- Decisions on investments, incl. acquisitions, divestments and financing arrangements in accordance with set approval procedures.
- Appoint, evaluate and, if necessary, dismiss the Managing Director.
- Ensure an effective system for follow-up and control of the Company's operations and the financial result and situation, and associated risks.
- Defining appropriate guidelines to govern the Compay's conduct in society, with the aim of ensuring its long-term value creation capability.
- Ensure that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations, as well as the application of internal steering documents.
- Define necessary internal steering documents incl. the Code of Conduct.
- Ensure that the external communication is characterized by openness and is accurate, reliable and relevant in e.g. interim reports, annual reports and other reports.
- Approval of interim reports, Year-end reports, and annual reports.

THE BOARD OF DIRECTOR'S WORK CYCLE 2017



Important issues that were addressed during the year included:

- The effects of the bird flu.
- The development of the Finnish operations.
- Measures to reduce the increased levels of campylobacter in the Valla facility in Sweden.
- Acquisition of Manor Farm in the Republic of Ireland.
- Proposal for a new share issue of up to six million shares in Scandi Standard directed to the sellers of Manor Farm.
- Integration of Manor Farm.
- Acquisition of the remaining 20 per cent of the shares in Sødams in Denmark.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work on an annual basis with the aim of developing the Board's forms of working and efficiency. The results of the evaluation are communicated to the Board and reported to the Nomination Committee. In 2017, the Chairman procured an external evaluation of the Board's work, which was communicated to the Board and reported to the Nomination Committee.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee. The work of the committees is mainly of a preparatory and consultative nature, but the Board may delegate decision-making authority to the committees on specific matters. The committees are subordinated to the Board and do not discharge the Board members from their general responsibility and committment as Board members. The issues considered at the committee meetings shall be recorded in minutes which normally shall be presented to the Board at the next Board meeting.

Audit Committee
The main task of the Audit Committee is to monitor Scandi Standard's financial reporting and to make recommendations and suggestions in order to secure the reliability of the reporting. The task also includes to monitor the effectiveness of the Group's internal control, internal audit and risk management, but also to monitor the effectiveness of internal control in general for the business activities. In addition, the task includes keeping itself informed regarding the external audit of the annual report and the consolidated financial statements, as well as of the results of the Swedish Inspectorate of Auditors' quality control. As part of this, the Audit Committe shall inform the Board of the results of the external audit and in what way the external audit has contributed to the reliability of the financial reporting as well as of the role of the Committee.

The Audit Committee is also tasked to review and monitor the impartiality and independence of the external auditor and in particular pay attention to wether the external auditor has provided other services than auditing to the Group, and to assist in preparation of the proposal to the General Meeting regarding election of the external auditor.

The Audit Committee of Scandi Standard shall comprise no fewer than three Board members. The majority of the members shall be independent of Scandi Standard and its executive management. At least one of the members who are independent of Scandi Standard and its executive management shall also be independent of Scandi Standard's major shareholders. At least one of the independent members must have accounting or auditing proficiency.

The Audit Committee 2017 comprised the three Board members, Heléne Vibbleus (Chairman), Ulf Gundemark and Harald Pousette. The Company's CFO, chief accountant and the external auditor attend meetings with the Audit Committee. The internal auditor attends when necessary. The Audit Committee had a total of eight meetings during the year.

The work was primarily focused on:

- Year-end report and Annual Report 2017.
- Interim reports 2017.
- Critical accounting issues, such as the reporting of acquisitions, inventories, intangible assets etc. and other issues that could affect the quality of the Company's financial reporting.
- Disputes and insurance.
- Risk management and internal control.
- Review of internal steering documents.
- Internal audit plan and follow-up of audits carried out.
- External audit plan and follow-up of the results of the external audit.

Work on strengthening the internal control by means of formalised and documented process and internal controls continued during the year in accordance with the plan that was prepared in 2015. The internal audit function supported the organisation in this work.

Remuneration Committee
The main task of the Remuneration Committee is to prepare the Board's decisions on issues concerning guidelines for remuneration, remuneration and other terms of employment for executive management. The main task is also to monitor and evaluate both ongoing and completed programs during the year for variable remuneration for executive management and to monitor and evaluate the application of the guidelines for remuneration that the AGM has established as well as the current remuneration structures and levels in Scandi Standard.

The Remuneration Committee of Scandi Standard shall comprise three Board members. The Chairman of the Board may chair the Committee. The other members are to be independent of Scandi Standard and its executive management.

The Remuneration Committee in 2017 comprised the three Board members Per Harkjaer, Chairman, Ulf Gundemark and Samir Kamal. The Remuneration Committee had a total of three meetings.

BOARD OF DIRECTORS

				Attendance 2017				
Name		Nationality	Independence[1]	Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Authorized fees, SEK[3]	Shareholdings no. of shares[4]
Per Harkjaer	Chairman Committee Chairman	Danish	Yes/Yes	19		3/3	600,000	110,000
Øystein Engebretsen		Swedish	Yes/No	14/19[2]			183,000	11,000
Ulf Gundemark	Committee member	Swedish	Yes/No	19	8/8	3/3	350,000	31,779
Samir Kamal	Committee member	Swedish	Yes/Yes	19		3/3	300,000	5,000
Michael Parker		British	Yes/Yes	19			275,000	16,000
Harald Pousette	Committee member	Swedish	Yes/No	18/19	8/8		325,000	0
Asbjørn Reinkind		Norwegian	Yes/Yes	18/19			275,000	15,000
Karsten Slotte		Finnish	Yes/Yes	19			275,000	13,698
Heléne Vibbleus	Committee Chairman	Swedish	Yes/Yes	19	8/8		405,000	6,250
Total				**19**	**8**	**3**	**2,988,000**	**208,727**

1) Refers to independence in relation to the Company and its management, and to the largest shareholder in terms of votes in the Company respectively.
2) Elected in April 2017.
3) Fees exclude travel allowances.
4) As of December 31, 2017.

Matters dealt with include salary review processes for remuneration to executive management, including bonus schemes, as well as preparation of proposal for a new long-term incentive programme to be proposed to the AGM 2018.

Guidelines for remuneration to senior management

Salaries and other terms and conditions of employment shall be adequate to enable the Company and the Group to retain and recruit skilled senior managers at a reasonable cost. The remuneration to the senior managers shall consist of fixed salary, variable salary, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

The General Meeting may resolve on long-term incentive programs such as share and share price-related incentive programs for the members of the senior management. Such incentive programs shall be designed to promote the long-term value growth of the Company and the Group and increase alignment between the interests of the participating individual and the company's shareholders. The 2017 AGM resolved on a new long-term incentive programme (LTIP 2017), which is of the same kind as the Group's previous programmes, LTIP 2015 and LTIP 2016.

For information about the guidelines for remuneration to senior management and long-term incentive programmes, see the Report by the Board of Directors on pages 42–43 and Note 5.

Whistleblowing procedure

A so-called whistleblowing procedure was established during the year, that makes it possible for employees and other stakeholders to anonymously report illegal or unethical behaviour that violates the Group's code of conduct.

External auditor

Scandi Standard's external auditor is Öhrlings PricewaterhouseCoopers AB (PwC), elected at the AGM 2017 until the end of the AGM 2018, with Bo Lagerström as the Auditor in charge.

Bo Lagerström was born in 1966 and has been an authorised public accountant since 1997. He has no involvement in companies related to the principal owners of Scandi Standard or with the management in Scandi Standard. For remuneration to the external auditor, see Note 7.

Internal control over financial reporting

The Board is responsible for internal control and risk management in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Below is the Board's report on internal control and risk management over financial reporting.

The description of the Group's system of internal control and risk management with regards to financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five integrated components; the control environment, risk assessment, control activities, information and communication, and monitoring, as well as 17 fundamental principles related to the five components. The description below is limited to internal control and risk management over financial reporting.

Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in interim reports, full year reports and annual reports, and to ensure that external financial reporting is prepared in accordance with external laws, accounting standards and other requirements applicable to listed companies.

Control environment

Internal control over financial reporting is based on the overall control environment. The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the Group. The Board and Group Management establish the tone at the top regarding the importance of internal control including expected standards of conduct of the employees. This involves integrity and ethical values, the parameters enabling the Board to carry out its oversight responsibilities, the organizational structure and assignment of responsibility and authority, the process for attracting, developing, and retaining competent employees, and the rigor around performance measures, as well as incentives and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control and risk management for the financial reporting. This is communicated in the form of internal steering documents such as:

- Articles of Association.
- Procedure for the Board of Directors.
- Instruction for the Managing Director.
- Instruction regarding financial reporting.
- Code of Conduct.
- Other codes, policies, instructions and manuals.

The control environment is also based on applicable external laws and regulations.

The Board has established a Procedure for its work and the work of the Audit Committee and the Remuneration Committee. The main task of the Audit Committee is to monitor Scandi Standard's financial reporting and to make recommendations and suggestions in order to secure the reliability of the reporting. The task also includes to monitor the effectiveness of the Group's internal control, internal audit and risk management, but also to monitor the effectiveness of internal control in general for the business activities. In addition, the task includes keeping itself informed regarding the external audit of the annual report and the consolidated financial statements, as well as of the results of the Swedish Inspectorate of Auditors' quality control. As part of this, the Audit Committe shall inform the Board of the results of the external audit and in what way the external audit has contributed to the reliability of the financial reporting and the role of the Committee.

Responsibility for implementing the Board's internal steering documents regarding internal control and risk management over financial reporting, maintaining an effective control environment as well as the day-to-day work on internal control and risk management over financial reporting is delegated to the Managing Director. This responsibility is in turn delegated to managers within their specific areas of responsibility at various levels in the Group.

Responsibility and authority are defined by the Board in, among others, internal steering documents such as Instruction for the Managing Director stipulating resolutions that are subject to decision by the Board or the General Meeting of shareholders, Authority to sign for the Company and Delegated Authorities. The Board also approves, among others, the following internal steering documents; Instruction regarding financial reporting, Code of Conduct, Information Policy, Insider Policy, IT Security Policy, and Finance Policy. The Managing Director approves the Group's Finance and Accounting Manual, which is available to all personnel in finance and accounting. Based on the Board's internal steering documents, the Managing Director, the CFO and other managers establish instructions and manuals to be implemented within their specific areas of responsibility.

These internal steering documents are reviewed and updated regularly with reference to for example changes in legislation, accounting standards, listing requirements and internal risk assessment.

The work to make the financial reporting process, as well as the closing process, more efficient continued during the year.

Risk assessment

A structured identification of major risks, including risks related to the financial reporting, was conducted in 2015 as part of establishing a formalised and proactive process for risk management with clearly established roles and areas of responsibility. The process implies that risks related to the financial reporting should be identified, evaluated, managed and followed-up. A plan was set up for work on strengthening the internal control for financial reporting, through formalised and documented processes that function as intended. This in order to secure that the Group in an efficient way lives up to the aim of internal control related to the financial reporting. In accordance with the risk management process, an annual update of risks related to the financial reporting shall be made, which among other things include an evaluation of the components in the financial reporting on the basis of materiality and the risk for errors.

Control activities

Risks over financial reporting are mitigated through control activities to ensure that the aims for internal control over financial reporting are met.

Control activities are performed at different levels of the Group and its processes including processes for financial reporting, closing and over the IT environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities, such as approvals, verifications, reconciliations, and monitoring of the business performance. Segregation of duties is typically built into the selection and development of control activities. The work on formalising and documenting these control activities is continuing.

Information and communication

The Group maintains information and communication processes to ensure adequate internal financial reporting, for monitoring of business performance and for decision support, as well as for providing accurate, reliable and relevant external financial reporting to the financial markets.

Internal information and communication

The internal steering documents relevant to internal control over financial reporting are for instance Instructions regarding financial reporting, Information Policy, IT Security Policy, Finance Policy and Finance and Accounting Manual. The documents can be accessed on the Group's intranet by all relevant personnel.

The Group CFO reports to the Audit Committee on the results, critical accounting issues and other issues that could affect the quality of the the Group's financial reporting at the Audit Committee meetings where the interim reports, full year report and annual report are dealt with. When reporting on the quality of the financial reporting, there is particular focus on any uncertainties in valuations, any changes in assumptions and estimates, any unadjusted faults in the annual accounts, any events after the end of the accounting period as well as the quality of the closing process and financial reporting process.

The Chairman of the Audit Committee reports on the Committee's work to the Board in the form of observations, recommendations and proposed decisions at the Board meeting following the Committee meetings and in the form of minutes from the Audit Committee meetings that are submitted to the Board.

Internal financial reporting for monitoring of performance and for decision support is submitted to Group Management and the Board on a regular basis.

External information and communication

The Group's process for external information and communication aim at providing the financial markets with accurate, reliable and relevant information which is characterised by openness regarding the development of the Group and its financial results and financial position in a timely manner.

The Group has an information policy meeting the requirements of a listed company.

Financial information is issued regularly in the form of:

- Interim reports and full year report published as press releases.
- Annual report.
- Press releases on all matters that could materially affect the share price.
- Presentations and telephone conferences on the day of publication of interim reports and full year report that are also webcasted.
- Meetings with financial analysts and investors in Sweden and abroad.

Interim reports, full year reports and annual reports are to be found on Scandi Standard's website at www.scandistandard.com, as well as press releases, presentations and relevant internal steering documents.

Monitoring

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations are performed by the Board and management at different levels of the Group, and separate evaluations are conducted as deemed necessary for instance by the Group's internal audit function.

Financial reporting

Financial data is reported every month by the reporting units, being a business unit operating within a subsidiary of the Parent Company, in accordance with the routine stipulated in the Finance and Accounting Manual. All consolidation of the Group's financial reports is centralised to the Group Finance function. All financial reports are stored in a central database from which data is retrieved for analysis and monitoring.

The work to make the financial reporting process as well as the closing process more efficient, continued during the year.

Controller
Each business unit operating within a subsidiary of the Parent Company has a controller whose responsibilities include to ensure adequate internal control concerning financial reporting and to comply with the Group's internal steering documents such as the Finance and Accounting Manual. The responsibility also includes reporting complete, accurate and timely financial information to the Parent Company.

Country Managers
A Country Manager is appointed in each country where the Group operates subsidiaries of the Parent Company. The Country Manager's duties include to ensure adequate internal control over financial reporting and to comply with the Group's internal steering documents as well as to identify and report risks that can have an impact on the financial reporting and review the financial information for reasonableness.

Group Finance
The central Group Finance function is responsible for the consolidation of the Group's financial reports and to ensure adequate internal control over financial reporting, and that the reporting by each reporting unit that is conducting business within any of Scandi Standard's subsidiaries and the Group are made in accordance with the Finance and Accounting Manual.

Group Management
Group management comprises the Managing Director and the CFO, the COO, the Director of Group Live Operations and four country managers. Group Management review sales figures and results on a weekly basis. They hold video meetings every second week and meet once a month to review the monthly results, to update forecasts and plans and to discuss critical business issues. Group Management is responsible for implementing the annual business plan and budget for the Group.

Internal audit
An internal audit function was established in 2015, which is insourced from Deloitte. The work in 2017 focused to a large extent on evaluating the efficiency in the internal control over financial reporting and generally in the Group in accordance with an annual internal audit plan. The work also included support to the organisation in formalising and documenting processes an internal controls.

The Board of Directors
The Board is responsible for internal control and risk management including internal control and risk management related to the financial reporting. This responsibility includes establishing internal steering documents and monitoring compliance with these as well with applicable external laws and regulations.

The Board's follow-up of compliance is based on different sources such as:

- Reporting from the Managing Director regarding fulfilment of established goals, operational follow-up, as well as financial results and financial position. In the Instruction for the Managing Director and the Instruction regarding financial reporting, the Board has defined the reporting required to be made to the Board.
- Reporting from the Chairman of the Audit Committee regarding the work in the Committee in the form of observations, recommendations and proposals for decisions regarding the effectiveness of the internal control regarding the financial reporting and generally in the Group, as well as the reliability of the financial reporting. The work of the Audit Committee is based on a working procedure established by the Board. The internal audit function reports the result of its work to the Audit Committee and this forms the basis for the Committee's observations and recommendations.
- Reporting from the Whistleblowing function.

Stockholm, 23 April 2018

Scandi Standard AB (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Scandi Standard AB (publ), corporate identity number 556921–0627

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 96–107 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 23 April 2018
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

Board of Directors

1 PER HARKJÆR

Chairman

Born 1957.

Bachelor's degree in International Marketing, Copenhagen Business School, Denmark.

Elected 2014. Chairman of the Remuneration Committee.

Other assignments: Chairman of Make-A-Wish Foundation.

Previous assignments: Group CEO, United Coffee, Findus Group and Toms Confectionery Group.

Holdings in Scandi Standard: 110,000 shares.

2 KARSTEN SLOTTE

Board member

Born 1953.

Bachelor of Science (econ), Hanken School of Economics, Finland.

Elected 2014.

Other assignments: Board member of Onvest Oy, Ratos AB, Royal Unibrew A/S, Finnish-Swedish Chamber of Commerce.

Previous assignments: President and CEO, Fazer Group, various leading positions at Cloetta/Fazer. Board member of Oriola-KD Corporation.

Holdings in Scandi Standard: 13,698 shares.

3 ULF GUNDEMARK

Board member

Born 1951.

Master of Science in Electrical Engineering, Chalmers University of Technology, Sweden.

Elected 2013. Member of the Audit Committee and the Remuneration Committee.

Other assignments: Chairman of Nordic Waterproofing Group. Board member of AQ Group AB, Lantmännen, Opti Group AB, Ripasso Energy AB and Solar AS. Board member and owner of Gumaco AB.

Previous assignments: CEO of Elektroskandia/Hagemeyer Nordics, General Manager, IBM, various positions at ASEA/ABB. Chairman, Lindab International, Bridge to China AB and Lönne International AS.Board member of Constructor Group AS.

Holdings in Scandi Standard: 31,779 shares.

4 HARALD POUSETTE

Board member

Born 1965.

Bachelor of Arts (Economics), University of Uppsala, Sweden.

Elected 2016. Member of the Audit Committee.

Other assignments: CEO, Kvalitena Industrier AB. Chairman of Bil- och Traktorservice i Stigtomta AB, Jitech AB, BOX Bygg AB and Svea Agri AB. Board member of Fendea AB, Maha Energy AB and Stig Svenssons Motorverkstad AB.

Previous assignments: Managing Director, The Collins Group. Vice President, Dresdner Kleinwort Wasserstein. Sales trader and portfolio manager, Nordiska Fondkommision. Foreign exchange and fixed income trader, Gota Bank.

Holdings in Scandi Standard: 0 shares.

5 HELÉNE VIBBLEUS

Board member

Born 1958.

Bachelor of Science in Business Administration, Economics and Statistics, University of Linköping, Sweden.

Elected 2014. Chairman of the Audit Committee.

Other assignments: Vice President Internal Audit, Chief Audit Executive, Autoliv Inc. Board member of Dometic Group AB.

Previous assignments: Board member of Marine Harvest ASA, Nordic Growth Market NGM AB ,Orio AB, Renewable Energy Corporation ASA, Swedbank Sjuhärad AB, Tradedoubler AB,Trelleborg AB and Tyréns AB. Board member and Vice Chairman of Sida. Group Vice President, Chief Audit Executive, Elekta AB. Senior Vice President, Group Controller, AB Electrolux. Authorized Public Accountant, Partner and Board member of PwC Sweden.

Holdings in Scandi Standard: 6,250 shares.

6 SAMIR KAMAL

Board member

Born 1965.

Bachelor of Science, Electrical and Electronic Engineering, Imperial College, University of London, UK. Master of Science, Stockholm School of Economics.

Elected 2016. Member of the Remuneration Committee.

Other assignments: Board member of Bonava AB.

Previous assignments: Partner, EQT AB. Partner and Head of Swedish investment team, IK Investment Partners. Analyst, D Carnegie AB. Analyst, Enskilda Securities. Journalist, Dagens Industri and Finanstidningen.

Holdings in Scandi Standard: 5,000 shares.

7 MICHAEL PARKER

Board member

Born 1953.

Bachelor of Science hons in Business Administration, University of Bath, UK, and a Booker Senior Management Certificate from INSEAD.

Elected 2014.

Other assignments: Board member of Brookes Parker Ltd, Karro Food Group and Prospect Publishing Ltd.

Previous assignments: Deputy CEO of Young's Bluecrest Seafood (now Findus Group). Board member of Marine Harvest ASA.

Holdings in Scandi Standard: 16,000 shares.

8 ASBJØRN REINKIND

Board member

Born 1960.

Master of Science in Economics and Business Administration, Norges Handelshoyskole, Bergen. Advanced Management Programme, INSEAD.

Elected 2015.

Other assignments: Chairman of Grilstad AS and Isbjørnis Holdings A/S. Deputy chairman of Grieg Seafood ASA and BioMar Group. Board member of Food Union and Ecopole AS. Senior advisor to two private equity companies.

Previous assignments: CEO, Rieber & Son ASA. Managing Director of Hydro Seafood, Toro and Denja.

Holdings in Scandi Standard: 15,000 shares.

9 ØYSTEIN ENGEBRETSEN

Board member

Born 1980.

BI Norwegian School of Management, Sandvika/Oslo, Master of Science in Business, Major in Finance.

Elected 2017.

Other assignments: Investment manager, Investment AB Öresund. Board member of Projektengagemang Sweden AB.

Previous assignments: Board member of Investment AB Öresund, Project manager, Viking Sverige AB. Corporate Finance, HQ Bank.

Holdings in Scandi Standard: 16,000 shares.

EXTERNAL AUDITOR

Öhrlings PricewaterhouseCoopers AB
Bo Lagerström, born 1966, chief auditor.

Holdings in Scandi Standard: 0 shares.

Group Management

1 LEIF BERGVALL HANSEN

Managing Director and Chief Executive Officer

Born 1966.

Master of Science, Copenhagen Business School, Denmark, including a period at Stanford Business School, USA.

In Group Management since 2013.

Previous assignments: Head of division, Nestle, CEO of Bisca A/S.

Holdings in Scandi Standard:
717,891 shares.

2 TOMMI SAKSALA

Director, Group Live Operations

Born 1969.

Master of Science in Agricultural Economics & Management, University of Helsinki, Finland.

In Group Management since 2014.

Previous assignments: International broiler industry supply chain management consultant, Pomicon Oy Ltd. Director, poultry meat supply chain live operations, A-Touttajat Oy (Atria Group plc)

Holdings in Scandi Standard:
61,690 shares.

3 PER ALAN JENSEN

Chief Operating Officer

Born 1962.

Bachelor of Science in Technology, University of Odense, Denmark.

In Group Management since 2013.

Other major assignments: Board member Farm Food A/S.

Previous assignments: Factory manager Rose Poultry A/S.

Holdings in Scandi Standard:
434,266 shares.

4 ANDERS HÄGG

Chief Financial Officer

Born 1969.

Master of Business Administration, Gothenburg School of Economics and Law, University of Gothenburg.

In Group Management since December 2016.

Previous assignments: CFO, Arla Foods Ltd, UK. CFO Arla Foods, Sweden. Finance Director, Unilever Ice Cream Europe. Company Controller, Unilever Foods Nordic. Manager, Financial Planning & Analysis, Unilever Mexico. Senior Auditor, Unilever Corporate Audit, the Netherlands.

Holdings in Scandi Standard:
0 shares.

5 MAGNUS LAGERGREN

Country Manager, Sweden and Finland

Born 1960.

Master of Science in Economics and Technology, University of Agriculture, Sweden.

In Group Management since 2014.

Other major assignments: Board member Svenska Retursystem AB and Dagligvaruleverantörernas Förbund (DLF).

Previous assignments: Chairman and Managing Director, Dalsjöfors Holding AB. Managing Director, Swedish Meats cooperative/Scan AB/HKScan. Management positions within Swedish Meats and Scan AB.

Holdings in Scandi Standard:
140,644 shares.

6 MARK HEMMINGSEN

Country Manager, Denmark

Born 1974.

Cand. Negot University of Southern Denmark, Executive Management Program, INSEAD.

In Group Management since August 2016.

Previous assignments: Chief Commercial Officer, Rynkeby Foods A/S. Leading positions in sales and marketing, Merrild Kaffe A/S. Product Manager, Bähncke A/S.

Holdings in Scandi Standard:
0 shares.

7 FREDRIK STRØMMEN

Country Manager, Norway

Born 1971.

Master of Science, Norwegian School of Economics, Norway.

In Group Management since 2015.

Previous assignments: Director, Orkla Commercial Excellence ASA. Country manager, Sætre AS. Management positions within Sætre AS and KiMs AS.

Holdings in Scandi Standard:
5,000 shares.

Annual General Meeting

The Annual General Meeting 2018 will be held on Tuesday, 22 May at 1 pm in Wallenbergsalen, IVA Conference Center, Grev Turegatan 16, Stockholm. For more information, see http://investors.scandistandard.com/en/agm.

Participation

Shareholders who intend to participate in the Annual General Meeting must:

- Be registered in the share register kept by the Swedish central securities depositary, Euroclear Sweden AB on Wednesday, 16 May 2018.
- Give notice of intent to participate to Scandi Standard no later than 4 pm on Wednesday, 16 May 2018.

Notice of participation

Notice of intent to participate can be given:

- on the Group's website; http://investors.scandistandard.com/en/agm.
- by telephone at +46 8 402 90 55.
- by mail to Scandi Standard AB, c/o Euroclear Sweden AB, P.O Box 191, SE–101 23 Stockholm, Sweden.

Notice should include the shareholder's name, personal or company registration number, if any, address and telephone number, and the number of assistants attending, if any.

Shareholders may vote by proxy, in which case a power of attorney should be submitted to Scandi Standard well in advance of the AGM. Proxy forms are available for download in English and Swedish on the Group's website.

Shares registered by nominees

Shareholders who have their shares registered in the name of nominees must have their shares temporarily registered in their own name on Wednesday, 16 May 2018 in order to participate in the AGM. To ensure that such registration is made prior to this date, the nominee must be informed well in advance.

Dividend

The Board of Directors has proposed a dividend of SEK 1.80 per share and Thursday, 24 May 2018 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Tuesday, 29 May 2018. The last day for trading in Scandi Standard's shares with right to dividend for 2017 is Tuesday, 22 May 2018.

Forward looking statement

This report contains forward-looking statements and the actual outcome could be materially different. Factors that could have a material effect on the actual outcome include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, disease outbreaks, loss of major customer contracts and major customer credit losses. For further information see the sections on Risks and risk management on page 44–48 and on page 76–78.

Information about markets, market shares, market growth etc. are based on established independent external sources, internal sources and Company estimates.

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