Scandi Standard

Scandinavian Standard AB first quarter interim report 2014

Scandinavian Standard AB is the market leading Scandinavian chicken specialist, based in Sweden, Denmark and Norway, selling a broad range of high quality and innovative chicken products under proprietary brands with high consumer brand awareness and also selling through private label offerings. The company works actively to develop its brands and continuously extend and tailor its product range. Chilled and frozen chicken and egg products are sold to customers within retail, foodservice, industry and export sectors, with retail being the largest.

The group was formed in June 2013 by the combination of two businesses, Kronfågel Holding and Cardinal Foods, combining three long-established and very well run country operations in Sweden, Denmark and Norway.

Pro forma results were prepared for the pre-acquisition period and adjustments were applied for comparability. For a description of how the pro forma has been prepared, please see note 4. The adjustments for comparability are shown on page 3.

1 January – 31 March 2014

Compared to the corresponding period last year pro forma

- Net sales increased by 6 percent to 1,353.4 (1,281.7) MSEK.
- Adjusted * EBITDA increased by 5 percent to 120.1 (114.0) MSEK.
- Adjusted * operating margin amounted to 5.8 (5.8) percent resulting in an adjusted operating profit of 78.6 (74.3) MSEK.
- Items affecting comparability amounted to -8.2 (-130.5) MSEK, see page 3.
- Adjusted* earnings per share amounted to 0.07 (0.02) SEK.
- Adjusted * operating cash flow amounted to 120.9 (113.6) MSEK.
- Net interest-bearing debt amounted to 1,538.4 MSEK at quarter end.

*) Adjustments for items affecting comparability are described on page 3.

CEO Statement

First quarter net sales increased by 6 percent in the group and all countries contributed to this growth.

We had stable market conditions during the period in all three markets although the timing of the Easter holiday (being in the first quarter last year and in the second quarter this year) negatively impacted the retail sales in Sweden. This effect is less important for our Danish operations as two-thirds of the sales are exports while in Norway the impact was rather the contrary as many of the retail stores are closed during the Easter holiday season.

Since last year we have increased our focus on innovation to improve our product assortment and to improve its attractiveness to our customers and consumers. A key objective is to broaden the product categories with new product launches and also to further develop the Chilled category and to increase shelf space and exposure in retail stores. Examples of successful launches were the *MINUTFILÉ* and *Taste the World* products in Sweden, oven ready chicken and corn fed chicken in Denmark and in Norway, our brand Den Stolte Hane launched 11 new products during the period. The *MINUTFILÉ* is a particularly interesting product, developed to be cooked quickly, avoid dryness and be extra tender. Initial sales are very encouraging. The TV advert can be viewed on the attached link: http://www.youtube.com/watch?v=Jmpl_WG7V2I.

Our work on integrating the operations and realizing synergies in order to be more cost efficient continued during the period. We have made progress in transferring knowledge from our highly efficient Danish practices to our Swedish and Norwegian operations.

Net sales and results

FINANCIAL SUMMARY* MSEK	Q1 2014	Pro forma Q1 2013	Change	Pro forma LTM (1)	Pro forma 2013
Net sales	1,353.4	1,281.7	6 %	5,264.1	5,192.4
Adjusted EBITDA	120.1	114.0	5 %	485.1	479.0
Depreciation, amortization, associates	-41.5	-39.7	-	-163.5	-161.8
Adjusted operating profit	78.6	74.3	6%	321.5	317.2
One-off costs	-4.8	-133.0	-	-34.1	-162.3
Pension revaluation	-3.4	2.5	-	2.1	8.0
Operating profit	70.4	-56.1	-	289.5	162.9
Adjusted operating margin	5.8%	5.8%	-	6.1%	6.1%
Profit after tax	29.3	-91.5	-	90.8	-30.0

***) Basis of preparation of financial results**.

For comparability, the first quarter 2014 EBITDA and operating profit have been presented with adjustments in total -8.2 MSEK of which -3.4 MSEK in pension revaluation and -4.8 MSEK in one-off transaction and transition costs, mainly in Sweden. The first quarter 2013 pro forma EBITDA and operating profit have been presented with adjustments in total -130.5 MSEK of which 2.5 MSEK in pension revaluation and -133.0 MSEK in one-off transaction and transition costs and the impact of revaluation of acquired stock and contracts (PPA) following the acquisitions by Scandi Standard.

The pro forma 1 April 2013 to 31 March 2014 LTM EBITDA and operating profit have been presented with adjustments in total -32.0 MSEK of which 2.1 MSEK in pension revaluation and -34.1 MSEK in one-off transaction and transition costs. The pro forma 2013 EBITDA and operating profit have been presented with adjustments in total -154.3 MSEK of which 8.0 MSEK pension revaluation and -162.3 MSEK in one-off transaction and transition costs and the impact of revaluation of acquired stock and contracts (PPA) following the acquisitions by Scandi Standard.

(1) Last Twelve Months (1 April 2013 – 31 March 2014 period).

Net sales increased by 6 percent to 1,353.4 (1,281.7) MSEK compared to the corresponding period last year pro forma. Adjusted for constant FX rates net sales increased by 2 percent in Sweden, 5 percent in Denmark and 6 percent in Norway.

The adjusted operating margin was constant at 5.8 percent, resulting in an adjusted operating profit of 78.6 (74.3) MSEK. The operating profit amounted to 70.4 (-56.1) MSEK.

Adjusted profit after tax amounted to 35.7 (10.3) MSEK and adjusted earnings per share amounted to 0.07 (0.02) SEK. Profit after tax amounted to 29.3 (-91.5) MSEK and earnings per share amounted to 0.06 (-0.18) SEK.

SWEDEN

Key figures

MSEK	Q1 2014	Pro forma Q1 2013	Change	Pro forma LTM	Pro forma 2013
Net sales	498.5	486.9	2%	1,894.9	1,883.4
Adjusted operating profit[1]	19.5	24.5	-20%	70.0	74.9
Adjusted operating margin[1]	3.9%	5.0%	-	3.7%	4.0%

[1] For description of adjustments please see page 3.

Development

Net sales increased by 2 percent to 498.5 (486.9) MSEK, driven by strong growth of chilled chicken. The retail sector was stable, despite being impacted by the timing of the Easter holiday (being in the first quarter last year and in the second quarter this year). The Foodservice sector developed well (mainly restaurants) and growing by 5 percent.

Scandinavian Standard successfully launched *MINUTFILÉ* during the period – chilled as well as frozen. In a very short time, and with the help of a good marketing plan, it has become one of the most popular chicken products on the market, reaching fourth place in terms of popular chicken products shortly after its launch.

The adjusted operating margin amounted to 3.9 (5.0) percent resulting in an adjusted operating profit of 19.5 (24.5) MSEK. Operating margins were negatively impacted by reduced inventories leading to increased sales of frozen chicken at discounted prices. Furthermore the quarter did not include the important Easter trading, which was the case in the first quarter 2013, but will be in the second quarter 2014.

DENMARK

Key figures

MSEK	Q1 2014	Pro forma Q1 2013	Change	Pro forma LTM	Pro forma 2013
Net sales	547.0	500.7	9%	2,112.7	2,066.5
Operating profit	23.9	17.5	37%	101.7	95.3
Operating margin	4.4%	3.5%	-	4.8%	4.6%

MDKK	Q1 2014	Pro forma Q1 2013	Change
Net sales	460.8	439.4	5%
Operating profit	20.1	15.4	31%
Operating margin	4.4%	3.5%	-

Development

Net sales increased by 9 percent to 547.0 (500.7) MSEK. In local currency net sales increased by 5 percent as a result of sales growth of frozen chicken products. The main growth drivers during the quarter were higher sales to McDonalds but also exports to United Kingdom, Germany, South Korea and other markets.

Retail sales were hampered by lower prices. Well received product launches during the quarter were corn fed chicken, oven ready chickens in aluminium tray and a new assortment of prepared frozen products.

The operating margin increased to 4.4 (3.5) percent resulting in an operating profit of 23.9 (17.5) MSEK. The operating margin increased mainly as a result of the sales growth and increased efficiency within the factories.

NORWAY

Key figures

MSEK	Q1 2014	Pro forma Q1 2013	Change	Pro forma LTM	Pro forma 2013
Net sales	374.9	380.9	-2%	1,532.6	1,538.6
Operating profit	42.4	37.2	14%	167.9	162.7
Operating margin	11.3%	9.8%	-	11.0%	10.6%

MNOK	Q1 2014	Pro forma Q1 2013	Change
Net sales	353.5	332.9	6%
Operating profit	40.0	32.5	23%
Operating margin	11.3%	9.8%	-

Development

Net sales decreased by 2 percent to 374.9 (380.9) MSEK. In local currency net sales increased by 6 percent as a result of higher sales of chilled chicken.

Retailers have increased prices of frozen chicken products more than chilled chicken contributing to higher demand for chilled chicken relative to frozen. Sales of eggs were constant compared to the same period last year. Part of the reason for this was that the company shifted out farms that supplied eggs from caged hens. All egg sales today are from free range hens.

On 31 December 2013 ICA Norway served notice to terminate the contract with Scandi Standard Norway as of 1 April 2014, to which the company had sales of 105 MNOK in the first quarter 2014. This is expected to be partly mitigated by an increased engagement with other major customers and some strong product launch campaigns. Production costs are also being reduced in line with lower volumes. Further cost efficiencies are being implemented based on best practice from Denmark and Sweden.

Scandi Standard Norway successfully launched 11 products of which *chicken thigh filet* was particularly popular.

The operating margin increased to 11.3 (9.8) percent resulting in an operating profit of 42.4 (37.2) MSEK. The operating margin increased mainly as a result of continued focus on innovative ways of packaging and pricing.

Segment net sales and operating profit

Net sales MSEK	Q1 2014	Pro forma Q1 2013	Change	Change in local currency	Pro forma LTM	Pro forma 2013
Sweden	498.5	486.9	2 %	2%	1,894.9	1,883.4
Denmark	547.0	500.7	9 %	5%	2,112.7	2,066.5
Norway	374.9	380.9	-2 %	6%	1,532.6	1,538.6
Group Elimination	-67.0	-86.8	-	-	-276.1	-296.1
Total net sales	**1,353.4**	**1,281.7**	**6 %**	**-**	**5,264.1**	**5,192.4**

Adjusted operating profit MSEK	Q1 2014	Pro forma Q1 2013	Change	Change in local currency	Pro forma LTM	Pro forma 2013
Sweden	19.5	24.5	-20%	-20%	70.0	74.9
Denmark	23.9	17.5	37%	31%	101.7	95.3
Norway	42.4	37.2	14%	23%	167.9	162.7
Other/Group Elimination	-7.2	-4.9	-	-	-18.1	-15.7
Total adjusted operating profit	**78.6**	**74.3**	**6%**	**-**	**321.5**	**317.2**

Net sales by product category

Net sales MSEK	Q1 2014	Pro forma Q1 2013	Change	Change in local currency	Pro forma LTM	Pro forma 2013
Chilled	549.0	552.9	-1%	1%	2,059.1	2,063.0
Frozen	564.7	535.2	6%	4%	2,434.4	2,404.8
Eggs	104.9	113.2	-7%	0%	442.2	450.5
Other	134.8	80.4	-	-	328.5	274.0
Total net sales	**1,353.4**	**1,281.7**	**6%**	**-**	**5,264.1**	**5,192.4**

Net sales growth in the quarter was driven by strong sales of frozen chicken while chilled chicken and eggs were fairly flat compared to the corresponding period last year pro forma in local currency. The higher sales within the other category were mostly a reflection of day old chickens sold externally by SweHatch to farmers.

Adjusted EBITDA and operating profit bridge

MSEK	Q1 2014	Pro forma Q1 2013	Pro forma 2013
EBITDA	111.9	-16.5	324.7
One-off costs	4,8	133,0	162,3
Pension revaluation	3,4	-2,5	-8,0
Adjusted EBITDA	120.1	114.0	479.0
Operating profit	70.4	-56.1	163.0
One-off costs	4,8	133,0	162,3
Pension revaluation	3,4	-2,5	-8,0
Adjusted operating profit	78.6	74.3	317.2

Cash flow & investments

The adjusted operating cash flow increased to 120.9 (113.6) MSEK, as a result of 6.1 MSEK in higher adjusted EBITDA and 28.3 MSEK in lower capital expenditure. This was partly offset by 27.1 MSEK in lower decrease of net working capital this year compared to the corresponding period last year pro forma.

Working capital in the period benefited from a reduction of inventory and trade and other receivables, prepaid expenses while the change in trade and other payables was adverse to last year, partly because of the timing of Easter

Capital expenditure the corresponding period last year pro forma was higher due to more investments in production capacity, which are phased later this year, whilst in the first quarter 2014 the company primarily invested in maintenance capital expenditure.

Adjusted operating cash flow

MSEK	Q1 2014	Pro forma Q1 2013
Adjusted EBITDA *)	**120.1**	**114.0**
Capital expenditure	-14.3	-42.6
Inventories	44.4	21.4
Trade and other receivables, prepaid expenses	8.0	-67.7
Trade and other payables	-37.3	88.5
Adjusted operating cash flow	**120.9**	**113.6**

*) For description of adjustments please see page 3.

Financial position

Net interest-bearing debt (excluding shareholders loans on which interest is accrued but not paid) amounted to 1,538.4 MSEK compared to 1,593.8 MSEK at the end of 2013. The equity asset ratio was 14.3 percent at the end of the period compared to 13.3 percent at the end of 2013 and cash and cash equivalents amounted to 120.7 MSEK at the end of the period compared to 71.8 MSEK at the end of 2013.

Personnel

The average number of full-time equivalent employees for the quarter amounted to 1,572 (1,524).

Events after the close of the period

No significant events happened after the close of the period.

Outlook

Net sales and operating profit for the second quarter 2014 is expected to be lower compared to the corresponding period last year pro forma as a result of lower net sales and results in Norway. (Please see page 5).

Net sales for the full year 2014 are expected to be in line with or lower than 2013 pro forma. Operating profit for the full year 2014 is expected to be in line with or higher than 2013 pro forma as further production efficiencies are expected to support profit margins in the second half of 2014.

Financial Calendar for 2014

- The Annual Report for the period 3 June 2013 – 31 December 2013 was published on 28 April
- The AGM was held on 28 April
- The interim report for the second quarter will be published on 20 August
- The interim report for the third quarter will be published on 27 November

Other

This is a translation from the original version in Swedish which is published on www.scandistandard.com

Risks and uncertainties

Scandinavian Standards' risks and uncertainties are described on pages 10-13 in the Annual Report 2013. No significant changes have taken place that has changed the view of the risks and uncertainties.

Transactions with related parties

Transactions with related parties are described on page 40 in the Annual Report 2013. There have been no significant changes in the relationships or transactions with related parties.

This interim report has been subject to review by the company’s auditors.

30 May 2014

Leif Bergvall Hansen
Chief Executive Officer

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Consolidated key figures

	Q1 2014	Pro forma Q1 2013	Pro forma LTM	Pro forma 2013
Adjusted EBITDA margin, %	8.9%	8.9%	9.2%	9.2%
Adjusted operating margin, %	5.8%	5.8%	6.1%	6.1%
Return on:				
- operating capital, %	17.3%	-		
- capital employed, %	16.7%	-		
Average number of full-time equivalent employees	1,572	1,524		

Definitions

Operating capital
Total assets less cash and cash equivalents and non interest-bearing liabilities, including deferred tax liabilities.

Return on operating capital
LTM operating profit divided by average operating capital.

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

Return on capital employed
LTM operating profit plus interest income divided by average capital employed.

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

Condensed consolidated Income statement

MSEK	Q1 2014	Pro forma Q1 2013	Pro forma 2013
Net sales	1,353.4	1,281.7	5,192.4
Operating expenses	-1,286.8	-1,341.9	-5,048.3
Other income	3.8	4.0	18.8
Operating profit	**70.4**	**-56.1**	**162.9**
Net financial items	-35.4	-38.4	-151.0
Profit before income tax	**35.1**	**-94.5**	**12.0**
Total income tax expense	-5.8	3.0	-42.0
Profit after tax	**29.3**	**-91.5**	**-30.0**
Weighted average no of shares	500,716,726	500,716,726	500,716,726
EPS	0.06	-0.18	-0.06
*) There is no potential dilution to the number of shares			

Consolidated Statement of other comprehensive income

MSEK	Q1 2014	Pro forma Q1 2013	Pro forma 2013
Profit after tax	29.3	-91.5	-30.0
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:	**-**	**-**	**19.3**
Actual gains and losses on defined benefit pension plans, after tax	-	-	24.7
Tax on actual gains and losses	-	-	-5.4
Items that are or may be reclassified subsequently to profit or loss:	**4.6**	**-7.9**	**2.2**
Cash flow hedges	-1.0	-2.4	2.8
Exchange difference on translation of foreign operations	14.5	-6.1	8.1
Net loss on hedge of net investment in foreign operations	-11.8	-	-10.2
Tax attributable to items that will be reclassified	2.9	0.6	1.5
Other comprehensive income for the period, net of tax	**4.6**	**-7.9**	**21.5**
Total other comprehensive income for the period	**33.9**	**-99.4**	**-8.5**

Consolidated Statement of financial position

MSEK	31 March, 2014	Pro forma 31 March, 2013	31 December 2013
Assets			
Property, plant and equipment	776.5	788.3	798.0
Goodwill	598.2	593.0	589.7
Other intangible assets	529.2	521.3	528.0
Investments in associates	39.4	36.7	38.7
Financial assets	14.7	5.6	11.6
Other non-current assets	97.3	115.6	90.0
Total non-current assets	**2,055.3**	**2,060.5**	**2.056.0**
Inventories	582.4	478.3	624.4
Trade and other receivables	491.6	486.1	497.2
Cash and cash equivalents	120.7	1.5	71.8
Total current assets	**1,194.7**	**965.9**	**1,193.4**
Total assets	**3,250.0**	**3,026.4**	**3,249.4**
Equity			
Equity attributable to owners of the parent	466.3	262.2	432.4
Total equity	**466.3**	**262.2**	**432.4**
Liabilities			
Non-current interest bearing liabilities	1,438.3	1,371.2	1,424.4
Shareholder loan	348.3	348.3	348.3
Non interest-bearing liabilities	182.7	173.2	166.3
Total non-current liabilities	**1,969.3**	**1,892.7**	**1,939.0**
Current interest bearing liabilities	222.0	222.0	243.0
Trade and other payables	592.4	649.5	635.0
Total current liabilities	**814.4**	**871.5**	**878.0**
Total equity and liabilities	**3,250.0**	**3,026.4**	**3,249.4**

Consolidated Statement of changes in equity

MSEK	
At 1 January 2014	**432.4**
Profit after tax in Q1 2014	29.3
Other comprehensive income	
Items that will not be reclassified subsequently to profit or loss	**-**
Items that are or may be reclassified subsequently to profit or loss	**4.6**
At 31 March 2014	**466.3**

Condensed consolidated Statement of cash flow

MSEK	Q1 2014
Operating activities	
Profit before income tax	**35.1**
Adjustments for:	
Depreciation and impairment of property, plant and equipment	37.1
Amortization of intangible assets	4.4
Other non-cash items in EBITDA	-0.9
Financial income	-0.1
Financial expenses	35.5
Operating profit before changes in working capital and provisions	**111.0**
Increase/decrease in inventories	44.4
Increase/decrease in trade and other receivables, prepaid expenses	8.0
Increase/decrease in trade and other payables,	-37.3
Cash generated from operations	**126.0**
Interest received	0.1
Interest and bank charges paid	-28.4
Income taxes paid	-18.7
Cash flow from operating activities	**79.0**
Investing activities	
Proceeds on sale of property, plant and equipment, intangible assets and investment property	-
Purchases of property, plant and equipment, and investment property	-14.3
Cash flow used in investing activities	**-14.3**
Financing activities	
Proceeds from borrowings	-
Repayments of borrowings	-16.9
Proceeds from issuance of new shares	-
FX differences	-
Dividends paid/Group contribution	-
Cash flow used in financing activities	**-16.9**
Net cash flow for the period	47.8
Change in cash and cash equivalents	
Cash and cash equivalents at the beginning of the period	71.8
Effect of exchange rate fluctuations on cash held	1.0
Cash and cash equivalents at the end of the period net of bank overdrafts	**120.7**

The cash flow for Q1 2013 pro forma has not been prepared due to the complete change in the capital structure of the group. An operating cash flow comparison is presented on page 7.

Parent company Income statement

MSEK	Q1 2014	7 months 2013
Net sales	-	-
Operating expenses	-	-2.0
Other income	-	-
Operating profit	**-**	**-**
Net financial items	1.6	3.0
Profit before income tax	**1.6**	**1.0**
Total income tax expense	-1.1	-2.0
Profit after tax	**0.5**	**-1.0**

Parent company Statement of financial position

MSEK	31 March, 2014	31 December 2013
Assets		
Financial assets	1,021.6	1,010.0
Total non-current assets	**1,021.6**	**1,010.0**
Cash and cash equivalents	1.0	-
Total current assets	**1.0**	**-**
Total assets	**1,022.6**	**1,010.0**
Equity		
Equity attributable to owners of the parent	500.1	500.0
Total equity	**500.1**	**500.0**
Liabilities		
Non-current interest-bearing liabilities	483.3	483.0
Total non-current liabilities	**483.3**	**483.0**
Current non interest-bearing liabilities	39.2	27.0
Total current liabilities	**39.2**	**27.0**
Total equity and liabilities	**1,022.6**	**1,010.0**

Notes to the condensed consolidated financial information of Scandinavian Standard AB

Note 1. Principles of accounting

Scandinavian 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 ÅRL, the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for legal entities, issued by the Swedish Financial Reporting Board. There are no changes in the Group's accounting and valuation principles compared with the accounting and valuation principles described in Note 1 of the Annual Report 2013.

Note 2. Acquired operations

The Group was formed on June 3, 2013 when Scandinavian Standard AB acquired, via Scandi Standard AB, the Norwegian chicken and egg group Cardinal Foods Group from the Finnish venture capital company CapMan and Lantmännen's chicken operations in Sweden and Denmark from Lantmännen ek för. The transaction cost for the acquisition was 73 MSEK, reported as other operating expenses in the Income Statement. All the acquisitions were for 100 percent of capital and voting rights in the acquired companies. The acquisition created a leading Scandinavian food company specialized in chicken-based products with a strong market position in all three Scandinavian countries; Sweden, Denmark and Norway, which is expected to provide a competitive advantage for reasons including economies of scale. The acquired chicken businesses in Sweden and Denmark includes Kronfågel Holding with Danpo in Denmark and Kronfågel in Sweden as well as the Swedish companies SweHatch and Skånefågel. Goodwill amounting to 613 MSEK includes personnel-related values of 158 MSEK. The remaining goodwill relates to expected future synergies in the form of market coverage, product and production development etc.

In conjunction with the acquisition, intangible assets were identified and valued at 325 MSEK. These refer mainly to brand value in the companies and of significant value attributable to future development. Other long term trade assets and suppliers relations were identified as intangible assets at 204 MSEK and accounted for as fair value when having a future value for the Group. Estimates of acquisition values are based on approved budgets for 2013 and approved strategic plans for 2014 and 2015. The growth beyond 2015 is assumed at 2 percent p.a. The discount rates used were 15 percent for Norway and 11 percent for Denmark and Sweden. There is no intention to dispose of any part of the acquired operations. With regard to the acquisition of Cardinal Foods there is a contingent purchase price amounting to 2 MNOK. The acquisition balance sheets are preliminary. There were no divestments of operations in 2013.
Also see the Annual Report 2013.

Note 3. Segment information

Scandinavian Standard's business is operationally divided into the countries of Sweden, Denmark and Norway
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 operating result and operating capital. The responsibility for the Group's financial assets and liabilities, provisions for taxes and pensions, gains and losses on the remeasurement of financial instruments according to IAS 39 and pension obligations according to IAS 19R 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 and AB Skånefågel. SweHatch engages in the rearing, production and hatching of day-old chicks for Kronfågel AB's breeders and other small players in the Swedish market. Kronfågel AB is the segment's largest business engaged in slaughtering, production and development of fresh and frozen chicken products, mainly for the Swedish market. AB Skånefågel slaughters and sells products for the Swedish market and export.

Segment Denmark comprises Danpo A/S and the associate Farmfood A/S. Danpo slaughters, produces, develops and processes chicken products for both the Danish market and exports within Europe and to Asia. 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 Jæren AS, Den Stolte Hane Egg AS and Scandi Standard Norway AS. In addition there is an associate Naerbo kyllingslakt AB. 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. The segment also handles and sells small quantities of turkey and duck.

Information about operating segments January - March 2014 MSEK	Region Sweden	Region Denmark	Region Norway	Group-wide	Eliminations	Total group
Net sales						
External sales	465	513	375	-	-	1,353
Internal sales	33	34	-	-	-67	-
Total net sales	**498**	**547**	**375**	**-**	**-67**	**1,353**
Adjusted operating profit	19	24	42	-7	0	78
Adjustments	-5	0	0	-3		-8
Operating profit	14	24	42	-10		70
Finance income	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-35
Total income tax expense	-	-	-	-	-	-6
Profit after tax						**29**

Note 4. Scandinavian Standard AB pro forma accounts 2013

The Scandinavian Standard group was created on 3 June 2013. The Group's first annual accounts provide financial figures for the development of the remaining part of that year and do not include a full twelve-month period. The purpose of the pro forma accounts 2013 is to show what the results would have been if the Group had been formed on 1 January 2013 instead. The pro forma accounts have been created as an illustration of:

- The individual companies (thought) financial results for the period January – May 2013, i.e to the period up until the actual creation of the Group.
- The real financial results for the period June – December 2013.
- The Group's balance sheet for 2013 is considered to be the same as shown in the company's annual account.

The proforma accounts describe a hyphotetical situation and have only been developed for illustrative purposes. Any potential synergy effects have not been considered and no further combination or transaction costs in addition to those described in the annual accounts have been added. The pro forma accounts shall not be seen as an indication of how the group will perform going forward. All supportive financial information has been prepared according to IFRS as adopted by the EU. The pro forma accounts have also been prepared in accordance with the accounting principles as described in the company's annual account for 2013.

Pro forma adjustments
According to IFRS, the fair value of acquired assets and liabilities are measured on the acquisition date (acquisition analysis). Acquired values that do not relate to identifiable assets and liabilities are recognized as goodwill. In Scandinavian Standard's acquisition analysis, parts of the value have been attributed to customer and supplier relations, which are depreciated in 10 years. In the pro forma financial statements such depreciation has been made for the full year 2013 with the assumption that the value of the assets was the same as at actual acquisition date.

Adjustments in the financial statements according to IFRS have also been done regarding financial instruments (IAS39) and pensions (IAS19R) in accordance with applicable rules and practices.

Seeing as the financial situation of the Group changed significantly in conjunction with the establishment, adjustments for interest rates have been done in the financial statements. There, adjustments have also been made for actual interest rates existing during the period up until June 2013 and which had not been the case in the intended pro forma environment.

For a more detailed description of the Group as a whole and the establishment of the same, as well as the constituent companies, refer to the consolidated annual report for 2013.

The pro forma financial statements have been audited by the Company's auditors.

Note 5 The Group's financial assets and liabilities measured at fair value

31 March 2014 MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Derivatives used in hedge accounting	Derivatives for which hedge accounting is not applied	Other financial liabilities	Total carrying amount	Fair value
Assets							
Other shares and interests	-	-	-	-	-	-	-
Other financial assets	3	2	-	3	-	8	8
Trade and other receivables	-	390	-	-	-	390	390
Interest-bearing receivables	-	1	-	-	-	1	1
Cash and cash equivalents	-	121	-	-	-	121	121
Total financial assets	**3**	**513**	**-**	**3**	**-**	**520**	**520**
Liabilities							
Long-term Interest-bearing liabilities	-	-	3	0	1,784	1,787	1,789[1)]
Short-term Interest-bearing liabilities	-	-	-	-	222	222	222
Trade and other payables	-	-	1	-	306	307	307
Total financial liabilities	**-**	**-**	**4**	**0**	**2,312**	**2,316**	**2,318**

31 December 2013 MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Derivatives used in hedge accounting	Derivatives for which hedge accounting is not applied	Other financial liabilities	Total carrying amount	Fair valu
Assets							
Other shares and interests	1	-	-	-	-	1	1
Other financial assets	2	1	-	2	-	5	5
Trade and other receivables	-	371	-	-	-	371	371
Interest-bearing receivables	-	1	-	-	-	1	1
Cash and cash equivalents	-	72	-	-	-	72	72
Total financial assets	**3**	**445**	**-**	**2**	**-**	**450**	**450**

Liabilities							
Long-term Interest-bearing liabilities	-	-	3	-	1,769	1,772	1,754
Short-term Interest-bearing liabilities	-	-	-	-	243	243	243
Trade and other payables	-	-	1	-	355	356	356
Total financial liabilities	**-**	**-**	**4**	**-**	**2,367**	**2,371**	**2,353**

1) Fair value measurement has been carried out for vendor loan notes and PIK notes. Other borrowings pertain to relatively recently agreed loans with credit institutions and, accordingly, fair values essentially agree with the carrying amounts.
The measurement of vendor loan notes and PIK notes was based on a level 3 valuation, which means the utilization of market data for comparable companies and the yields on bonds issued by companies supported by venture capital companies in the Nordic region.
The fair value of vendor loan notes was according to the valuation 154.0 MSEK compared with the carrying amount of 143.8 MSEK and the fair value of PIK notes was 363.1 MSEK compared with the carrying amount of 371.1 MSEK.

Financial assets and liabilities measured at fair value in the statement of financial position

31 March 2014 **MSEK**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives with positive fair value	-	3.3	-	3.3
Derivatives with negative fair value	-	4.1	-	4.1

31 December 2013 **MSEK**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives with positive fair value	-	2.0	-	2.0
Derivatives with negative fair value	-	4.0	-	4.0

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 there from. Instruments in this level are interest rate swaps, interest caps and forward exchange rates.

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