

## Second quarter report 2018

22 August 2018

- Net sales increased by 39 percent to MSEK 2,252 (1,622). The increase refers mainly to the Irish company Manor Farm, which was acquired as of 28 August 2017. Net sales increased by 4 percent in Sweden, 10 percent in Denmark, 5 percent in Norway and 31 percent in Finland.
  - Adjusted operating income<sup>1)</sup> rose by 29 percent to MSEK 90 (70), corresponding to a margin of 4.0 (4.3) percent. Except for Ireland, which accounted for the major part of the increase, Norway and Finland also achieved improvements. Income was negatively affected by a less favourable price/mix, primarily in Sweden where income declined. Denmark also reported lower income.
  - A decision was taken during the quarter to restructure production within organic chicken in Sweden resulting in a charge of MSEK 22 against operating income.
  - Income for the period was unchanged and amounted to MSEK 33 (33), corresponding to earnings per share of SEK 0.51 (0.56).
  - Operating cash flow was MSEK 70 (-5), positively impacted by the higher income and an improvement in working capital. Net capital expenditure increased to MSEK 138 (52), mainly due to the ongoing expansion of the facility in Farre, Denmark.
  - Net interest-bearing debt increased by MSEK 100 from 31 March 2018 to MSEK 2,039 (1,619), largely as a result of the acquisition of the Irish operation.
- Pro forma including the newly acquired Irish operation<sup>2)</sup>**
- Including Manor Farm on a pro forma basis, net sales increased by 10 percent.
  - Adjusted operating income<sup>1)</sup> amounted to MSEK 90 (91), corresponding to a margin of 4.0 (4.4) percent.

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	2,252	1,622	39%	4,368	3,216	36%	8,253	7,101
Adjusted EBITDA <sup>1)</sup>	159	124	28%	307	237	30%	629	559
Adjusted operating income <sup>1)</sup> (EBIT)	90	70	29%	170	129	32%	370	329
Non-comparable items	-23	-8	-	-23	-9	-	-48	-34
Operating income (EBIT)	67	62	8%	147	120	23%	322	295
Finance net	-27	-9	-202%	-52	-28	-86%	-95	-71
Income after finance net	40	53	-25%	95	92	3%	227	224
Income tax expense	-7	-20	65%	-18	-29	38%	-45	-56
Income for the period	33	33	0%	77	63	22%	182	168
Adjusted EBITDA margin <sup>1)</sup>	7.1%	7.6%	-	7.0%	7.4%	-	7.6%	7.9%
Adjusted operating margin <sup>1)</sup> (EBIT)	4.0%	4.3%	-	3.9%	4.0%	-	4.5%	4.6%
Earnings per share, SEK	0.51	0.56	-9%	1.18	1.06	11%	2.83	2.73
Adjusted return on capital employed <sup>1)</sup>	11.4%	9.3%	-	11.4%	9.3%	-	11.4%	11.1%
Return on equity	14.7%	12.3%	-	14.7%	12.3%	-	14.7%	13.8%
Operating cash flow	70	-5	-	96	0	-	309	213
Net interest-bearing debt	-2,039	-1,619	26%	-2,039	-1,619	26%	-2,039	-1,886

Proforma, including Ireland <sup>2)</sup>	Q2 2018	Q2 2017 pro forma	Change	H1 2018	H1 2017 pro forma	Change	LTM pro forma	2017 pro forma
Net sales	2,252	2,048	10%	4,368	4,064	7%	8,511	8,207
Adjusted operating income <sup>1)</sup> (EBIT)	90	91	-1%	170	166	2%	380	376
Adjusted operating margin <sup>1)</sup> (EBIT)	4.0%	4.4%	-	3.9%	4.1%	-	4.5%	4.6%

<sup>1)</sup>Adjusted for non-comparable items, see page 12.

<sup>2)</sup>The pro forma figures are presented for illustrative purpose in order to show how the segment would have contributed to the Group's net sales and operating income if it had been part of the Group during the whole of 2017. The pro forma figures have not been audited. See page 4-5.

### About Scandi Standard

Scandi Standard is the leading producer of chicken-based food products in the Nordic region and Ireland. The company produces, markets and sells ready to eat, chilled and frozen products under the well-known brands Kronfågel, Danpo, Den Stolte Hane, Naapurin Maalaiskana and Manor Farm. Eggs are also produced and sold in Norway. We are approximately 3,000 employees with annual sales of more than SEK 8 billion. For more information, please visit [www.scandistandard.com](http://www.scandistandard.com).

## The CEO comments on the second quarter

The Group's net sales increased strongly in the second quarter as a result of the acquisition of Manor Farm, strong organic growth and exchange rate effects. Net sales increased by 10 percent pro forma to MSEK 2,252 compared to the second quarter 2017, and by 5 percent adjusted for exchange rate effects. All countries contributed to the increase.

Adjusted operating profit amounted to MSEK 90 compared to MSEK 91 pro forma in the second quarter 2017, corresponding to a margin of 4.0 (4.4 pro forma) percent. Although both Norway and Ireland performed well, and Finland reported a continued improvement, the margin was negatively affected by a less favourable price/mix, primarily in Sweden as well as by higher raw material costs and marketing investments in Denmark.

The share of value-added products of total net sales increased significantly compared to the second quarter 2017 pro forma. Chilled products grew by 4 percent pro forma and ready-to-eat products by 16 percent pro forma. Sales in the retail channel increased by 7 percent pro forma and net sales in the food-service channel rose by 12 percent pro forma.

Net sales in Sweden rose by 4 percent to MSEK 661. The market showed a recovery, but income for the Swedish operation was adversely affected by stock clearance as well as lower production volumes during the summer in order to achieve a more balanced inventory situation. The adjusted operating margin was 4.2 percent compared to 5.2 percent in the second quarter 2017. I am convinced that we, on the basis of our business model and strong brand, have good opportunities to regain our historic margins in Sweden in the medium term. During the quarter we took a decision to restructure our production of specialty birds involving the closure of the slaughtering facility in Åsljunga, Sweden, and this will have a positive effect on earnings from 2019. The trade restrictions due to the bird flu had a negative impact of approximately MSEK 6 on adjusted operating income in the quarter. I am pleased to report that we expect the outbreak of bird flu to have no further negative impact going forward.

Net sales in Denmark increased by 10 percent, or by 3 percent in local currency, to MSEK 688. The increase was mainly achieved through higher sales in the retail channel and of ready-to-eat products. The adjusted operating margin was 3.2 percent compared to 4.5 percent in the second quarter 2017. The decline in margin was due to both higher raw material costs and operative costs in combination with the market investments related to the new product range under De Danske Familiegårde brand. The brand has been very well received in the market and I am convinced that these investments will strengthen our position in Denmark.

Net sales in Norway increased by 5 percent, or by 1 percent in local currency, to MSEK 393. The adjusted operating margin improved to 8.4 percent compared to 8.0 percent in the second quarter 2017. The operation in Norway is today the most profitable in the Group. The positive trend has been achieved primarily through successful investments in production based on transfer of best practice within the Group. The product offering has also been significantly strengthened.

Net sales in Ireland increased by 17 percent pro forma, or by 9 percent in local currency, to MSEK 499. The adjusted operating margin improved to 5.4 percent from 5.0 percent pro forma in the second quarter 2017. I am very pleased with both the performance and the integration of this operation into the Group. The sharing of best practice between responsible managers and their peers in other parts of the Group has paid off. We have also identified a number of capital expenditure projects to reduce bottle necks in production and increase efficiency, which will be implemented over the coming years. We expect that we will be able to include the investments in Ireland this year in the previously communicated amount for total capital expenditure in 2018, see below.

The operation in Finland showed continued strong growth and net sales increased by 31 percent, or by 14 percent in local currency, to MSEK 114. The strong increase was achieved as a result of higher efficiency in production as well as a more favourable product mix. We have achieved a sequential improvement in earnings in the last quarters. Operating cash flow was positive both in the first and second quarter. The adjusted operating income was still negative in the quarter, however, and amounted to MSEK -4 compared to MSEK -9 in the second quarter 2017. We continue to implement the measures necessary to reach our first goal of break-even and expect to see further improvements in the coming quarters.

The exceptionally warm and dry summer in Northern Europe has negatively affected grain harvests. As our contracted growers are largely dependent on locally produced feed, we expect raw material costs to increase in the coming quarters. Our aim is to recover these costs through price increases.

Net interest-bearing debt increased by MSEK 100 in the quarter to MSEK 2,039. Adjusted for the dividend payment to shareholders of MSEK 118, cash flow was positive despite an increase in capital expenditure to MSEK 138 corresponding to 251 percent of depreciation. This was possible thanks to the higher income and an improvement in working capital of MSEK 72. We expect a further release of working capital during the year. We estimate capital expenditure in 2018 to amount to approximately MSEK 350, including Ireland, of which MSEK 150 refers to the capacity expansion in Farre in Denmark. The investment in Farre amounted to MSEK 67 in the quarter.

Although I am pleased that we continued to strengthen our position in our home markets, I see a further potential for converting the top line growth into margin. We are working intensively to optimise our performance under the current market circumstances in Sweden and expect the market investments in Denmark to gradually start to pay off. It was also satisfying to see the positive development for Ireland and to be able to report a continued improvement in earnings in Finland. The performance of the operation in Norway is a good example of the potential in our business.

We are carefully following the structural changes in our sector and believe that we are ideally positioned to take part of the consolidation of the European poultry market. We believe the acquisition of Manor Farm is a good illustration of how we can create value and stability for our shareholders. Our geographic diversification is a strength for the Group as most of our margin drivers are country specific.

Leif Bergvall Hansen  
Managing Director and CEO

## Net sales and income pro forma

The Irish company Manor Farm was acquired as of 28 August 2017 and is included in the Group's accounts from this date as the segment Ireland. The pro forma figures below are presented solely for illustrative purpose in order to show how the segment would have contributed to the Group's net sales and operating income for the second quarter and first half 2018 if it had been part of the Group during the whole of 2017.

The pro forma figures have been calculated by including the accounts of Carton Bros ULC adjusted for differences in accounting period and for parts of the operation that was not included in the acquisition.

Proforma MSEK	Q2	Q2 2017	Change	H1	H1 2017	Change	LTM	2017
	2018	Pro forma		2018	Pro forma		Pro forma	Pro forma
Net sales	2,252	2,048	10%	4,368	4,064	7%	8,511	8,207
Adjusted EBITDA*	159	158	0%	307	300	2%	648	641
Adjusted operating income EBIT*	90	91	-1%	170	166	2%	380	376
Non-comparable items	-23	-8	-	-23	-9	-	-48	-34
Operating income (EBIT)	67	83	-19%	147	157	-7%	331	342
<i>Adjusted EBITDA-margin*</i>	7.1%	7.7%	-	7.0%	7.4%	-	7.6%	7.8%
<i>Adjusted operating margin* (EBIT)</i>	4.0%	4.4%	-	3.9%	4.1%	-	4.5%	4.6%

\*Adjusted for non-comparable items, see page 12.

### Net sales

Net sales in the second quarter 2018 increased by 10 percent pro forma to MSEK 2,252 compared to MSEK 2,048 pro forma in the second quarter 2017. The increase was 5 percent pro forma at constant exchange rates.

Net sales increased by 4 percent in Sweden, 10 percent in Denmark, 5 percent in Norway, 17 percent in Ireland and 31 percent in Finland.

### Income

Adjusted for non-comparable items, operating income in the second quarter 2018 declined to MSEK 90 (91 pro forma), corresponding to a margin of 4.0 (4.4 pro forma) percent.

Adjusted operating income improved in Norway, Ireland and Finland, and declined in Sweden and Denmark.

The bird flu negatively impacted adjusted operating income by approximately MSEK 6 (13) in the quarter and approximately MSEK 12 (31) in the first half. The impact in 2018 refers entirely to Sweden.

Including non-comparable items, operating income declined by 19 percent pro forma to MSEK 67 (83 pro forma), corresponding to a margin of 3.0 (4.1 pro forma) percent. Non-comparable items were MSEK -23 (-8) and included costs for the closure of production and staff reductions in Sweden, see page 12.

### Ireland - pro forma

Proforma MSEK	Q2	Q2 2017	Change	H1	H1 2017	Change	LTM	2017
	2018	Pro forma		2018	Pro forma		Pro forma	Pro forma
Net sales	499	426	17%	963	849	14%	1,817	1,702
Adjusted EBITDA*	42	34	21%	76	63	19%	139	127
Adjusted operating income EBIT*	27	21	27%	47	37	26%	85	75
Non-comparable items	-	-	-	-	-	-	-	-
Operating income (EBIT)	27	21	27%	47	37	26%	85	75
<i>Adjusted EBITDA-margin*</i>	8.4%	8.1%	-	7.9%	7.5%	-	7.6%	7.4%
<i>Adjusted operating margin* (EBIT)</i>	5.4%	5.0%	-	4.9%	4.4%	-	4.7%	4.4%

\*Adjusted for non-comparable items, see page 12.

Net sales in Ireland in the second quarter 2018 increased by 17 percent pro forma to MSEK 499 compared to MSEK 426 pro forma in the second quarter 2017. Net sales in local currency rose by 9 percent pro forma.

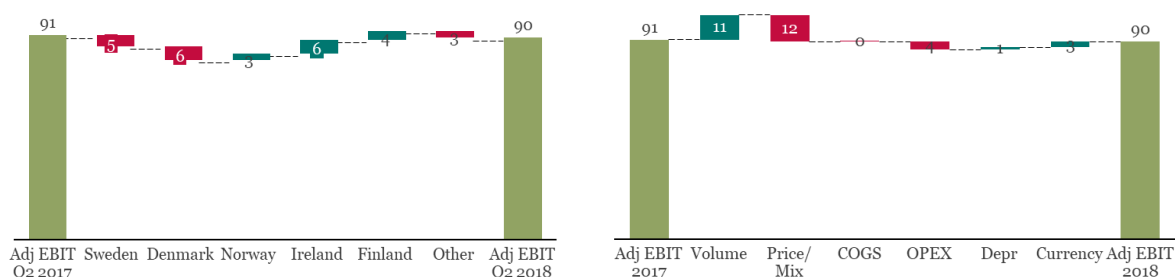
Adjusted operating income increased by 27 percent pro forma to MSEK 27 (21 pro forma), corresponding to a margin of 5.4 (5.0 pro forma) percent. The improvement in adjusted operating income and margin was mainly achieved through higher efficiency in the entire supply chain.

MSEK	Sweden		Denmark		Norway		Ireland <sup>1)</sup>		Finland		Eliminations and Group common costs		Total Group <sup>1)</sup>	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Net sales	661	637	688	625	393	374	499	426	114	87	-103	-101	2,252	2,048
Adjusted EBITDA <sup>2)</sup>	47	53	36	46	47	43	42	34	2	-6	-14	-12	159	158
Depreciation	-18	-19	-13	-17	-10	-9	-8	-7	-6	-3	-	-	-55	-55
Adjusted operating income before amortisation <sup>2)</sup>	29	34	23	29	37	34	34	28	-4	-9	-14	-12	103	104
Amortisation	-1	-1	-1	-1	-4	-4	-7	-7	-	-	-0	-	-13	-13
Adjusted operating income <sup>2)</sup> (EBIT)	28	33	22	28	33	30	27	21	-4	-9	-15	-12	90	91
Non-comparable items	-23	-	-	-	-	-	-	-	-	-	-	-8	-23	-8
Operating income (EBIT)	5	33	22	28	33	30	27	21	-4	-9	-15	-20	67	83
Adjusted EBITDA-margin <sup>2)</sup>	7.1%	8.3%	5.2%	7.4%	12.0%	11.5%	8.4%	8.1%	1.4%	-6.9%	14.0%	12.1%	7.1%	7.7%
Adjusted operating margin <sup>2)</sup> (EBIT)	4.2%	5.2%	3.2%	4.5%	8.4%	8.0%	5.4%	5.0%	-3.7%	-10.3%	14.4%	12.1%	4.0%	4.4%

<sup>1)</sup>Pro forma

<sup>2)</sup>Adjusted for non-comparable items, see page 12.

### Change in adjusted operating income (EBIT) vs Q2 2017 (pro forma)

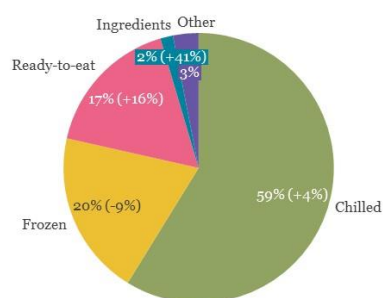


The decline in adjusted operating income in Sweden and Denmark compared to the second quarter 2017 was compensated by improved results in Norway, Ireland and Finland.

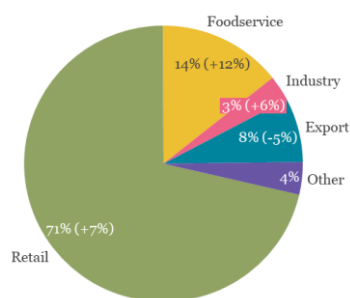
Strong organic growth had a positive impact on adjusted operating income, which was offset by stock clearance and higher purchasing costs. The increase in operating costs refers mainly to the market investments in Denmark.

### Net sales by product category and sales channel, Q2 2018 (pro forma)

(Percentage of Group's total net sales and change vs Q2 2017 in brackets, pro forma).



All product categories showed growth in the quarter with the highest increase for chilled products and ready-to-eat products.



Sales in the retail channel increased in all countries. Food service showed the highest growth as a result of strong market growth within ready-to-eat products.

## Net sales and income

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	2,252	1,622	39%	4,368	3,216	36%	8,253	7,101
Adjusted EBITDA*	159	124	28%	307	237	30%	629	559
Adjusted operating income* (EBIT)	90	70	29%	170	129	32%	370	329
Non-comparable items	-23	-8	-	-23	-9	-	-48	-34
Operating income (EBIT)	67	62	8%	147	120	23%	322	295
<i>Adjusted EBITDA-margin*</i>	<i>7.1%</i>	<i>7.6%</i>	-	<i>7.0%</i>	<i>7.4%</i>	-	<i>7.6%</i>	<i>7.9%</i>
<i>Adjusted operating margin* (EBIT)</i>	<i>4.0%</i>	<i>4.3%</i>	-	<i>3.9%</i>	<i>4.0%</i>	-	<i>4.5%</i>	<i>4.6%</i>

\*Adjusted for non-comparable items, see page 12.

### Net sales

Net sales in the second quarter 2018 increased by 39 percent to MSEK 2,252 compared to MSEK 1,622 in the second quarter 2017. The increase was 33 percent at constant exchange rates.

The increase refers mainly to the Irish operation which was acquired as of 28 August 2017 and contributed with MSEK 499 (-) in net sales. Net sales increased by 4 percent in Sweden, 10 percent in Denmark, 5 percent in Norway and 31 percent in Finland.

Net sales rose by 65 percent for chilled products, declined by 8 percent for frozen products and increased by 36 percent for ready-to-eat products.

### Income

Adjusted for non-comparable items, operating income in the second quarter 2018 increased to MSEK 90 (70), corresponding to a margin of 4.0 (4.3) percent.

The newly acquired Irish operation contributed with MSEK 27 (-) to adjusted operating income. Adjusted operating income improved in Norway and Finland, but declined in Sweden and Denmark.

The bird flu had a negative impact on adjusted operating income of approximately MSEK 6 (13) in the quarter and approximately MSEK 12 (31) in the first half. The impact in 2018 refers entirely to Sweden.

Including non-comparable items, operating income increased by 8 percent to MSEK 67 (62), corresponding to a margin of 3.0 (3.9) percent. Non-comparable items amounted to MSEK -23 (-8) and included costs for the closure of production and staff reductions in Sweden, see page 12.

### Impact of bird flu in 2018

All trade restrictions due to the bird flu has now been lifted. The restrictions were imposed in November 2016 following the detection of the bird flu (H5N8) in Denmark, Sweden and Finland among other countries. No further negative impact on the Group's operating income is therefore expected going forward.

### Cash flow and investments

Operating cash flow in the second quarter 2018 amounted to MSEK 70 (-5). Cash flow was positively impacted by the higher income and a favourable trend in working capital compared to the second quarter 2017. The dividend payment to shareholders in a total amount of MSEK 118 (80) was made in the quarter.

Working capital as of 30 June 2018 amounted to MSEK 639 (456), corresponding to 7.5 (7.2) percent of net sales. The increase compared to the previous year is mainly due to the acquisition of the Irish operation and exchange rate effects.

Net capital expenditure increased to MSEK 138 (52). The increase refers mainly to the ongoing capacity expansion for ready-to-eat products in the Farre facility in Denmark. The project is expected to be completed during the third quarter 2018 and involves a total investment of approximately MSEK 150.

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
<b>Opening balance net debt</b>	<b>-1,939</b>	<b>-1,521</b>	<b>-1,886</b>	<b>-1,515</b>	<b>-1,619</b>	<b>-1,515</b>
EBITDA	136	116	284	228	615	559
Adjustment for non cash items	0	0	4	0	4	0
Changes in working capital	72	-69	36	-125	14	-147
Net capital expenditure	-138	-52	-228	-103	-324	-199
<b>Operating cash flow</b>	<b>70</b>	<b>-5</b>	<b>96</b>	<b>0</b>	<b>309</b>	<b>213</b>
Paid finance items, net	-15	-15	-31	-30	-60	-59
Paid income tax	-34	-6	-53	-12	-44	-3
Dividend	-118	-80	-118	-80	-118	-80
Acquisitions	-4	-	-4	-	-278	-274
Other items*	1	8	-43	18	-229	-168
<b>Net cash flow</b>	<b>-100</b>	<b>-98</b>	<b>-153</b>	<b>-104</b>	<b>-420</b>	<b>-371</b>
<b>Closing balance net debt</b>	<b>-2,039</b>	<b>-1,619</b>	<b>-2,039</b>	<b>-1,619</b>	<b>-2,039</b>	<b>-1,886</b>

\*) Other items in the second quarter 2018 include negative effects from changes in exchange rates of MSEK 13.

## Financial position

Total equity as of 30 June 2018 amounted to MSEK 1,537 (941). The equity to assets ratio improved to 27.8 (25.0) percent.

Net interest-bearing debt as of 30 June 2018 amounted to MSEK 2,039 (1,619). The increase compared to 30 June 2017 refers mainly to the acquisition of the Irish operation. The increase in the second quarter 2018 was MSEK 100, including the dividend payment of MSEK 118 and exchange rate effects of MSEK 13.

Cash and cash equivalents as of 30 June 2018 amounted to MSEK 84 (118). Committed but not utilized credit facilities as of 30 June 2018 amounted to MSEK 310 (775).

## Segment information

As from January 2018, the Group allocates amortisation on acquired intangible assets to the segments. Comparative figures for adjusted operating income and operating income in the report have been restated. See page 21.

### Sweden

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	661	637	4%	1,310	1,284	2%	2,583	2,557
Adjusted EBITDA*	47	53	-12%	96	107	-10%	217	228
Adjusted operating income* (EBIT)	28	33	-16%	59	68	-13%	141	150
Non-comparable items	-23	-	-	-23	-	-	-58	-35
Operating income (EBIT)	5	33	-85%	36	68	-47%	83	115
<i>Adjusted EBITDA-margin*</i>	<i>7.1%</i>	<i>8.3%</i>	<i>-</i>	<i>7.3%</i>	<i>8.3%</i>	<i>-</i>	<i>8.4%</i>	<i>8.9%</i>
<i>Adjusted operating margin (EBIT)*</i>	<i>4.2%</i>	<i>5.2%</i>	<i>-</i>	<i>4.5%</i>	<i>5.3%</i>	<i>-</i>	<i>5.5%</i>	<i>5.9%</i>

\*Adjusted for non-comparable items, see page 12.

Net sales in Sweden in the second quarter 2018 increased by 4 percent to MSEK 661 compared to MSEK 637 in the second quarter 2017.

The retail market for chicken products showed an increase overall in value compared to the second quarter 2017. Net sales increased within both chilled and frozen products.

Adjusted operating income declined by 16 percent to MSEK 28 (33), corresponding to a margin of 4.2 (5.2) percent. Adjusted operating income and margin were negatively affected by stock clearance and lower production volumes during the summer aimed at attaining a more balanced inventory situation.

The bird flu had a negative impact of MSEK 6 (11) on adjusted operating income in the quarter.

A decision was taken during the quarter to restructure production within specialty birds in Sweden, which involves the closure of the slaughtering facility in Åsljunga. The cost for the closure is estimated at approximately MSEK 22, of which MSEK 13 is affecting the cash flow. The cost is included in non-comparable items in the quarter. The closure will have a positive effect on earnings from 2019.

## Denmark

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	688	625	10%	1,323	1,205	10%	2,647	2,529
Adjusted EBITDA*	36	46	-22%	75	85	-12%	172	182
Adjusted operating income* (EBIT)	22	28	-22%	44	49	-10%	112	117
Non-comparable items	-	-	-	-	-	-	-4	-4
Operating income (EBIT)	22	28	-22%	44	49	-10%	108	113
<i>Adjusted EBITDA-margin*</i>	5.2%	7.4%	-	5.7%	7.1%	-	6.5%	7.2%
<i>Adjusted operating margin (EBIT)*</i>	3.2%	4.5%	-	3.3%	4.1%	-	4.2%	4.6%

\*Adjusted for non-comparable items, see page 12.

Net sales in Denmark in the second quarter 2018 increased by 10 percent to MSEK 688 compared to MSEK 625 in the second quarter 2017. The increase in local currency was 3 percent.

The increase in net sales was mainly achieved through higher sales in the retail channel and of ready-to-eat products. The newly launched premium range under the Danske Familiegårde brand showed a continued positive development.

Adjusted operating income declined by 22 percent to MSEK 22 (28), corresponding to a margin of 3.2 (4.5) percent. Adjusted operating income and margin were negatively affected by higher marketing costs related to De Danske Familiegårde brand as well as by higher costs for raw materials and operating costs.

The expansion of the facility in Farre in order to increase the capacity within ready-to-eat products continued during the quarter and is expected to be completed during the third quarter 2018.

## Norway

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	393	374	5%	755	762	-1%	1,476	1,483
Adjusted EBITDA*	47	43	10%	87	83	5%	164	160
Adjusted operating income* (EBIT)	33	30	11%	59	57	4%	109	107
Non-comparable items	-	-	-	-	-	-	-	-
Operating income (EBIT)	33	30	11%	59	57	4%	109	107
<i>Adjusted EBITDA-margin*</i>	12.0%	11.5%	-	11.6%	10.9%	-	11.1%	10.8%
<i>Adjusted operating margin (EBIT)*</i>	8.4%	8.0%	-	7.8%	7.5%	-	7.4%	7.2%

\*Adjusted for non-comparable items, see page 12.

Net sales in Norway in the second quarter 2018 increased by 5 percent to MSEK 393 compared to MSEK 374 in the second quarter 2017. The increase in local currency was 1 percent.

Adjusted operating income increased by 11 percent to MSEK 33 (30), corresponding to a margin of 8.4 (8.0) percent. The improvement in both operating income and margin was mainly achieved as a result of a favourable cost structure.

## Ireland

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	499	-	-	963	-	-	1 559	596
Adjusted EBITDA*	42	-	-	76	-	-	120	44
Adjusted operating income* (EBIT)	27	-	-	47	-	-	74	27
Non-comparable items	-	-	-	-	-	-	-	-
Operating income (EBIT)	27	-	-	47	-	-	74	27
<i>Adjusted EBITDA-margin*</i>	8.4%	-	-	7.9%	-	-	7.7%	7.4%
<i>Adjusted operating margin (EBIT)*</i>	5.4%	-	-	4.9%	-	-	4.7%	4.5%

\*Adjusted for non-comparable items, see page 12.

Net sales in Ireland amounted to MSEK 499. Adjusted operating income was MSEK 27 (-), corresponding to a margin of 5.4 (-) percent. For comments on the Irish operation, see the pro forma section on page 4.



## Finland

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Net sales	114	87	31%	220	157	40%	392	329
Adjusted EBITDA*	2	-6	126%	2	-15	110%	-10	-27
Adjusted operating income* (EBIT)	-4	-9	49%	-10	-22	56%	-31	-43
Non-comparable items	-	-	-	-	-	-	-	-
Operating income (EBIT)	-4	-9	49%	-10	-22	56%	-31	-43
Adjusted EBITDA-margin*	1.4%	-6.9%	-	0.7%	-9.6%	-	-2.7%	-8.2%
Adjusted operating margin (EBIT)*	-3.7%	-10.3%	-	-4.4%	-14.0%	-	-7.8%	-13.1%

\*Adjusted for non-comparable items, see page 12.

Net sales in Finland in the second quarter 2018 increased by 31 percent to MSEK 114 compared to MSEK 87 in the second quarter 2017. The increase in local currency was 14 percent.

Adjusted operating income improved to MSEK -4 (-9). The improvement refers mainly to higher efficiency and better yield in production, as well as a more favourable product mix.

## Personnel

The average number of employees (FTE) in the second quarter 2018 was 3,054 (1,982) and 3,008 (1,899) in the first half of the year. The increase refers mainly to the Irish operation, which was acquired as of 28 August 2017 and is included with 1,062 persons.

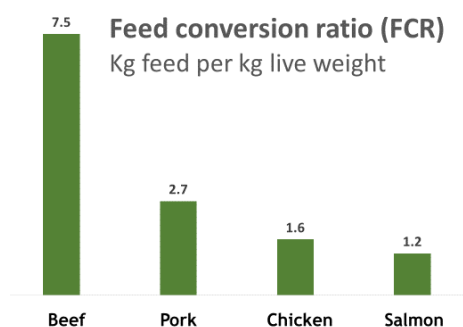
## The Group's sustainability work



## Feed Conversion Ratio (FCR) - important in the sustainability work

Feed conversion ratio (FCR) measures the ratio between how many kilograms of feed is needed to produce one kilogram of live weight when raising different kind of livestock. In comparison with many other animals, chickens are excellent converters of feed to meat. Our goal is to reach 1.55 kg feed/kg live weight. In 2017 we reached 1.56 kg/kg.

Feed quality and feed efficiency are very important in Scandi Standard's sustainability work. Feed is the the biggest single cost item both for the farmer and in the entire chain. FCR is measured for every chicken producing farm and for every flock that is grown.



FCR is the result of many factors in combination. It tells how well balanced feed the chickens are eating to cover their daily needs, which changes with the age of the birds, how well their environment is managed to keep the birds in their comfort zone and how uniformly this is done in the barn, and also how the health status of the chickens have been from day one. Only healthy birds, grown in an optimal environment and fed with good quality feed can achieve good FCR.

In Scandi Standard's supply chain, approximately 19,000 truckloads of feed are transported to the growers every year. All savings in feed mean less road and ocean transports, less farmland needed, less emissions, less investments and lower costs.

FCR is directly related to sustainability, due to its link to the use of farmland for cultivation of feed, mainly wheat and soybeans. Wheat is grown locally in the country where the chickens are grown, and soybeans mainly in North and South America. An improvement of 10 grams (0.01 kg/kg) in FCR means that our supply chain will need approximately 700 ha less farmland for growing crops (equals approx. 100 soccer fields) and that there will be a reduction of truck loads of more than 100 per year. A higher FCR also tends to result in leaner chickens, meaning slightly lower fat content in the meat which makes it more healthy.

Scandi Standard's staff and grower advisors work closely with the growers to optimize the conditions under which the chickens are grown, and to optimize the feed so that the daily requirements of the chickens will be met. The FCR results are distributed to all growers in order to facilitate benchmarking within the group. In the past years, the Group's growers have achieved improvements in FCR every year, which has benefitted the environment, the chickens, and the underlying economic factors in the supply chain.

### Risks and uncertainties

Scandi Standards' risks and uncertainties are described on pages 44-48 and pages 76-78 in the Annual Report 2017, which is available at [www.scandistandard.com](http://www.scandistandard.com).

### Board of Director's assurance

This interim report for the second quarter and first half of 2018 provides a fair overview of the operations, position and results of the Parent Company and the Group, and describes material risks and uncertainties faced by the Parent Company and the companies that are included in the Group.

Stockholm, 22 August 2018

Per Harkjær  
*Chairman of the Board*

Gunilla Aschan  
*Board member*

Vincent Carton  
*Board member*

Øystein Engebretsen  
*Board member*

Michael Parker  
*Board member*

Karsten Slotte  
*Board member*

Heléne Vibbleus  
*Board member*

Leif Bergvall Hansen  
*Managing Director and CEO*

The interim report has not been subject to review by the Company's auditors.

This is a translation of the original Swedish version published on [www.scandistandard.com](http://www.scandistandard.com)

## Segment information

As from January 2018, the Group allocates amortisation on acquired intangible assets to the segments. Comparative figures for adjusted operating income and operating income in the report have been restated. See page 21.

### Net sales per country

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Sweden	661	637	4%	1,310	1,284	2%	2,583	2,557
of which internal sales	54	45	20%	107	92	16%	211	196
Denmark	688	625	10%	1,323	1,205	10%	2,647	2,529
of which internal sales	47	56	-15%	91	100	-9%	176	185
Norway	393	374	5%	755	762	-1%	1,476	1,483
of which internal sales	-	-	-	-	-	-	-	-
Ireland	499	-	-	963	-	-	1,559	596
of which internal sales	-	-	-	-	-	-	-	-
Finland	114	87	31%	220	157	40%	392	329
of which internal sales	2	-	-	4	-	-	16	12
Intra-group eliminations	-103	-101	2%	-203	-192	6%	-404	-393
<b>Summa nettoomsättning</b>	<b>2,252</b>	<b>1,622</b>	<b>39%</b>	<b>4,368</b>	<b>3,216</b>	<b>36%</b>	<b>8,253</b>	<b>7,101</b>

### Net sales in local currency

Millions in local currency	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Denmark	496	481	3%	971	934	4%	1,990	1,953
Norway	364	362	1%	714	729	-2%	1,421	1,436
Ireland	48	-	-	95	-	-	157	62
Finland	11	9	14%	22	16	32%	39	34

### Net sales per product category

MSEK	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	LTM	2017
Chilled	1,371	831	65%	2,642	1,621	63%	4,226	3,205
Frozen	349	379	-8%	687	786	-13%	1,619	1,718
Ready-to-eat	435	320	36%	838	620	35%	1,632	1,414
Other*	97	91	8%	200	188	6%	776	764
<b>Total net sales</b>	<b>2,252</b>	<b>1,622</b>	<b>39%</b>	<b>4,368</b>	<b>3,216</b>	<b>36%</b>	<b>8,253</b>	<b>7,101</b>

\*) Relates mainly to the sale of pet food, as well as SweHatches' sale of day-old chicks.

### Exchange rates\*

	H1 2018	H1 2017	2017
SEK/NOK	1.06	1.05	1.03
SEK/DKK	1.36	1.29	1.29
SEK/EUR	10.14	9.59	9.63

\*) Average exchange rates

**Adjusted operating income (EBIT)**

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Sweden	28	33	59	68	141	150
Denmark	22	28	44	49	112	117
Norway	33	30	59	57	109	107
Ireland	27	-	47	-	74	27
Finland	-4	-9	-10	-22	-31	-43
Group	-15	-12	-29	-23	-35	-29
<b>Total adjusted operating income</b>	<b>90</b>	<b>70</b>	<b>170</b>	<b>129</b>	<b>370</b>	<b>329</b>

**Non-comparable items in operating income**

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Staff reduction costs <sup>1</sup>	-1	-	-1	-	-2	-1
Restructuring of production <sup>2</sup>	-22	-	-22	-	-41	-19
Costs related to fire in Södams <sup>3</sup>	-	-	-	-	-4	-4
Transaction costs <sup>4</sup>	-	-8	-	-9	-16	-25
Revaluation of contingent consideration <sup>5</sup>	-	-	-	-	30	30
Cancellation of leasing contract and project costs <sup>6</sup>	-	-	-	-	-15	-15
<b>Total adjustments to operating income</b>	<b>-23</b>	<b>-8</b>	<b>-23</b>	<b>-9</b>	<b>-48</b>	<b>-34</b>

**Non-comparable items in operating income by segment**

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Sweden	-23	-	-23	-	-58	-35
Denmark	-	-	-	-	-4	-4
Norway	-	-	-	-	-	-
Ireland	-	-	-	-	-	-
Finland	-	-	-	-	-	-
Group	-	-8	-	-9	14	5
<b>Total adjustments to operating income</b>	<b>-23</b>	<b>-8</b>	<b>-23</b>	<b>-9</b>	<b>-48</b>	<b>-34</b>

**Operating income (EBIT)**

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Sweden	5	33	36	68	83	115
Denmark	22	28	44	49	108	113
Norway	33	30	59	57	109	107
Ireland	27	-	47	-	74	27
Finland	-4	-9	-10	-22	-31	-43
Group	-15	-20	-29	-32	-21	-24
<b>Total operating income</b>	<b>67</b>	<b>62</b>	<b>147</b>	<b>120</b>	<b>322</b>	<b>295</b>
Finance net	-27	-9	-52	-28	-95	-71
Income tax expense	-7	-20	-18	-29	-45	-56
<b>Income for the period</b>	<b>33</b>	<b>33</b>	<b>77</b>	<b>63</b>	<b>182</b>	<b>168</b>

<sup>1</sup> Staff reduction costs in Sweden in the second quarter 2018 and fourth quarter 2017.

<sup>2</sup> Restructuring of and changes in production in Sweden.

<sup>3</sup> Costs related to a fire in Södams' facility in Denmark.

<sup>4</sup> Deal fees related to the acquisition of the Irish company Manor Farm in 2017 and the majority shareholding in Södams in Denmark in 2016.

<sup>5</sup> Revaluation of contingent consideration in connection with the acquisition of the remaining 20% of the shares in Södams in Denmark.

<sup>6</sup> Costs for cancellation of a leasing contract and project costs in Sweden.

## Consolidated income statement

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Net sales	2,252	1,622	4,368	3,216	8,253	7,101
Other operating revenues	24	9	32	19	81	68
Changes in inventories of finished goods and work in progress	-8	22	-13	87	-46	54
Raw materials and consumables	-1,339	-981	-2,604	-1,996	-4,938	-4,330
Cost of personnel	-467	-314	-877	-623	-1,654	-1,400
Depreciation, amortisation and impairment	-70	-54	-138	-107	-263	-232
Other operating expenses	-325	-242	-621	-475	-1,115	-969
Share of income of associates	0	0	0	0	3	3
<b>Operating income</b>	<b>67</b>	<b>62</b>	<b>147</b>	<b>120</b>	<b>322</b>	<b>295</b>
Finance income	0	0	0	0	1	1
Finance expenses	-27	-9	-53	-28	-97	-72
<b>Income after finance net</b>	<b>40</b>	<b>53</b>	<b>95</b>	<b>92</b>	<b>227</b>	<b>224</b>
Income tax expense	-7	-20	-18	-29	-45	-56
<b>Income for the period</b>	<b>33</b>	<b>33</b>	<b>77</b>	<b>63</b>	<b>182</b>	<b>168</b>
Whereof attributable to shareholders of the Parent Company	33	33	77	63	182	168
Average number of shares	65,268,959	59,397,278	65,251,366	59,397,278	64,473,164	61,570,177
Earnings per share before dilution, SEK	0.51	0.56	1.18	1.06	2.83	2.73
Earnings per share after dilution, SEK	0.51	0.56	1.18	1.06	2.83	2.73
Number of shares at the end of the period	66,060,890	60,060,890	66,060,890	60,060,890	66,060,890	66,060,890

<sup>1)</sup> 163,700 shares were purchased during 2017.

<sup>2)</sup> 6,000,000 shares were issued during Q3 2017.

## Consolidated statement of comprehensive income

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Income for the period	33	33	77	63	182	168
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to the income statement</i>						
Actuarial gains and losses in defined benefit pension plans	-6	3	-10	-3	2	9
Tax on actuarial gains and losses	1	-1	2	1	-1	-2
<b>Total</b>	<b>-5</b>	<b>2</b>	<b>-8</b>	<b>-2</b>	<b>1</b>	<b>7</b>
<i>Items that will or may be reclassified to the income statement</i>						
Cash flow hedges	-4	1	-3	2	0	5
Currency effects from conversion of foreign operations	39	1	133	-4	179	42
Income from currency hedging of foreign operations	0	-6	-4	-9	-13	-18
Tax attributable to items that will be reclassified to the income statement	1	0	1	-1	1	-1
<b>Total</b>	<b>36</b>	<b>-4</b>	<b>127</b>	<b>-12</b>	<b>167</b>	<b>28</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>31</b>	<b>-2</b>	<b>119</b>	<b>-14</b>	<b>168</b>	<b>35</b>
<b>Total comprehensive income for the period</b>	<b>64</b>	<b>31</b>	<b>196</b>	<b>49</b>	<b>350</b>	<b>203</b>
Whereof attributable to shareholders of the Parent Company	64	31	196	49	350	203

## Consolidated statement of financial position

MSEK	Note	30 June 2018	30 June 2017	31 December 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		955	691	896
Other intangible assets		1,045	482	1,017
Property plant and equipment		1,421	1,015	1,245
Participations in associated companies		43	37	40
Financial assets		4	0	0
Deferred tax assets		45	48	40
<b>Total non-current assets</b>		<b>3,513</b>	<b>2,273</b>	<b>3,238</b>
<b>Current assets</b>				
Biological assets		78	52	72
Inventory		659	628	649
Trade receivables		955	443	879
Other short term receivables		84	102	125
Prepaid expenses and accrued income		164	147	159
Derivate instruments		-	0	1
Cash and cash equivalents		84	118	30
<b>Total current assets</b>		<b>2,024</b>	<b>1,490</b>	<b>1,915</b>
<b>TOTAL ASSETS</b>		<b>5,537</b>	<b>3,763</b>	<b>5,153</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's equity</b>				
Share capital		1	1	1
Other contributed equity		857	622	974
Reserves		252	31	70
Retained earnings		427	287	410
<b>Total equity</b>		<b>1,537</b>	<b>941</b>	<b>1,455</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current interest bearing liabilities		1,972	1,495	1,849
Derivate instruments		10	12	9
Provisions for pensions		21	21	11
Other provisions		13	0	12
Deferred tax liabilities		158	102	172
Other non-current liabilities	4	240	47	319
<b>Total non-current liabilities</b>		<b>2,414</b>	<b>1,677</b>	<b>2,372</b>
<b>Current liabilities</b>				
Current interest bearing liabilities		245	229	58
Derivatives		1	0	-
Trade payables		792	478	716
Tax payables		52	58	59
Other current liabilities		164	133	187
Accrued expenses and prepaid income		332	247	306
<b>Total current liabilities</b>		<b>1,586</b>	<b>1,145</b>	<b>1,326</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,537</b>	<b>3,763</b>	<b>5,153</b>

## Consolidated statement of changes in equity

MSEK

<b>Opening balance 1 January 2017</b>	<b>972</b>
Income for the period	168
Other comprehensive income, net after tax	35
<b>Total comprehensive income</b>	<b>203</b>
Dividend	-80
New share issue	353
Transaction costs related to new share issue	-1
Profit related to utilization of purchasing option in Sødams Øko Fjerkræslagteri ApS	6
Adjustment, Opening balance	1
Long term incentive programme (LTIP)	11
Repurchase own shares	-10
<b>Total transactions with the owners</b>	<b>280</b>
<b>Closing balance 31 December 2017</b>	<b>1,455</b>
<hr/>	
<b>Opening balance 1 January 2018</b>	<b>1,455</b>
Income for the period	77
Other comprehensive income, net after tax	119
<b>Total comprehensive income</b>	<b>196</b>
Dividend	-118
Long term incentive programme (LTIP)	4
<b>Total transactions with the owners</b>	<b>-114</b>
<b>Closing balance 30 June 2018</b>	<b>1,537</b>

## Consolidated statement of cash flows

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
<b>OPERATING ACTIVITIES</b>						
Operating income	67	62	147	120	322	295
Adjustment for non-cash items	99	56	171	112	265	206
Paid finance items net	-15	-15	-31	-30	-60	-59
Paid current income tax	-34	-6	-53	-12	-44	-3
<b>Cash flow from operating activities before changes in operating capital</b>	<b>117</b>	<b>97</b>	<b>234</b>	<b>190</b>	<b>483</b>	<b>439</b>
Changes in inventories	8	-18	11	-79	33	-57
Changes in operating receivables	-34	-102	2	-131	-115	-248
Changes in operating payables	98	51	23	85	96	158
<b>Cash flow from operating activities</b>	<b>72</b>	<b>-69</b>	<b>36</b>	<b>-125</b>	<b>14</b>	<b>-147</b>
<b>Kassaflöde från den löpande verksamheten</b>	<b>189</b>	<b>28</b>	<b>270</b>	<b>65</b>	<b>497</b>	<b>292</b>
<b>INVESTING ACTIVITIES</b>						
Business combinations	-4	-	-4	-	-278	-274
Investment in property, plant and equipment	-138	-52	-228	-103	-339	-214
Sale of property, plant and equipment	0	0	0	0	15	15
<b>Cash flows used in investing activities</b>	<b>-142</b>	<b>-52</b>	<b>-232</b>	<b>-103</b>	<b>-602</b>	<b>-473</b>
<b>FINANCING ACTIVITIES</b>						
New loan	308	0	422	1,450	876	1,904
Repayment	-365	-2	-432	-1,369	-584	-1,521
Change in overdraft facility	140	200	140	131	-90	-99
Dividend	-118	-80	-118	-80	-118	-80
New share issue	0	0	0		0	0
Repurchase own shares	0	0	0		-10	-10
<b>Cash flows in financing activities</b>	<b>-35</b>	<b>118</b>	<b>12</b>	<b>132</b>	<b>74</b>	<b>194</b>
<b>Cash flows for the period</b>	<b>12</b>	<b>94</b>	<b>50</b>	<b>94</b>	<b>-31</b>	<b>13</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>70</b>	<b>23</b>	<b>30</b>	<b>23</b>	<b>118</b>	<b>23</b>
Currency effect in cash and cash equivalents	2	1	4	1	-3	-6
<b>Cash flow for the period</b>	<b>12</b>	<b>94</b>	<b>50</b>	<b>94</b>	<b>-31</b>	<b>13</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>84</b>	<b>118</b>	<b>84</b>	<b>118</b>	<b>84</b>	<b>30</b>



## Parent company income statement

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	2017
Net sales	-	-	-	-	-
Operating expenses	0	-	-	-	0
<b>Operating income</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
Finance net	3	2	7	5	11
<b>Income after finance net</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>11</b>
Group contribution					-11
Tax expenses	0	0	-1	-1	-
<b>Income for the period</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>0</b>

## Parent company statement of comprehensive income

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	2017
Income for the period	3	2	6	4	0
Other comprehensive income, net of tax	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>0</b>

## Parent company statement of financial position

MSEK	Not	30 June 2018	30 June 2017	31 December 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries		533	533	533
Receivables from Group entities		410	53	405
<b>Total non-current assets</b>		<b>943</b>	<b>586</b>	<b>938</b>
<b>Current assets</b>				
Receivables from Group entities		-	0	-
Other short term receivables		0	0	0
<b>Total current assets</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>943</b>	<b>586</b>	<b>938</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		1	1	1
<b>Non-restricted equity</b>				
Share premium account		857	623	974
Retained earnings		-48	-43	-53
Income for the period		6	4	0
<b>Total equity</b>		<b>815</b>	<b>585</b>	<b>922</b>
<b>Current liabilities</b>				
Tax liability		2	1	-
Liabilities to Group entities	4	126	-	16
<b>Total current liabilities</b>		<b>128</b>	<b>1</b>	<b>16</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>943</b>	<b>586</b>	<b>938</b>

## Parent company statement of changes in equity

<b>MSEK</b>	
<b>Opening balance 1 January 2017</b>	<b>660</b>
Income for the period	0
Other comprehensive income, net after tax	-
<b>Total comprehensive income</b>	<b>0</b>
Dividend	-80
New share issue	353
Transaction costs related to new share issue	-1
Repurchase own shares	-10
<b>Total transactions with the owners</b>	<b>262</b>
<b>Closing balance 31 December 2017</b>	<b>922</b>
<b>Opening balance 1 January 2018</b>	<b>922</b>
Income for the period	6
Other comprehensive income, net after tax	-
<b>Total comprehensive income</b>	<b>6</b>
Dividend	-118
Transfer of shares allotted according to LTIP 2015	5
<b>Total transactions with the owners</b>	<b>-113</b>
<b>Closing balance 30 June 2018</b>	<b>815</b>

## Notes to the condensed consolidated financial information

### Note 1. Accounting policies

Scandi Standard applies International Financial Reporting Standards (IFRS) as adopted by the European Union. This report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act and recommendation RFR 1, Supplementary accounting principles for Group, issued by the Swedish Financial Reporting Board. The Parent Company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR2, Accounting for legal entities, issued by the Swedish Financial Reporting Board.

IFRS 9, Financial instruments and IFRS 15, Revenue from contracts with customers are in effect as of 1 January 2018. The application of the standard will not have any significant impact on the financial statements of the Group. For a description of the accounting principles applied by the Group, see the Annual report 2017.

IFRS 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 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. This will be used for analyses of consequences and for further quantification of the effect. 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.

#### Long-term incentive programme

The Annual General Meeting 2018 decided on a long-term incentive programme (LTIP 2018) for key employees. The programme is intended to contribute to long-term value growth and is of the same type as the outstanding, LTIP 2016 and LTIP 2017. The programmes are equity-settled, share based compensation plans accounted for in accordance with IFRS 2, Share based payments. The programmes are expensed over the vesting period (3 years). At the end of each reporting period, the Group considers changes in the anticipated number of vested shares. Social charges related to the programme are recognized as a cash-settled instrument. For more information about the Group's long-term incentive programmes, see Note 1 and 5 in the Annual Report 2017.

No changes have been made in the Group's accounting and valuation principles compared to the accounting and valuation principles described in Note 1 in the Annual Report 2017.

It occurs that the total amounts in tables and statements not always summarize, as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the totals.

### Note 2. Segment information

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

Internal reporting to Group Management and the Board of Directors corresponds with the Group's operational structure. The division is based on the Group's operations from a geographical perspective. Those countries where business is operated equals the Group segments. The segments are managed on the basis of sales and operating results. The responsibility for the Group's financial assets and liabilities, provisions for taxes and pensions, gains and losses on the re-measurement of financial instruments according to IAS 39 and pension obligations according to IAS 19 are dealt with by the corporate functions and are not allocated to the segments. 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, AB Skånefågel and Bosarpskyckling AB. Kronfågel AB is the segment's largest business engaged in slaughtering, production, development and processing of fresh and frozen chicken products, mainly for the Swedish market. SweHatch AB engages in the rearing, production and hatching of day-old chickens for Kronfågel AB's breeders and other players in the Swedish market. AB Skånefågel slaughters and sells products for the Swedish market and export. Bosarpskyckling AB was the first producer of organic chicken in Sweden.

**Segment Denmark** comprises Danpo A/S, the associate Farmfood A/S. Danpo A/S slaughters, produces, develops and processes chicken products for both the Danish market and exports within Europe and to Asia. Farmfood A/S processes slaughterhouse by-products from the Group's different segments, mainly for use in pet food sold in the international markets.

**Segment Norway** comprises Den Stolte Hane Jæren AS and Scandi Standard Norway AS. In addition there is an associate, Naerbo 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 products are sold in the Norwegian market.

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

**Segment Finland** comprises Naapurin Maalaskainan Oy. Operations include slaughtering, production and development of fresh and frozen chicken products for the Finnish market.

As from January 2018, the Group allocates amortisation of acquired intangible assets to the segments. Comparative figures for adjusted operating income and operating income in the report have been restated. For a summary of the effects of the changed principle for Q2 and the first half 2017, see the table below.

Amortisation of acquired intangible assets	Q2 2017			H1 2017		
	Adjusted operating income	Allocated amortisation	Adjusted operating income after allocation	Adjusted operating income	Allocated amortisation	Adjusted operating income after allocation
<b>MSEK</b>						
weden	34	-1	33	70	-2	68
Denmark	29	-1	28	51	-2	49
Norway	33	-3	30	64	-7	57
Ireland	-	-	-	-	-	-
Finland	-9	-	-9	-22	-	-22
Group items	-12	-	-12	-23	-	-23
Amortisation	-5	5	-	-11	11	-
<b>Total</b>	<b>70</b>	<b>-</b>	<b>70</b>	<b>129</b>	<b>-</b>	<b>129</b>

#### Revenue split

MSEK	Sweden		Denmark		Norway		Ireland		Finland		Group items		Total	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Chilled	281	276	217	192	278	293	499	-	96	70	1	0	1,371	831
Frozen	230	219	174	228	45	26	-	-	4	6	-103	-100	349	379
Ready-to-eat	84	71	288	199	63	50	-	-	-	1	-	-	435	320
Other	67	71	9	7	7	4	-	-	15	10	0	-2	97	91
<b>Total</b>	<b>661</b>	<b>637</b>	<b>688</b>	<b>625</b>	<b>393</b>	<b>374</b>	<b>499</b>	<b>-</b>	<b>114</b>	<b>87</b>	<b>-103</b>	<b>-101</b>	<b>2,252</b>	<b>1,622</b>

### Note 3. Accounting and valuation of financial instruments

Scandi Standard's financial instruments, by classification and by level in the fair value hierarchy as per 30 June 2018 and for the comparison period, are shown in the tables below.

30 June 2018, MSEK	Valued at amortized cost <sup>1)</sup>	Valued at fair value through profit and loss <sup>1)</sup>	Valued at fair value through other comprehensive income <sup>1)</sup>
<b>Assets</b>			
Other non-current financial assets	4	-	-
Trade receivables	955	-	-
Derivatives	-	-	0
Cash and cash equivalents	84	-	-
<b>Total financial assets</b>	<b>1,043</b>	<b>-</b>	<b>0</b>
<b>Liabilities</b>			
Non-current interest bearing liabilities	1,972	-	-
Other non-current liabilities	-	240	-
Derivatives	-	0	11
Current interest bearing liabilities	140	104	-
Trade payables	792	-	-
<b>Total financial liabilities</b>	<b>2,904</b>	<b>344</b>	<b>11</b>

30 June 2017, MSEK	Valued at amortized cost <sup>1)</sup>	Valued at fair value through profit and loss <sup>1)</sup>	Valued at fair value through other comprehensive income <sup>1)</sup>
<b>Assets</b>			
Other non-current financial assets	-	-	-
Trade receivables	442	-	-
Derivatives	-	-	0
Cash and cash equivalents	118	-	-
<b>Total financial assets</b>	<b>560</b>	<b>-</b>	<b>0</b>
<b>Liabilities</b>			
Non-current interest bearing liabilities	1,495	-	-
Other non-current liabilities	-	47	-
Derivatives	-	0	12
Current interest-bearing liabilities	229	-	-
Trade payables	478	-	-
<b>Total financial liabilities</b>	<b>2,202</b>	<b>47</b>	<b>12</b>

<sup>1)</sup>The valuation of the Groups financial assets and liabilities is performed in accordance with the fair-value hierarchy:  
Level 1. Quoted prices (unadjusted) in active markets for identical instruments  
Level 2. Data other than quoted prices included within level 1 that are observable for the asset or liability either directly as prices or indirectly as derived from prices.  
Level 3. Non-observable data for the asset or liability.

As of 30 June 2018, and at the end of the comparison period the Group had financial derivatives (level 2) and biological assets (level 3) measured at fair value on the balance sheet. 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. As of 30 June 2018, the derivatives amounted to MSEK -11 (-12). The biological assets (parent animals in the rearing of day old chicks, as well as broilers) are measured in accordance with IAS 41 at fair value less selling costs and as of 30 June 2018 those amounted to MSEK 78 (24). For the Group's long-term borrowing, which as of 30 June 2018 amounted to MSEK 1,972 (1,495), fair value is considered to be equal to the amortized cost as the borrowings are held at floating market rates and hence the booked value will be approximated as the fair value. For other financial instruments, fair value is estimated at cost adjusted for any impairment. Other non-current liabilities (level 3) refers to the additional purchase price related to the acquisition of Carton Bros ULC. The liability is valued at fair value based on historic and future expected EBITDA.

Note 4. Other liabilities

The entire other non-current liability for the Group as per 30 June 2018 amounting to MSEK 240 (47) refers to the additional purchase price related to performed acquisitions. The other current liabilities to Group entities in the Parent Company as per 30 June 2018 amounted to MSEK 126 (-).

## Note 5. Alternative KPIs

The Scandi Standard Group uses the below alternative KPIs. The Group believes that the presented alternative KPIs are useful when reading the financial statements in order to understand the Group's ability to generate results before investments, assess the Group's opportunities to dividends and strategic investments and to assess the Group's ability to fulfill its financial obligations.

From Income Statement, MSEK		Q2 2018	Q2 2017	H1 2018	H1 2017	LTM	2017
Net sales	A	2,252	1,622	4,368	3,216	8,253	7,101
Income for the period	B	33	33	77	63	182	168
+ Reversal of income tax expense		7	20	18	29	45	56
<b>Income after finance net</b>	<b>C</b>	<b>40</b>	<b>53</b>	<b>95</b>	<b>92</b>	<b>227</b>	<b>224</b>
+ Reversal of financial expenses		27	9	53	28	97	72
+ Reversal of financial income		0	0	0	0	-1	-1
<b>Operating income (EBIT)</b>	<b>D</b>	<b>67</b>	<b>62</b>	<b>147</b>	<b>120</b>	<b>322</b>	<b>295</b>
+ Reversal of depreciation, amortization and impairment		70	54	138	107	263	232
+ Reversal of share of income of associates		0	0	0	0	-3	-3
<b>EBITDA</b>	<b>E</b>	<b>136</b>	<b>116</b>	<b>285</b>	<b>228</b>	<b>582</b>	<b>525</b>
Non-comparable items in income for the period	F	23	8	23	9	48	34
<b>Adjusted income for the period (EBIT)</b>	<b>D+F</b>	<b>90</b>	<b>70</b>	<b>170</b>	<b>129</b>	<b>370</b>	<b>329</b>
<i>Adjusted operating margin</i>	<i>(D+F)/A</i>	<i>4.0%</i>	<i>4.3%</i>	<i>3.9%</i>	<i>4.0%</i>	<i>4.5%</i>	<i>4.6%</i>
Non-comparable items in EBITDA	G	22	8	22	9	47	34
<b>Adjusted EBITDA</b>	<b>E+G</b>	<b>159</b>	<b>124</b>	<b>307</b>	<b>237</b>	<b>629</b>	<b>559</b>
<i>Adjusted EBITDA-margin %</i>	<i>(E+G)/A</i>	<i>7.1%</i>	<i>7.6%</i>	<i>7.0%</i>	<i>7.4%</i>	<i>7.6%</i>	<i>7.9%</i>

From Balance Sheet, MSEK		30 June 2018	30 June 2017	31 December 2017			
<b>Total assets</b>		<b>5,537</b>	<b>3,763</b>	<b>5,153</b>			
<b>Non-current non interest bearing liabilities</b>							
- Deferred tax liabilities		-158	-102	-172			
- Other non-current liabilities		-240	-47	-319			
<b>Total non-current interest bearing liabilities</b>		<b>-398</b>	<b>-148</b>	<b>-491</b>			
<b>Current non interest bearing liabilities</b>							
Trade payables		-792	-478	-716			
Tax payables		-52	-58	-59			
Other current liabilities		-164	-133	-187			
Accrued expenses and prepaid income		-332	-247	-306			
<b>Total current non interest bearing liabilities</b>		<b>-1,341</b>	<b>-916</b>	<b>-1,268</b>			
<b>Capital employed</b>		<b>3,798</b>	<b>2,699</b>	<b>3,394</b>			
Deducted: Cash and cash equivalents		-84	-118	-30			
<b>Operating capital</b>		<b>3,714</b>	<b>2,581</b>	<b>3,364</b>			
<b>Average capital employed</b>	H	<b>3,249</b>	<b>2,558</b>	<b>2,963</b>			
<b>Average operating capital</b>	I	<b>3,148</b>	<b>2,492</b>	<b>2,936</b>			
Operating income (EBIT), LTM		322	217	295			
Adjusted operating income (EBIT), LTM	J	370	238	329			
Finance income	K	0	0	1			
<b>Adjusted return on capital employed</b>	(J+K)/H	<b>11.4%</b>	<b>9.3%</b>	<b>11.1%</b>			
<b>Adjusted return on operating capital</b>	J/I	<b>11.8%</b>	<b>9.6%</b>	<b>11.2%</b>			
<b>Interest bearing liabilities</b>							
Non-current liabilities		1,972	1,495	1,849			
Derivates		11	12	9			
Current liabilities		140	229	58			
<b>Total interest bearing liabilities</b>		<b>2,124</b>	<b>1,737</b>	<b>1,916</b>			
Cash		-84	-118	-30			
<b>Net interest bearing debt</b>		<b>2,039</b>	<b>1,619</b>	<b>1,886</b>			
<b>From Statement of Cash Flows, MSEK</b>		<b>Q2 2018</b>	<b>Q2 2017</b>	<b>H1 2018</b>	<b>H1 2017</b>	<b>LTM</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>							
Operating income		67	62	147	120	322	295
<b>Adjustment for non-cash items:</b>							
Depreciation, amortization and impairment		70	54	138	107	263	232
Share of income of associates		0	0	0	0	-3	-3
<b>EBITDA</b>		<b>136</b>	<b>116</b>	<b>285</b>	<b>228</b>	<b>582</b>	<b>525</b>
Non-comparable items in EBITDA	G	22	8	22	9	47	34
<b>Adjusted EBITDA</b>		<b>159</b>	<b>124</b>	<b>307</b>	<b>237</b>	<b>629</b>	<b>559</b>



## Definitions

### 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.

### Adjusted return on operating capital

Adjusted operating income last twelve months (LTM) divided by average operating capital.

### Capital employed

Total assets less non-interest-bearing liabilities, including deferred tax liabilities.

### Adjusted return on capital employed

Adjusted operating income last twelve months (LTM) plus interest income divided by average capital employed.

### Return on equity

Income for the period last twelve months (LTM) divided by average total equity.

### Net interest-bearing debt

Interest-bearing debt excluding arrangement fees less cash and cash equivalents.

### Adjusted operating income

Operating income adjusted for non-comparable items assessed by Group Management.

### Adjusted operating margin

Adjusted operating income as a percentage of net sales.

### 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 earnings per share (EPS)

Adjusted income for the period divided by average number of shares.

### EBITDA

Operating income before depreciation, amortization and impairment and share of income of associates.

### Adjusted EBITDA

Operating income before depreciation, amortization and impairment and share of income of associates, adjusted for non-comparable items assessed by Group Management.

### Adjusted EBITDA-margin

Adjusted EBITDA as a percentage of net sales.

### Adjusted operating cash flow

Operating cash flow, adjusted for non-comparable items assessed by Group Management.

## Conference call

A conference call for investors, analysts and media will be held on 22 August 2018 at 8.30 AM CET.

### Dial-in numbers:

UK: 020 3936 2999

Sweden: 010 884 80 16

US: 1 845 709 8568

Other countries: +44 20 3936 2999

Slides used in the conference call can be downloaded at [www.scandistandard.com](http://www.scandistandard.com) under Investor Relations. A replay of the conference call will be available on the web site afterwards.

## Further information

For further information, please contact:

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## Financial calendar

- |   |                  |
|---|------------------|
| • Interim report for the third quarter 2018:                | 5 November 2018  |
| • Interim report for the fourth quarter and full year 2018: | 20 February 2019 |

This interim report comprises information which Scandi Standard is required to disclose under the Securities Markets Act and/or the Financial Instruments Trading Act. It was released for publication at 07:30 CET on 22 August 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, products quality and safety, interruptions in supply, increased raw material costs, disease outbreaks, loss of major customer contracts and major customer credit losses.

The forward-looking statements reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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