Annual Report 2016

Scandi Standard

Contents

Scandi Standard in brief

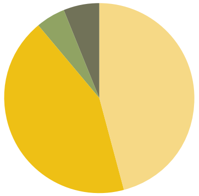
Scandi Standard is the leading supplier of chicken in the Nordic region. We offer a broad range of chilled and frozen products under well-known brands such as Kronfågel in Sweden, Danpo in Denmark and Den Stolte Hane in Norway, as well as for customers' brands. Our customers are found in the retail, food service and food industry sectors. We export our products to more than 40 countries.

	SWEDEN	DENMARK	NORWAY	FINLAND	GROUP TOTAL
NET SALES, MSEK	2,392	2,332	1,434	173	5,967[1]
SHARE OF NET SALES, %	38	37	23	3	
ADJUSTED OPERATING INCOME, MSEK	174	95	95	–52	252[2]
MARKET POSITION	1	1	2	Niche position	1
MAJOR BRAND	Kronfågel	Danpo	Den Stolte Hane / Jæren		Scandi Standard

[1] After elimination of internal sales.

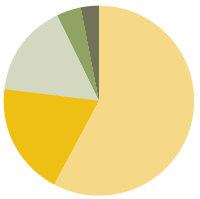
[2] Adjusted for non-comparable items of MSEK -13.4 and after corporate expenses and amortisation.

NET SALES BY PRODUCT CATEGORY



- 46% CHILLED PRODUCTS
- 43% FROZEN PRODUCTS
- 5% EGG
- 6% OTHER

NET SALES BY SALES CHANNEL



- 58% RETAIL
- 19% FOOD SERVICE
- 16% EXPORT
- 4% INDUSTRY
- 3% OTHER

2016 in brief

- Net sales increased by 10 percent to MSEK 5,967.4 (5,422.9) and by 10 percent in constant currency.
- Strong increase in net sales in Norway, Finland and Sweden.
- A number of new products were successfully launched in all countries.
- The bird flu was detected in a number of countries in Europe and from November in Denmark, Sweden and Finland, which led to trade bans regarding export from these markets.
- Operating income declined to MSEK 238.2 (259.5). The bird flu had a negative impact of approximately MSEK 40 on operating income in the fourth quarter.
- Adjusted operating income[1)] declined to MSEK 251.6 (291.5), corresponding to a margin of 4.2 (5.4) percent.
- Adjusted operating cash flow[1)] declined to MSEK 126.1 (324.2) due to higher capital expenditure and an increase in working capital driven to a large extent by the growth in net sales.
- The market position was strengthened in all Nordic countries.
- A majority shareholding was acquired in March in Sødams Øko Fjerkræslagteri ApS, a Danish producer of organic and free-range chicken with annual sales of approximately MDKK 18.
- The Board proposes a dividend for 2016 of SEK 1.35 (1.80).

Organic growth

+10%

EBITDA margin[1)]

7.6%

Operating margin[1)]

4.2%

Earnings per share[1)]

-24%

KEY FIGURES

	2016	2015
Net sales, MSEK	5,967.4	5 422.9
EBITDA, MSEK	438.2	445.4
Operating income, MSEK	238.2	259.5
Income for the period, MSEK	131.4	163.9
Earnings per share, SEK	2.21	2.73
Dividend, SEK	1.35[3)]	1.80
Return on capital employed (ROCE), %	9.7	11.3
Return on operating capital (ROC), %	9.7	10.8
Equity/asset ratio, %	27.8	29.4
Average number of employees	1,680	1,670

Adjusted for non-comparable items[1)]	2016	2015
EBITDA[1)], MSEK	451.6	477.4
EBITDA margin[1)], %	7.6	8.8
Operating income[1)], MSEK	251.6	291.5
Operating margin[1)], %	4.2	5.4
Income after finance net[1)], MSEK	180.3	247.5
Income for the period[1)2)], MSEK	141.9	188.7
Earnings per share[1)2)], SEK	2.38	3.15
Operating cashflow[1)], MSEK	126.1	324.2
Return on capital employed[1)] (ROCE), %	10.3	12.7
Return on operating capital[1)] (ROC), %	10.6	12.9

[1-2)] Adjusted for non comparable items, se page 37.
[3)] Proposed by the Board.

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

“Strong organic growth, but unsatisfactory results.”

We achieved strong organic growth during the year with an increase in net sales of 10 percent. The increase in chilled products was 16 percent. Net sales under our own brands developed well as a result of continued investments in product development and the launch of a number of new innovative products. Relations with our strategically important customers strengthened further. The Group's market shares increased in all countries, and we consolidated our position as the leading producer of chicken in the Nordic region.

Unsatisfactory trend in earnings

Despite the strong growth, adjusted operating income decreased by 14 percent to MSEK 251.6 and the margin declined to 4.2 percent from 5.4 percent last year. The decrease was due to a decline in earnings for the Danish operation, a continued negative result for the newly established Finnish operation as well as the effects of the bird flu.

The bird flu had a negative impact of approximately MSEK 29 on adjusted operating income in the fourth quarter 2016, as well as MSEK 11.2 included in non-comparable items, i.e. a total of MSEK 40. The effects on adjusted operating income included mainly lower prices and margins on exports as well as write-downs of inventory at year-end.

Cash flow was significantly lower than in the previous year due to higher capital expenditure and an increase in working capital driven to a large extent by the growth in net sales. Capital expenditure was unusually high and included an extension of production capacity in Sweden as well as efficiency investments in both Norway and Finland.

Strategic focus in the countries

In terms of our operational business, we are primarily focusing on turning the negative trend of the Danish operation through a greater focus on value creation as well as stabilizing the operation in Finland.

Denmark

The Danish operation has a large share of sales related to exports and has thus been badly hurt by the bird flu. Over recent years, the domestic market for generic poultry products has become increasingly price driven. To a large extent the leading retailers make their purchases from both local and other European producers through online offers.

We have been able to maintain a satisfactory level of profitability by strengthening our position within further processed products and in the premium segment. The supply agreement we concluded during the year for processed products with one of Europe's leading foodservice providers is a good example of these efforts. The acquisition of Sødams within organic and free-range chicken creates new possibilities for growth within the premium segment in the local market.

Our new management team in Denmark is now continuing to follow the strategy to add more value to the category. We expect to see positive effects towards the end of 2017 from the measures that are being taken.

Finland

We made significant progress during the year in terms of building our position in Finland. Net sales increased strongly as a result of new and extended customer contracts. The adjusted operating income remained negative due to continued costs for handling inefficiencies in production and one-time costs for the reduction of inventory.

We entered the Finnish market in May 2015 through the acquisition of a newly-started operation and since then have worked to develop the supply chain and complete the investments in the newly built factory.

"We are primarily focusing on turning the negative trend in earnings in Denmark and stabilizing the operation in Finland."

Finland is an attractive market with a high share of premium products and good opportunities for long-term growth. We are making significant efforts to stabilise the operation through the transfer of best practice from other parts of the Group, and have also strengthened the local organisation. As in Denmark, we expect to see positive effects in 2017 of the measures that are being taken.

Norway
Our operation in Norway showed a strong recovery after a difficult 2015 which was impacted by the loss of the contract with ICA Norway in 2014 and a decline in demand due to a fear of bacteria in chicken. Net sales increased strongly and the adjusted operating margin improved. The increase in net sales can largely be attributed to the contract with Coop Norway under which deliveries started in August 2015. We also signed a new contract with NorgesGruppen during the year which developed very well. The market share in Norway was significantly strengthened from the previous year.

In order to further improve profitability in Norway, we need to increase efficiency in production. We also need to strengthen the product range and the brand through investments in product development in order to grow in the premium segment.

Sweden
The Swedish operation showed a continued positive trend with good growth in chilled products and a continued high operating margin. The success in Sweden has largely been attained through investments in product innovation, which have boosted consumer demand and the category. The challenge has mainly comprised the availability of birds and to increase production fast enough to satisfy the growth in the market. Extension of the Valla facility was concluded during the year. The slaughtering capacity has thereby increased by approximately 15 percent to roughly 60 million slaughtered chickens annually. Production now also covers processed chicken products, such as our pre-fried Minutstrips.

We have also prepared for the possibility to further expand production in Sweden depending on the trend in market demand.

In addition to attaining planned productivity in production, we need to retain a continued high pace and efficiency in product development and build further on the strong customer relations which have been developed over the years.

”Our efforts in product development has contributed to both growth and margin.”

The market for chicken is growing
The retail market for chicken products continued to grow in all Nordic countries during the year. We expect this positive trend to continue as the per capita consumption of chicken in the Nordic region is still lower than in other parts of Europe and the developed world. For example, the per capita consumption in the US is twice as high as in the Nordic region.

Demand is to a large extent driven by the fact that chicken is considered to be healthier than red meat. Chicken is also cheaper to purchase due to lower production costs and has a lower climate impact. The OECD[1] estimates that by 2023 half of the world’s consumption of meat protein will be chicken.

Investments in product innovation are increasing
Our vision is to inspire Nordic consumers to eat chicken once more per week. In order to succeed with this and satisfy consumer demand for tasty, easy to cook and healthy food, we need to increase investments in product development.

We see that our efforts so far has contributed to both growth and margins. A good example of this is our Minutfilé,

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

a flattened chicken fillet which is more tender and has a shorter cooking time than regular fillet and which was launched in the Swedish market in 2014. Minutfilé is also sold in Norway and Finland. In 2015 the Minut range was expanded with pre-cut fillet strips and slices which are ready-to-cook. In 2016 three ready-made and ready-to-eat Minut products were also launched, which can easily be served in, for example, a salad or with pasta.

As examples of important product launches during the year, I would particularly like to mention chicken bacon, which was launched in all countries, as well as the Premium range of free-range chicken in Norway. Launches in Denmark included Cook in the bag, a ready seasoned chicken in a unique bag which can be placed directly in the oven and which was awarded a prize by the Danish trade organization. Furthermore, chicken sausages with different flavours, chicken fingers and various marinated barbeque products were launched in all countries.

As taste and product preferences differ between the countries, the development work is principally managed locally. We are gradually increasing the exchange of ideas and product concepts between the countries to utilise the benefits of being a Group and are also working to increase the efficiency of the development processes.

Sustainability work

During the past years we have worked on integrating our sustainability work in the business strategy. Our aim is for sustainability to permeate the entire organisation and all steps of the value chain.

During 2016 we initiated, among other things, an evaluation of our suppliers based on our supplier code of conduct. During 2017 we will adopt targets and key indicators for monitoring our work at Group level.

Bird flu affects the results for 2017

The bird flu was detected in a number of European countries during 2016 and from November also in Denmark, Sweden and Finland. This led to trade bans regarding poultry products from mainly markets in Asia where we sell chicken feet and our surplus of wings and legs. As a number of other European countries are also subject to the same temporary export restrictions, the market has been impacted by oversupply and a pressure on prices.

Temporary bans like these are typically imposed for a period of up to 12 months following the last detection.

After the initial one-time effects in the fourth quarter 2016, we estimate that the bird flu will have a monthly negative impact on operating income of MSEK 4–8 until the trade bans are lifted and trading patterns are normalized.

Good opportunities for profitable growth

In order to mitigate some of the negative impact from the bird flu, we will prioritize measures that improve margins and cash flow. We will be conservative with investments in the beginning of the year and continuously evaluate the situation.

Despite the ongoing challenges, I remain confident in the strength of the Group's business model and earnings capacity. We continue to strengthen our market positions and are building a platform for growth, improved margins and a strengthened financial position.

Leif Bergvall Hansen
Managing Director and CEO

"We are building a platform for growth, improved margins and a strengthened financial position."

The market for chicken is growing

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

Nordic market

The Nordic market for chicken has also shown continuous growth over the last decade. This trend is expected to continue as the per capita consumption of chicken in the Nordic region is significantly lower than in other parts of Europe and the developed world. Trends supporting growth in the region include an increased focus on health and the environment, a preference for chicken over other meat, affluence and more eating out.

The growth refers mainly to chilled products, which are associated with higher quality than frozen products and also more convenient to cook. This trend is particularly clear in Sweden where the retail market for chilled products shows strong growth, but still comprises a smaller share of the total market than frozen products.

The market is characterised by a high degree of consolidation with two to three large producers in each country. The retail market is also strongly consolidated in each country.

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

Sweden

In 2016 the retail market for chicken products in Sweden increased by 5 percent in value compared to the previous year. The growth refers to chilled products which increased by 12 percent in value, while frozen products were unchanged in value compared to 2015.

As Sweden is a part of the EU, there are no fee or customs barriers for trade in chicken products with other EU countries. For a long time growth in demand in Sweden has been satisfied through imports, particularly from Denmark, as Swedish production falls below consumption. The Group's Danish subsidiary Danpo has been one of the largest suppliers for a long time.

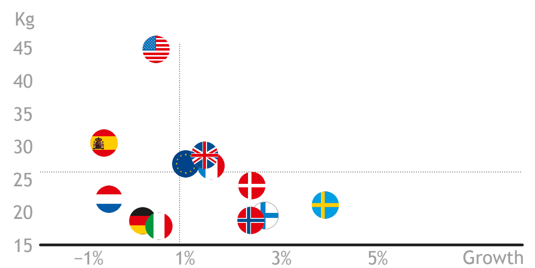
Greater awareness among consumers for environmental and climate issues has entailed a higher focus on the country of origin and a growing preference for locally produced products.

Denmark

In 2016 the retail market for chicken products in Denmark increased by 2 percent in value compared to the previous year. Chilled products increased by 3 percent in value, while frozen products declined by 2 percent in value.

GROWTH POTENTIAL IN THE NORDIC REGION

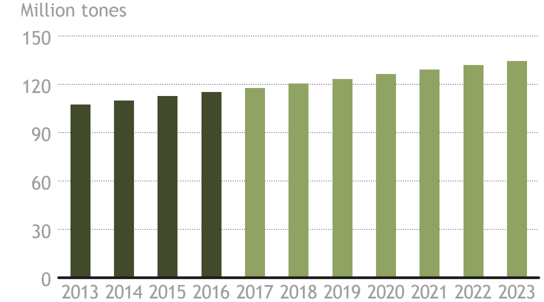
Consumption of poultry per capita, kg



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

GLOBAL CONSUMPTION OF POULTRY

Million tones



Forecast

Source: OECD-FAO

Similar to Sweden, Denmark does not have any fee or customs barriers for trade with other EU countries. A distinguishing characteristic of Denmark is that the domestically produced volume exceeds the total consumption, and volumes of both exports and imports are large. The market is characterised by price competition, both locally and for exports.

Norway

In 2016 the retail market for chicken products in Norway increased by 14 percent in value compared to a decline of 2 percent in value in the previous year. Chilled products increased by 18 percent in value, while frozen products declined by 8 percent in value.

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

Finland

In 2016 the retail market for chicken products in Finland is estimated to have increased by 7–8 percent in value compared to a decline in the previous year.

Similar to Sweden and Denmark, Finland does not have any fee or customs barriers for trade with other EU countries. The market is dominated by locally produced chilled products at attractive price levels.

THE NORDIC MARKETS IN 2016

	Sweden	Denmark	Norway	Finland
Retail market for chicken products in value	MSEK 4,100	MDKK 2,253	MNOK 2,569	MEUR 395
Share of chilled products, %	47	77	89	95
Share of frozen products, %	53	23	11	5
Scandi Standard's market position	1	1	2	3
Largest competitors	Guldfågeln Atria	HK Scan Geia	Nortura Norsk Kylling	HK Scan Atria

GROWTH IN RETAIL MARKET FOR CHICKEN PRODUCTS 2016 IN VALUE, %

Sweden

+5%

Denmark

+2%

Norway

+14%

Finland

+7-8%

Trends and drivers

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

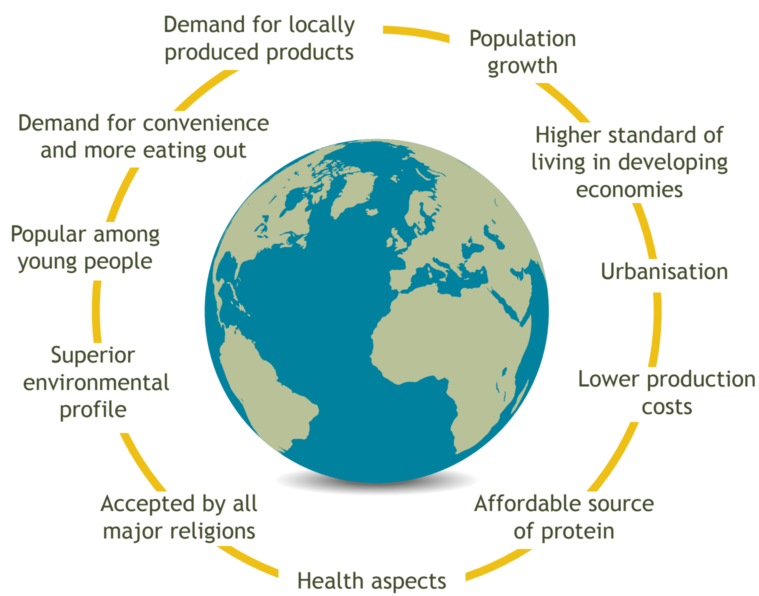
Population growth, higher standard of living and urbanisation
The world's population is growing with a higher life expectancy. The developing countries show strong economic growth, and improved economic conditions tend to be accompanied by increased demand for better food. At the same time, urbanisation is accelerating, resulting in greater demand for ready-made food.

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

Health aspects
Chicken is relatively low in calories, high in protein and is considered to be healthier than red meat.

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

MANY TRENDS SUPPORT GROWTH IN CHICKEN PRODUCTS



Superior environmental profile
As a result of the low feed to meat conversion ratio, chicken is one of the most environmentally friendly sources of meat protein in terms of greenhouse gas emissions per kg weight of meat produced.

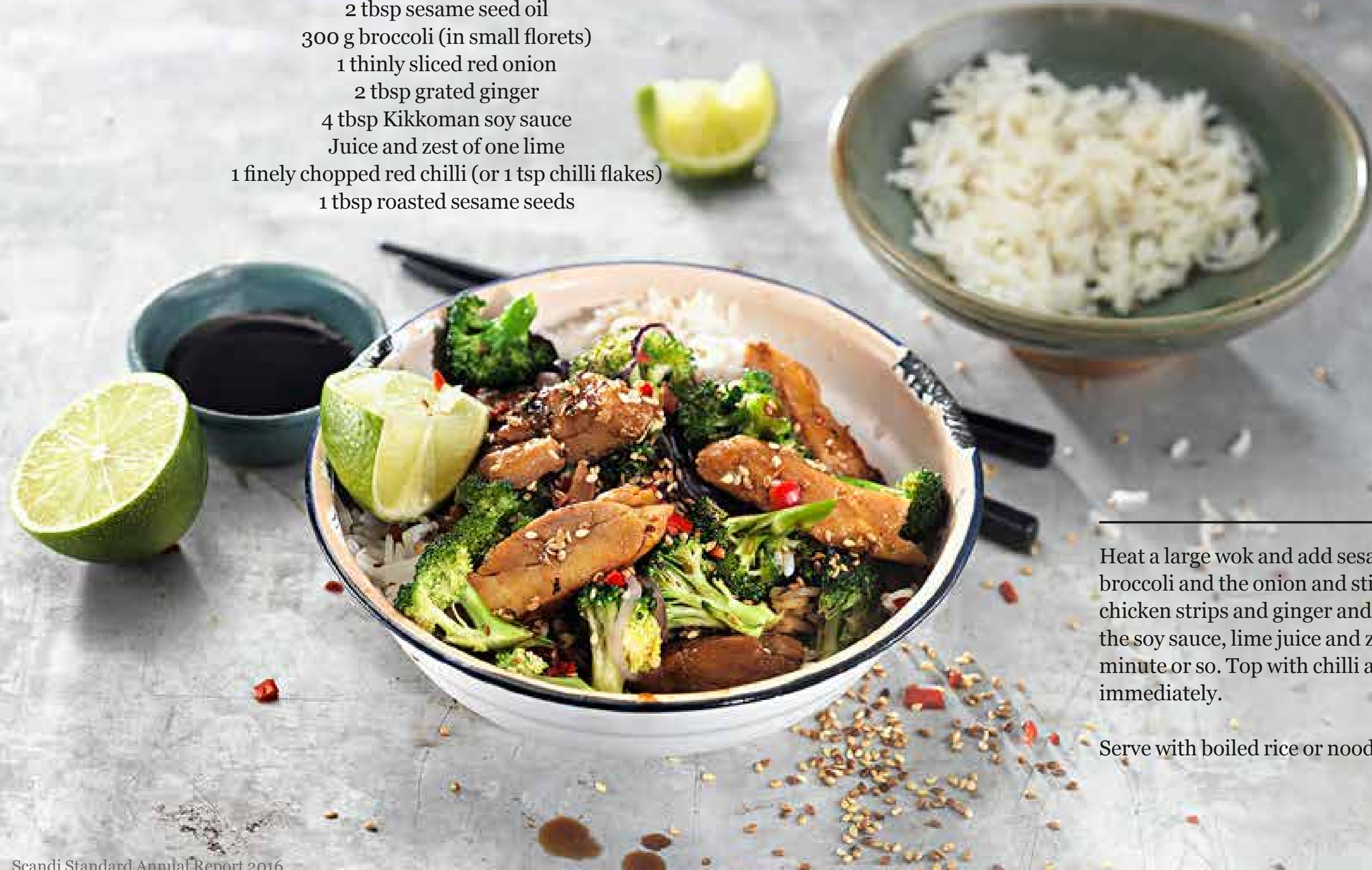
Popular among young people
Demand for chicken is higher among younger segments of the population, which supports growth in the market as these generations grow older.

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

Demand for locally produced products
Nordic chicken is unusual in the world as there is no use of growth promotors in the feed or preventive use of medication. Strict hygiene controls ensure a low incidence of salmonella. Nordic consumers prefer products which fulfil these high quality standards.

WOK-FRIED CHICKEN STRIPS

SERVES 4
400 g chicken strips
2 tbsp sesame seed oil
300 g broccoli (in small florets)
1 thinly sliced red onion
2 tbsp grated ginger
4 tbsp Kikkoman soy sauce
Juice and zest of one lime
1 finely chopped red chilli (or 1 tsp chilli flakes)
1 tbsp roasted sesame seeds



Heat a large wok and add sesame seed oil, quickly add the broccoli and the onion and stir fry for 30–40 sec. Add the chicken strips and ginger and stir fry for about 1 min. Add the soy sauce, lime juice and zest and stir fry for another minute or so. Top with chilli and sesame seeds and serve immediately.

Serve with boiled rice or noodles.

SPAGHETTI CARBONARA

SERVES 4

200 g Kronfågel chicken bacon
Oil for frying
1 yellow onion, finely chopped
1 garlic clove, chopped
300 cl cream
Salt and black pepper
400 g spaghetti
5 cl milk
100 g grated Parmesan
4 egg yolks
1 bunch of basil

Fry the chicken bacon and onion in a little oil. Add cream and reduce to a thick sauce. Season to taste with salt and pepper. Cook the pasta al dente in salted water and drain. Mix the pasta into the sauce, add the milk and heat quickly. Plate up and top with Parmesan, egg yolk and basil.

Our strategy for profitable growth

The Group is well positioned to take advantage of the growth in the market for chicken products. The strategy for profitable growth is based on three pillars.

STRATEGY

1. Drive organic growth

STRATEGY

2. Improve production efficiency and reduce costs

STRATEGY

3. Acquisitions and partnerships

SCANDI STANDARD'S COMPETITIVE ADVANTAGES

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

Scandi Standard

Strategy 1. Drive organic growth

- Increase investments in product development and benefit from the demand for healthy food which is easy to cook.
- Utilise the Group's strong brands.
- Grow in the premium segments and within processed products.
- Develop the chicken category in collaboration with retailers.
- Grow within the food service segment.

Increase investments in product development
Product development is crucial to drive sales and margins. The Group has gradually increased its investments in this area and the product range has been broadened with a number of new, processed categories. Examples of these are chicken sausages, minced chicken, chicken bacon, pre-marinated products, strips and sliced products which are ready-to-cook, pre-fried and ready-to-eat products as well as free-range outdoor chicken and organic chicken.

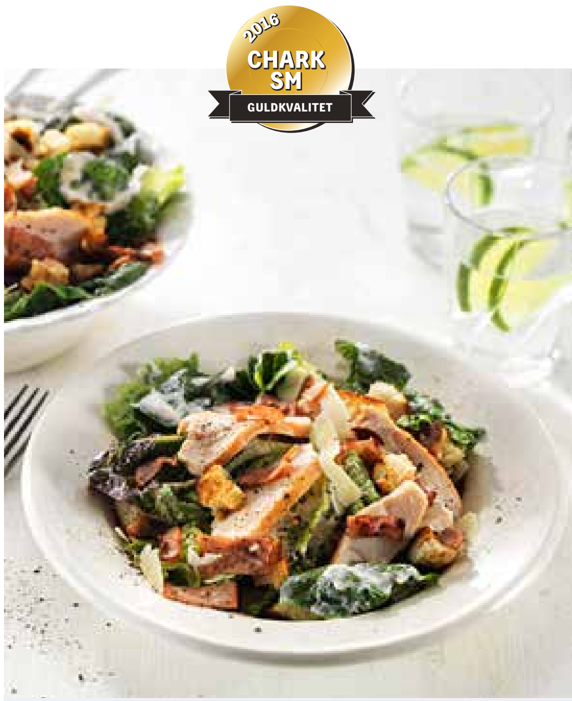
The most important trends which drive the development work are the demand for tasty, easy to cook and healthy products based on locally produced chicken. The demand for organic chicken shows particularly strong growth.

The Group has a product development plan covering the next 18–36 months with major launches two to three times per year in each country. The development process is based on market segmenting and consumer insight. Product innovation can also come from innovations in production, such as new processes or equipment that enable production of products that were previously not possible.

Product development is primarily conducted locally in each country as the taste and product preferences to some extent differ between the markets. However, coordination and exchange of ideas and concepts is increasing between the local operations.

Many successful launches in 2016
During the year there were a number of successful launches in each market. For example, Kronfågel launched the first chicken bacon in the Swedish market. Chicken bacon contains significantly less fat compared to traditional bacon, but still has great taste. During the year bacon was also launched in the other Nordic markets. Other important launches included

Chicken bacon – a healthier alternative
Kronfågel in Sweden was the first to launch chicken bacon in the Nordic market. Kronfågel's chicken bacon has the keyhole nutrition label and contains 7.3 percent fat per 100 gram compared to approximately 27 percent in traditional bacon from pigs. The bacon is smoked on alder chips, is light and delicious. During the year bacon was also launched in the other Nordic markets.



Ready-to-eat Minut chicken
The Minut range in Sweden was expanded with three additional pre-fried and ready-to-eat products with different seasonings – Classic, Ceasar and BBQ. The chicken is fried and sliced and ready to serve in, for example, a salad, with a soup or with pasta. The products are made from Swedish chicken in the Group's new processing facility in Valla.

Free-range Premium chicken
Den Stolte Hane in Norway launched a new premium range of free-range chicken. The birds are of the breed Ross Rowan, which grows slower than traditional chicken and is succulent and has a round taste. The chickens live in small flocks and get customised feed of oats and corn which is completely free of Narasin. They are grown at nine selected and specialised family farms at Jaeren in Norway.

Cook in the bag
Danpo in Denmark launched three different varieties of whole chicken in a new type of bag which can be placed directly in the oven. The chicken becomes tender and succulent and is available with three different seasonings. The products were awarded by DFL, the Danish trade association.

a range of pre-fried and ready-to-eat Minut chicken products in three different flavours in Sweden, a range of premium products of free-range chicken in Norway and ready seasoned Cook in the bag chicken in Denmark. In addition, chicken sausages, chicken fingers and various pre-marinated barbeque products were launched in all countries.

Building a position within organic chicken

The acquisition of Bosarpkyckling in September 2014 added a new platform for growth in Sweden within the fast growing, premium segment for organic chicken. Bosarpkyckling was the first producer of organic chicken that met the Swedish KRAV standards. In 2015 Bosarpkyckling was relaunched under the Kronfågel brand and the distribution was broadened. The number of breeders has increased from 5 to 12 since the acquisition and the total production capacity has almost increased fivefold. The acquisition also enabled Kronfågel to launch Sweden's first free-range Outdoor chicken already in November 2015.

In 2016 Sødams in Denmark was acquired within organic and free-range chicken to also develop a position in this premium segment in the Danish market.

Further strengthen the brands

The Group sells its products both under its own brands and for customers' brands, referred to as private labels. In 2016 the share of net sales under own brands was approximately 50 percent.

Of the Group's brands, the Kronfågel brand in Sweden and the Danpo brand in Denmark have leading positions in their respective markets. Awareness surveys show that consumers have higher awareness of both these brands than the most important competitors. According to surveys in 2016, the spontaneous brand awareness was approximately 60 percent for Kronfågel and approximately 54 percent for Danpo.

During the year Den Stolte Hane strengthened its market share and is now the second largest chicken brand in the Norwegian market. The Group's brand in Finland is Naapurin Maalaiskana, which is a new brand that the Group intends to build up over the coming years.

A number of different measures, including investments in product development, are being taken to strengthen the brand position in all countries.

The Group's brand portfolio also includes a number of brands focused on specific product segments, such as Bosarpkyckling in Sweden and Sødams in Denmark within organic chicken, Sol & Sprätt Outdoor chicken and Ivars in Sweden, Chicky World in Denmark as well as Vestfold Fugl in Norway.

The sale of private labels contributes to creating strong relations with retail customers and contributes to scale advantages.

Develop the category in collaboration with retailers

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

The Group continuously manages projects together with key customers for changes in stores aimed at stimulating the demand for chicken and drive the development of the category.

Survey on Out of stock (OOS)

During the year DFL, the Swedish trade association, conducted a survey in collaboration with Nielsen in which Kronfågel was one of the clients. The aim of the survey was to identify how often and why the products of Kronfågel and competitors were

EXAMPLES OF CUSTOMERS, RETAIL SECTOR

Dansk Supermarked

LIDL

ALDI

REMA 1000

axfood

ICA

coop

NorgesGruppen

Out of stock (OOS) in retail, and which sales losses this entailed for each brand and for the trade in total.

The results showed an average OOS level of 8–10 percent, and not having Kronfågel's chicken fillet in stock was the most expensive with an estimated sales loss in the entire retail sector of approximately MSEK 65 per year in total.

The survey is an example of analyses which Scandi Standard conducts to better understand how the efficiency of the value chain can be improved to increase profitability, and what measures can be taken to facilitate for the consumer to find the right products in the store.

Grow within the food service sector

The food service sector includes fast food restaurants, hotels, restaurants and catering within the public and private sector. The segment accounted for approximately 19 percent of the Group's net sales in 2016.

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

For many years the Group has been one of only five suppliers of McDonald's in Europe. Based on its size and longstanding experience as a preferred supplier, there are further growth opportunities within food service.

Trends during 2016

Sales to this sector increased during the year in both Sweden and Denmark. Sales in Sweden increased to, among others, the MAX restaurants, which expanded its range of chicken burgers. In Denmark, a new supply agreements for processed products were concluded with Brakes, one of Europe's leading foodservice providers.

Consumer behaviour when a product is out of stock

34% defer the purchase

26% leave and purchase in another store

23% buy another brand

12% buy a different size or flavour

60% of those who do not find their product postpone the purchase or leave and purchase it in another store.

Source: DFL's Out-of-stock study 2016 in collaboration with Nielsen.

EXAMPLES OF CUSTOMERS, FOOD SERVICE SECTOR

i'm lovin' it®

Scandi Standard is since many years one of only five suppliers to McDonald's in Europe.

Sveriges godaste hamburgare

The Group is the main supplier to Max, a leading hamburger restaurant chain in Sweden.

Martin & Servera is the leading wholesaler and specialist for the catering industry in Sweden.

Brakes is one of Europe's leading foodservice providers.

Strategy 2.

Improve production efficiency and reduce costs

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

Productivity in the main facilities improved further in 2016 with a continued increase in the number of chickens processed per employee and day.

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

Capital expenditure in 2016 amounted to MSEK 265.4 (206.5). The increase refers to the expansion of capacity in Sweden and efficiency investments in Finland and Norway. The payback period of most projects is less than three years on average.

Expansion of capacity in Sweden

In order to meet the growth in the market, the facility in Valla, Sweden, has been expanded with a new slaughtering line and a new processing section. The expansion was conducted during 2015-2016 and corresponds to an investment of approximately MSEK 130 in total. The slaughtering capacity has thereby been expanded by 15 percent to 60 million slaughtered chickens annually. Production in Valla now also covers processed chicken products, such as fried Minutstrips.

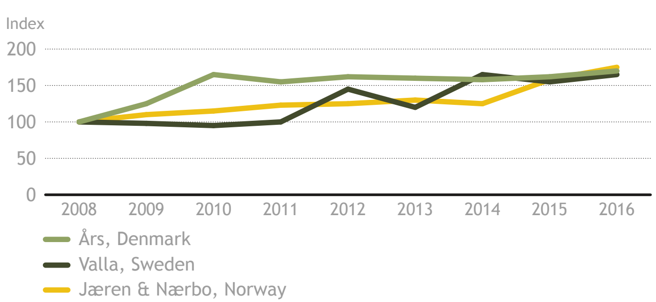
The Group has also secured the possibility to further expand production in Sweden depending on the market situation.

Reduce purchasing costs

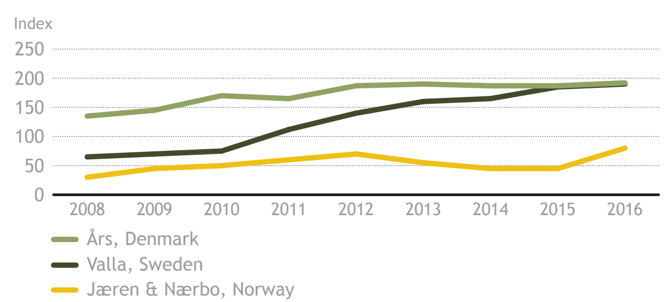
The work to improve efficiency and competitiveness in other parts of the value chain, including the external purchases, continued during the year.

Total external purchasing costs amounted to MSEK 3,603 in 2016, of which approximately 70 percent referred to live chickens. Other important purchasing categories are transport, ingredients, spices and packaging.

TOTAL NUMBER OF PROCESSED CHICKENS PER EMPLOYEE AND DAY

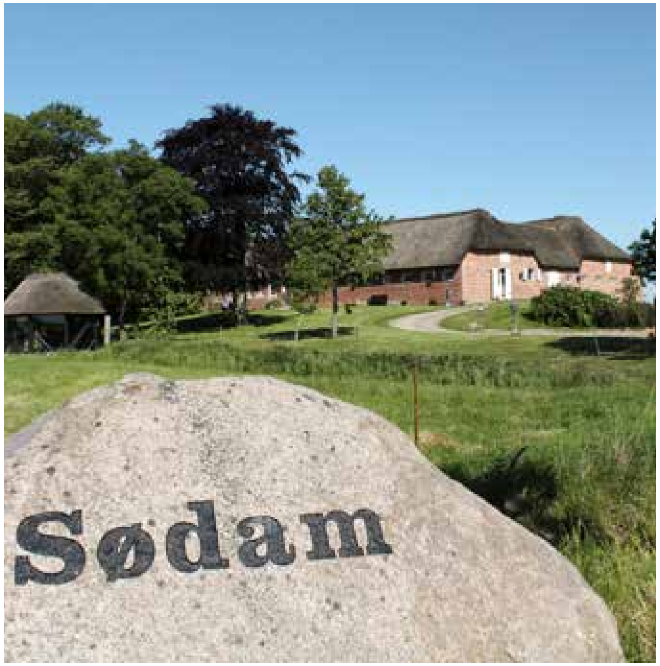


TOTAL NUMBER OF SLAUGHTERED CHICKENS PER DAY



Strategy 3. Strategic acquisitions and partnerships

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



In March 2016, the Group acquired a majority shareholding in Sødams in Denmark.

Scandi Standard is continuously evaluating opportunities for acquisitions and partnerships aimed at consolidating the position in existing markets, expanding the product offering into adjacent categories or entering into new geographical markets.

The Group has made three acquisitions since the listing in June 2014. The first was Bosarpkyckling AB in Sweden, which was acquired in September 2014. This acquisition created a platform for growth in the rapidly growing premium segment for organic and free-range chicken. In May 2015 the Huttulan operation in Finland, now renamed Kronfågel Oy, was acquired as a first step into the Finnish market.

Acquisition of Sødams in Denmark 2016

In March 2016 a majority shareholding in Sødams Øko Fjerkræslagteri ApS in Denmark was acquired. The company has annual sales of approximately MDKK 18 and produces approximately 500,000 organic and free-range chickens per year.

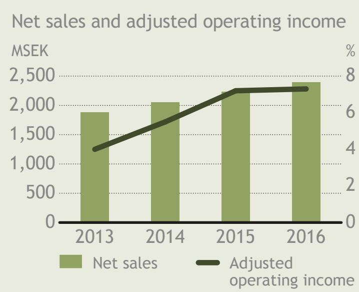
The acquisition is in line with the strategy to broaden the product portfolio of the Danish operation and grow in the premium segment in the local market. The acquisition is a good example of a complementary acquisition which offers both synergy effects and growth opportunities.

Operations in brief

TRENDS DURING THE YEAR

SWEDEN

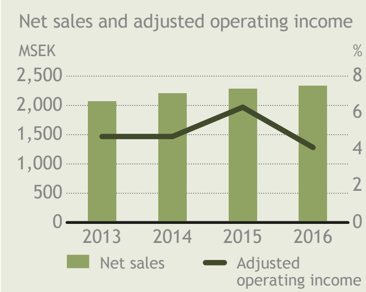
Kronfågel is the market leader in chicken products in Sweden since many years.



- Net sales in 2016 increased by 7% to MSEK 2,391.9 (2,231.1), corresponding to 38% of total net sales.
- The increase refers to chilled products where Kronfågel strengthened its market share.
- The adjusted operating margin was 7.3 (7.2)%.
- The bird flu had a negative impact of approximately MSEK 14 on adjusted operating income.

DENMARK

Danpo is the largest producer of chicken products in Denmark.



- Net sales in 2016 inceased by 2% to MSEK 2,332.0 (2,283.7), corresponding to 37% of total net sales.
- The adjusted operating margin declined to 4.1 (6,3)%.
- The decline was due to continued price pressure in both the local market and on exports, which was more pronounced due to the bird flu.
- The bird flu had a negative impact of approximately MSEK 12 on adjusted operating income.
- A restructuring program was implemented in the fourth quarter.

STRATEGIC PRIORITIES

SWEDEN

- Maintain a continued high pace in product development.
- Build a position within organic chicken.
- Increase the presence within the foodservice sector.
- Attain planned productivity in Valla after the extension, which was completed during the year.

DENMARK

- Less focus on export volumes.
- Increase the share of premium products and processed products, both locally and for exports.
- Increase investments in product development and strengthen the brand.
- Utilise synergies with recently acquired Sødams and grow within free-range and organic chicken.

BRANDS

SWEDEN

- Kronfågel
- Bosarpkyckling Organic chicken
- Sol&Sprätt Outdoor chicken
- Ivars

DENMARK

- Danpo
- Sødams Free-range and organic chicken
- Chicky World

PRODUCTION FACILITIES

SWEDEN

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

DENMARK

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

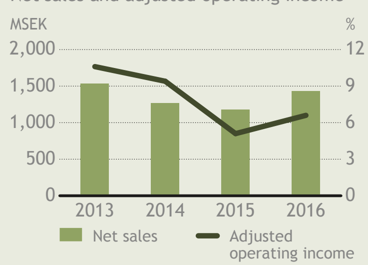
NORWAY | FINLAND

TRENDS DURING THE YEAR

Norway

Den Stolte Hane significantly strengthened its market share during the year and is now the second largest brand for chicken products in Norway.

Net sales and adjusted operating income



- Net sales in 2016 increased by 22% to 1,433.7 (1,178.3) MSEK, corresponding to 24% of total net sales.
- The adjusted operating margin increased to 6.6 (5.1)%.
- New agreement was signed with NorgesGruppen.
- Launch of a new premium product range of free-range chicken, which developed very well.

Finland

The operation was acquired in May 2015 and was then newly started. The acquisition was a first step in building a position in the Finnish market. Operations include slaughtering, production and development of chilled and frozen chicken products for the Finnish market.

- Net sales in 2016 increased to MSEK 172.7 (43.7), corresponding to 3% of total net sales.
- The strong increase was a result of new and extended customer contracts.
- The adjusted operating income remained negative and was affected by costs for handling inefficiencies in production and for a reduction of inventories.
- The bird flu had a negative impact of approximately MSEK 3 on adjusted operating income.

STRATEGIC PRIORITIES

Norway

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

Finland

- Increase efficiency in production and in other parts of the supply chain.
- Increase the share of net sales under the own brand.

BRANDS

Norway

- Den Stolte Hane
- Vestfold Fugl

Finland

- Naapurin Maalaiskana

PRODUCTION FACILITIES

Norway

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

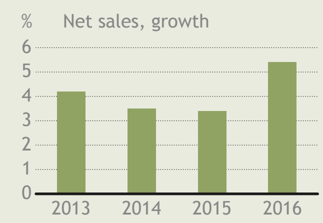
Finland

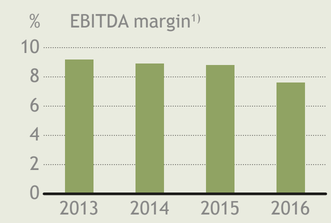
- Lieto (slaughtering, processing and packaging)

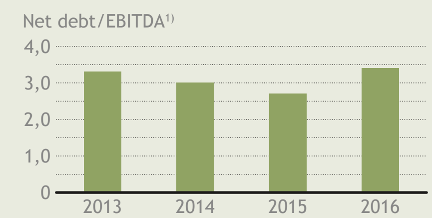
Financial targets

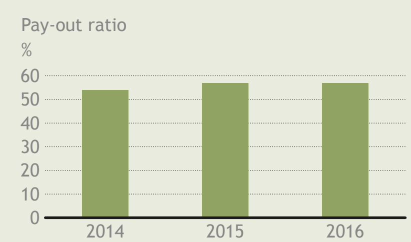
	MEDIUM-TERM TARGET	OUTCOME 2016
NET SALES	Annual average organic sales growth in line with or above market growth.	+5,4% (CAGR)
EBITDA MARGIN	Exceeding 10 percent in the medium term.	7,6%[1]
NET DEBT/EBITDA	Within the range of 2.0–2.5x LTM EBITDA, but may temporarily exceed this level to allow for capturing opportunities for organic growth and acquisitions.	3,4[1,2]
PAY-OUT RATIO	Approximately 60 percent of income for the period adjusted for non-comparable items on average over time.	57%

OUTCOME 2013–2016









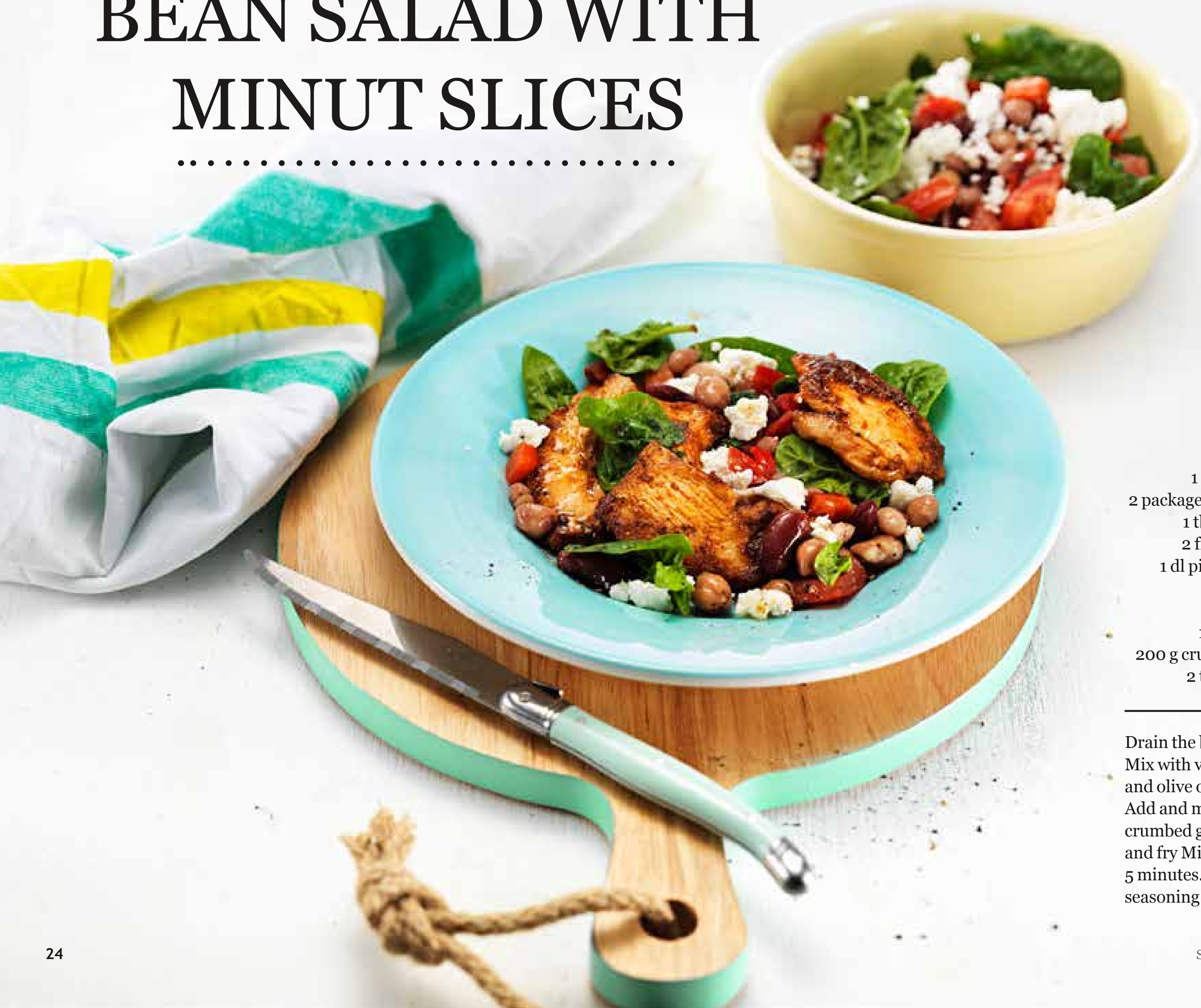
1) Based on EBITDA adjusted for non-comparable items.
2) See also the section on Financial position on page 37.

PITA BREAD WITH MINUT CHICKEN

SERVES 4
1 package ready-to-eat chicken, Minut chicken Classic
2 pita bread
2 leaves romaine lettuce or other leaf salad
1 tin cooked chickpeas (400 g)
1 garlic clove, chopped
2 tbsp tahini (sesame seed paste)
1 tbsp Sambal oelek
5 cl olive oil
5 cl chicken stock (cold)
½ lemon, juice and zest
½ cucumber
½ red pepper, diced
5 cl Turkish yoghurt
½ bunch chopped mint
Salt and pepper

Rinse the chickpeas in cold water and drain. Blend the chickpeas, garlic, tahini, olive oil Sambal oelek and stock into a smooth paste. Season to taste with salt and lemon juice. Peel the cucumber. Remove the seeds and finely chop the cucumber, add the lemon zest, red pepper, yoghurt and mint. Season to taste with salt and pepper. Fill the pita bread with salad, houmous and Minut chicken, and drizzle with the cucumber yoghurt sauce.

BEAN SALAD WITH MINUT SLICES



SERVES 4
1 packet Minut slices
2 packages of bean mix of your choice
1 tbsp red wine vinegar
2 fresh tomatoes, diced
1 dl pickled red pepper, diced
1 tbsp olive oil
Salt
1 bag baby spinach
200 g crumbed goats' or feta cheese
2 tbsp Taco seasoning

Drain the beans and rinse in water. Mix with vinegar, tomatoes, peppers and olive oil, taste to check the salt. Add and mix the spinach and top with crumbed goats' cheese. Heat up a pan and fry Minutslices for approximately 5 minutes. Finish by adding the Taco seasoning and possibly some salt.

Our responsibility

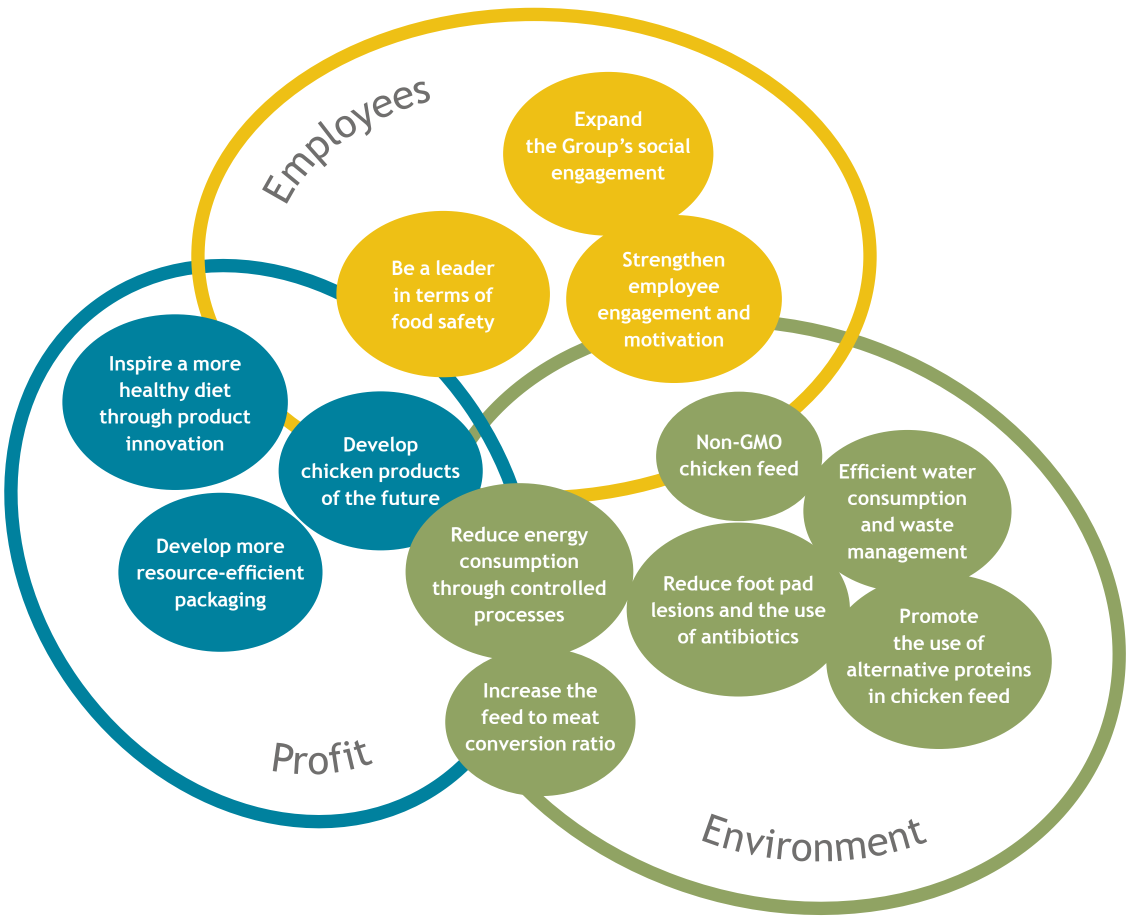
Sustainable food production

For Scandi Standard sustainable development entails creating value for the company's stakeholders and society in general by delivering safe, healthy and innovative food products with an environmental impact that will gradually decrease throughout the lifecycle. Sustainable development is a part of the company's business philosophy which has been made more concrete and integrated into existing business strategies during the year.

Focus areas provide clarity
Our sustainability work is based on expectations of the company's stakeholders. In addition to ensuring compliance with laws, special importance is attached to consumer opinions, requirements from customers, expectations of the financial market and the well-being of employees. Following internal balancing of the relevant issues, the prioritised issues have been collected in a number of areas which will be prioritised and validated in a materiality analysis during 2017.

Management and implementation
Our aim is for the sustainability work to permeate the entire organisation and all steps of the value chain. In 2016 sustainability was integrated into the business strategy and a sustainability coordinator was appointed. Targets and key figures for monitoring at Group level will be adopted during 2017.

During the year the Group-wide Code of Conduct was updated and approved by the Board of Directors. In addition, a systematic work on evaluating the suppliers was initiated based on the Supplier Code of Conduct.



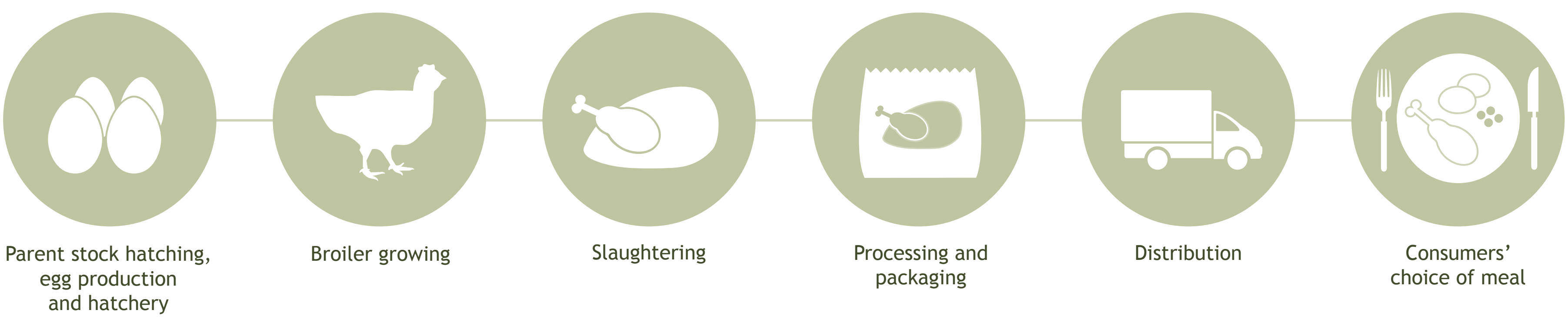
Consideration throughout the value chain

The Group's core competences are within production, product development, sales and marketing of chicken products. The Group has breeding farms, two hatcheries, four large slaughtering and processing facilities, two small slaughtering facilities and a facility for further processed products.

The breeding of chicken is largely managed by contracted suppliers, who are mainly independent farmers. The transports are made in specially equiped vehicles and in most cases handled by external transport companies. The Group's Danish subsidiary Danpo handles its transports with own staff.

The Group is impacted by and has the opportunity to influence all steps of the value chain. This entails, among other things, how we ensure that the products are safe to eat, promote good animal husbandry at the supplier level, streamline our production, take care of our employees, handle the purchase of goods and services and market the products honestly to customers and consumers.

THE VALUE CHAIN INCLUDES THE FOLLOWING STEPS:



Safe and healthy products

Fulfilling the promise of producing food which is safe to eat is decisive for the Group's success and survival. Consumers should feel safe consuming our products.

Food safety is the highest priority

We continuously work to improve work processes and quality management systems to ensure a high level of food safety. Methods and equipment fulfil the requirements for Good Manufacturing Practices (GMP). In addition to this, the Group attaches great significance to working in accordance with specific customer requirements. During 2016 work continued on conducting sensitivity analyses to prevent and protect customers from food fraud.

The work on food safety requires expertise, discipline and clear management. We monitor and continuously test for incidence of the pathogenic Salmonella bacteria and Campylobacter. Chicken should be completely free of Salmonella. Measures are continuously taken to reduce the incidence of Campylobacter.

White meat promotes better health and environment

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

The global population increase, combined with greater demand for animal protein requires a larger supply of meat. The production of chicken generates significantly lower greenhouse gas emissions than the production of pork and beef. One way of minimising the higher meat production's impact on the environment is therefore to work towards finding new ways of producing more climate-smart chicken.

Our vision is to inspire people to eat chicken once more per week. By developing products such as, for example, chicken sausages, chicken bacon and minced chicken, we stimulate and facilitate consumers to switch from red meat to white meat and thereby take greater responsibility for both the environment and personal health.

"To produce 1 kg of live chicken requires about 1.6 kg of feed compared to about 7.0 kg for beef."

Cooperation with breeders

As one of the largest players in the industry, the Group has a specific responsibility to call for good animal husbandry among its contracted breeders. By promoting the increase of animal well-being and for both efficiency and quality of the breeding, we can be a part of and develop future chicken breeding based on sustainable values.

Good animal husbandry

Our grower advisors currently collaborate with both breeders and veterinary authorities based on a common Nordic platform for raising chicken. This includes requirements on the breeders for the animals to be able to move around freely in the chicken house, no beak trimming and no use of growth hormones. All Nordic countries have very strict animal welfare regulations which stipulate the density in animal flocks, and that the chicken houses have high-class equipment in terms of feeding and drinking water systems, control of heat, lighting and ventilation.

In accordance with current legislation in the Nordic region, antibiotics are not used as a preventive measure in the breeding. Our contracted breeders carefully monitor the health of chickens during daily visits. In addition, frequent disease checks are conducted and data on the environment in the chicken houses is collected through special monitoring systems. The use of antibiotics among breeders is very low, which is a clear indicator that good animal husbandry is maintained.

One of the parameters which is adhered to carefully is that the straw bedding is kept dry, which indicates that the breeding conditions are balanced and that the health of the chickens is good. If the straw bedding becomes moist, the condition of the chickens' feet will be affected in the form of foot pad lesions. Therefore, the condition of foot pads is carefully monitored and registered for each chicken house when the chickens arrive at the slaughterhouse.

Chicken is climate-smart

The primary reason for the production of chicken having a lower environmental impact than the production of red meat is the feed-to-meat conversion ratio, i.e. the animal's ability to efficiently convert feed into meat. This feed to meat conversion ratio is closely linked to the use of farmland for feed production and carbon dioxide emissions. The feed to meat conversion ratio benefits both from good farming conditions and from optimally designed feed, and the focus is therefore on further developing these areas. We continuously cooperate with the breeders to reduce the feed to meat conversion ratio and thus produce even more climate-smart chicken.

Alternative protein sources

The chicken industry traditionally uses soya beans as a protein source in the farming. The global demand for protein will soon exceed the supply. By means of participation in research and development projects, the Group aims to promote a gradual increase in the share of alternative protein sources in chicken feed.

Feed free of GMO

There are diverging opinions on genetically modified organisms (GMOs). While the advocates believe that the use of GMOs is a prerequisite for profitable plant cultivation in some areas of the world, the critics emphasise that the risk of an unwanted spread to other crops may entail a threat to the biological diversity. As respect for this polarisation among customers and consumers and taking into account any undesirable consequences of the technology, the Group has chosen to adhere to the precautionary principle for the use of GMO feed.

Limit climate impact of operations

The production of animal protein is generally energy-consuming, but chicken is one of the most environmentally-friendly sources in terms of meat protein. Lifecycle analyses show that more than 90 percent of the climate impact of products is from chicken feed and from heating breeding farms. Our current focus is on using biofuel like wood chips, straw and wood, and use heat exchangers in the breeding in order to gradually reduce the energy consumption and climate impact of our operations.

Energy conservation in production

Our goal is to reduce carbon dioxide emissions from our production by 40 percent per produced tonne of chicken during the period 2015-2025. In order to reach this goal, the Group has during 2016 reviewed the opportunity to recycle heat in all facilities. Work has also continued on replacing traditional bulbs with energy-efficient LED solutions. In order to increase knowledge on the consumption of heat and energy in the Group and collect data, measuring stations have been installed in several facilities. A thorough investigation of all facilities was made in 2015 in order to optimize the use of electricity in the Group and at the same time comply with the European Energy Directive.

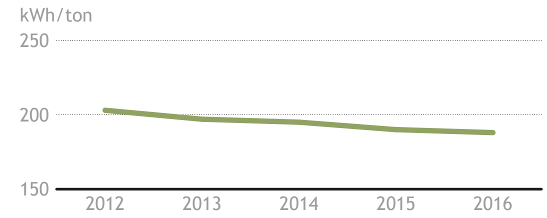
In 2016 the facilities in Valla, Sweden, Års and Farre in Denmark, Lieto in Finland and Stokke in Norway decreased their carbon dioxide emissions by approximately 800 tonnes in total.

Reduce fresh water consumption

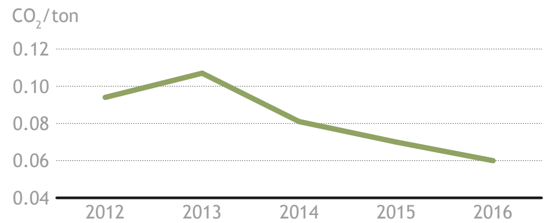
The Group's work on reducing fresh water consumption mainly aims to indirectly reduce energy consumption, while initiatives to optimise the treatment of wastewater have a more direct effect in the form of lower environmental impact on nearby watercourses. The quality of wastewater is checked by monitoring the content of nitrogen and the Biological Oxygen Demand (BOD) content.

A major reconstruction and extension of the Valla plant in Sweden was concluded in 2016, which also included new installations for the reduction of fresh water consumption and optimisation of the treatment of wastewater. Another plant for wastewater treatment was also installed in one of the production units in Norway. The Group now has five plants where complete responsibility is assumed for the treatment of water which is used for slaughtering and processing of chicken.

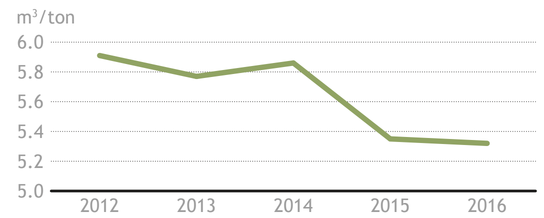
ELECTRICITY CONSUMPTION PER SLAUGHTERED TON



CO_2 EMISSIONS PER SLAUGHTERED TON



WATER CONSUMPTION PER SLAUGHTERED TON



Responsibility for our employees

Employee engagement is decisive for the Group's continued development and for reaching our targets. We therefore work continuously to strengthen the engagement and work satisfaction of our employees.

The employee survey ScandiPuls includes different parameters for engagement. The response rate of the survey in 2016 was 89 percent. The results for satisfaction and motivation were 72, an increase of two from 2015, which was the target set for 2016.

All employees have been informed of the results of the survey and have formulated action plans and activities by departments.

Leadership development

Clear, visible and involving leadership is important for ensuring engagement and work satisfaction.

During the year several companies in the Group have focused on development of their leaders to ensure leadership skills in the organisation. The activities have comprised leader forums, strategy days and leader programmes. The Group has also chosen to highlight the importance of leadership by using supporting discussion material in performance appraisals.

EMPLOYEE SURVEY RESULTS 2016, INDEX, COMPARED TO 2015

SATISFACTION & MOTIVATION	**72**[1]	**+2**
SATISFACTION	69	+2
MOTIVATION	75	+2
LOYALTY	**78**[2]	**+1**
FAITHFULNESS	76	+1
ENGAGEMENT	79	0

[1] Medium score (60–74).
[2] High score (75–100).

WOK-FRIED MINUT STRIPS

4 SERVINGS
1 package Minut strips
Oil for frying
200 g Jasmine rice
Salt
1 package Thai wok vegetables
2 packages Wok sauce
(ginger and lemongrass)

Rinse and boil the rice. Heat up a pan and fry Minut strips for approximately 5 minutes. Add the vegetables and fry for approximately 2 more minutes. Add the Wok sauce and let it simmer. Serve immediately!

The Scandi Standard share

"At year-end 2016, the share price had increased by more than 40 percent since the listing in 2014."

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

A total of 35.2 (41.8) million shares were traded during 2016. The average daily volume was 139,120 (166,456).

The final price paid on the last day of trading in 2016 was SEK 57.00 (54.25), corresponding to an increase of 5 percent compared to 2015. The share price had thus increased by approximately 43 percent since the listing in 2014. The Scandi Standard share is included in the Nasdaq Mid Cap-index, which increased by 13 percent during 2016.

The market capitalization at year-end was approximately MSEK 3,423.

Ownership structure

The number of shareholders as of 31 December 2016 was 8,501 (5,677). The holding of the ten largest owners corresponded to 45.3 (45.6) percent of the share capital. Approximately 66 percent of the share capital was owned by Swedish institutions, unit trusts and private individuals.

Dividend

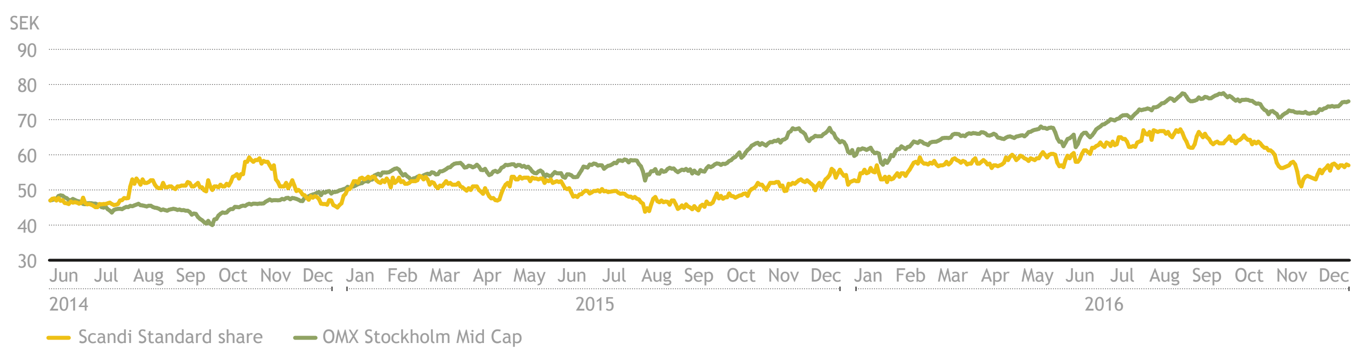
The Board of Directors proposes a dividend of SEK 1.35 (1.80) for 2016, corresponding to a total dividend of approximately MSEK 80.2 (107.3). The proposed dividend corresponds to approximately 57 (57) percent of income for the period adjusted for non-comparable items.

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

Share-based incentive programs

Scandi Standard has two share-based long-term incentive programs for key employees, LTIP 2015 and LTIP 2016. For information on the programmes, see Note 1 and 5.

PRICE DEVELOPMENT, THE SCANDI STANDARD SHARE, 2014-2016



OWNERSHIP STRUCTURE PER DECEMBER 31, 2016

Holding	No. of shareholders	No. of shares	Voting rights and share capital %
1–500	6,790	911,402	1.5
501–1,000	759	628,708	1.1
1,001–10,000	731	2,175,021	3.6
10,001–20,000	57	890,877	1.5
20,001–	164	55,454,882	92.3
Total	**8,501**	**60,060,890**	**100.0**

PER SHARE DATA, SEK

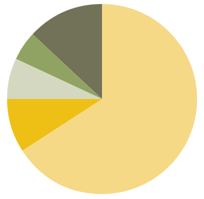
	2016	2015
Adjusted earnings per share[1]	2.38	3.15
Earnings per share	2.21	2.73
Dividend per share	1.35[2]	1.80
Adjusted cash flow from operating[1] activities, per share	2.12	5.40
Equity per share	16.33	15.40
Average number of shares	59,542,034[3]	59,932,408
Number of shares at the end of period	60,060,890	60,060,890

[1] Adjusted for non-comparable items, see page 37.
[2] Proposed by the Board.
[3] 214,900 (448,712) own shares were repurchased in 2016.

LARGEST SHAREHOLDERS PER DECEMBER 31, 2016

Name	No. of shares	Capital, %
Carnegie Fonder	5,705,397	9.5
Investment AB Öresund	5,029,000	8.4
Kvalitena AB	3,502,436	5.8
Lantmännen Kycklinginvest AB	3,063,461	5.1
Danske Capital Sverige AB	2,015,619	3.4
Fjärde AP-fonden (AP4)	1,943,181	3.2
Länsförsäkringar Fondförvaltning AB	1,740,856	2.9
Valbay Kapitalförvaltning	1,500,000	2.5
Swedbank Robur Fonder	1,368,466	2.3
SEB Investment Management	1,288,407	2.2
Other	32,904,067	54.7
Total	**60,060,890**	**100.0**

GEOGRAPHIC DISTRIBUTION OF THE SHARE OWNERSHIP



66% SWEDEN
9% USA
7% LUXEMBOURG
5% UK
13% OTHER

GRILLED MINI PIZZAS WITH MINCED CHICKEN

SERVES 4

400 g Kronfågel minced chicken
10–12 slices of the bread polarkaka
(approx. 11 cm in diameter)
Ketchup
Butter for frying
Salt and pepper
1 tsp chilli pepper
1 tsp oregano
1/2 tsp Mexican grill seasoning
10–12 mushrooms
1/2 packet of cherry tomatoes (125 g)
150–200 g of grated cheese
Oregano
Rocket

Brown the mince so that it becomes grainy, season well and allow it to cool slightly. Fry the sliced mushrooms for a few minutes, season with salt and pepper. Place the slices of the bread polarkaka on a plate with baking paper.

Spread a layer of ketchup on each slice of bread, distribute the mince, mushrooms, sliced tomatoes on top. Sprinkle the cheese and oregano generously. Place the pizzas in 225°C for 12–15 minutes until the cheese has melted and develops a nice colour. Garnish with rocket.

Contents

Report by the Board of Directors

- Net sales increased by 10 percent to MSEK 5,967.4 (5,422.9), and by 10 percent at constant exchange rates. All countries contributed to the increase.
- Operating income declined to MSEK 238.2 (259.5). The bird flu had a negative impact of approximately MSEK 40 on operating income in the fourth quarter.
- Adjusted operating income[1] declined to MSEK 251.6 (291.5), corresponding to a margin of 4.2 (5.4) percent. Adjusted operating income declined in Denmark and increased in Norway and Sweden.
- Income for the period declined to MSEK 131.4 (163.9) and earnings per share were SEK 2.21 (2.73).
- Adjusted operating cash flow[1] declined to MSEK 126.1 (324.2) due to higher capital expenditure and an increase in working capital driven to a large extent by the growth in net sales.
- A majority shareholding was acquired in March in Sødams Øko Fjerkræslagteri ApS, a Danish producer of organic and free-range chicken.
- The Board of Directors proposes a dividend for 2016 of SEK 1.35 (1.80) per share.

Key figures	2016	2015
Net sales, MSEK	5,967.4	5,422.9
EBITDA, MSEK	438.2	445.4
Operating income, MSEK	238.2	259.5
Income for the period, MSEK	131.4	163.9
Earnings per share, SEK	2.21	2.73
Dividend, SEK	1.35[3]	1.80
Return on capital employed (ROCE), %	9.7	11.3
Return on operating capital (ROC), %	9.7	10.8
Equity/asset ratio, %	27.8	29.4
Average number of employees	1,680	1,670

Adjusted for non-comparable items[1]	2016	2015
EBITDA[1], MSEK	451.6	477.4
EBITDA margin[1], %	7.6	8.8
Operating income[1], MSEK	251.6	291.5
Operating margin[1], %	4.2	5.4
Income after finance net[1], MSEK	180.3	247.5
Income for the period[1) 2)], MSEK	141.9	188.7
Earnings per share[1) 2)], SEK	2.38	3.15
Operating cashflow[1], MSEK	126.1	324.2
Return on capital employed[1] (ROCE), %	10.3	12.7
Return on operating capital[1] (ROC), %	10.6	12.9

[1–2] See table showing non-comparable items on page 37.

[3] Proposed by the Board.

Net sales and income

Net sales for the full year 2016 increased by 10 percent to MSEK 5,967.4 (5,422.9). Net sales at constant exchange rates rose by 10 percent.

Net sales increased by 7 percent in Sweden, and by 25 percent in Norway, 287 percent in Finland and 1 percent in Denmark in local currency. Net sales by product category rose by 17 percent for chilled products and by 4 percent for frozen products at constant exchange rates.

Operating income declined by 8 percent to MSEK 238.2 (259.5). The bird flu had a negative impact of approximately MSEK 40 on operating income in the fourth quarter, of which MSEK 11.2 were reported as non-comparable items. The impact of the bird flu refers to Sweden, Denmark and to some extent Finland and includes lower prices, costs for personnel reductions as well as inventory write-downs at year-end.

Total non-comparable items amounted to MSEK –13.4 (–32.0), see page 37. Adjusted for these items, operating income was MSEK 251.6 (291.5), corresponding to an adjusted operating margin of 4.2 (5.4) percent. Adjusted operating income increased in Norway and Sweden, but declined in Denmark and Finland.

Income for the period amounted to MSEK 131.4 (163.9), corresponding to earnings per share of SEK 2.21 (2.73). Adjusted income for the period was MSEK 141.9 (188.7), corresponding to adjusted earnings per share of SEK 2.38 (3.15).

Impact of bird flu

The prevalence of bird flu (H5N8) was detected in a number of European countries during 2016 and from November also in Denmark, Sweden and Finland, which led to trade bans regarding poultry products from mainly markets in Asia.

In a press release on 25 November 2016, the Group communicated that the negative effect on operating income from these export restrictions was estimated at MSEK 4–8 per month, with a larger impact during the initial period. As stated above, the impact on operating income in the fourth quarter was approximately MSEK 40, of which MSEK 11.2 was reported as non-comparable items.

Impact in 2017
Temporary trade bans like these are typically imposed for a period of up to 12 months following the last detection, and normally lead to a pressure on prices in alternative markets as well as in local markets.

The estimated monthly negative impact of MSEK 4–8 on operating income is still valid until the trade bans are lifted and trading patterns are normalized.

Non-comparable items

Non-comparable items in 2016 amounted to MSEK –13.4 (–32.0) and include costs for personnel reductions and inventory write-downs in Denmark due to the bird flu, as well as deal fees for completed and non-completed acquisitions. Non-comparable items in 2015 included deal fees for completed and non-completed acquisitions, as well as financial support to the associated company Farmfood A/S in Denmark.

Non-comparable items in EBITDA and operating income

MSEK	2016	2015
Staff reduction costs[a]	–4.5	–
Financial support to associated company[b]	–	–7.0
Write-down of inventory[c]	–6.7	–
Transaction costs[d]	–2.2	–25.0
[1]**Total**	**–13.4**	**–32.0**

Non-comparable items in finance net and tax effects

MSEK	2016	2015
[2]Tax effect on adjustments	2.9	7.2
Non-comparable items in income for the period	**–10.5**	**–24.8**

[a] Costs for staff reductions in Denmark, i.e.salaries during notice period.
[b] Financial support to associated company Farmfood A/S in Q3.
[c] Write-down of inventory in Denmark.
[d] Deal fees related to completed and non-completed acquisitions.

Cash flow and investments

Adjusted operating cash flow in 2016 amounted to MSEK 126.1 (324.2). The decline refers to both higher capital expenditure as well as an increase in working capital.

Working capital as of 31 December 2016 amounted to MSEK 352.2 (285.2), corresponding to 5.9 (5.3) percent of net sales. Trade receivables increased during the year, to a large extent driven by the growth in net sales. Inventories also rose from a low level at year-end 2015.

Capital expenditure
Capital expenditure in 2016 amounted to MSEK 265.4 (206.5). Major projects included an extension of the Valla facility in Sweden and efficiency investments in Finland. Efficiency investments were also made in Norway in connection with a specialization of the two main facilities so that one produces all processed products and the other all raw products.

Approximately 75 percent of the capital expenditure in 2016 referred to productivity improvement measures and approximately 25 percent to maintenance.

Adjusted operating cash flow

MSEK	2016	2015
Adjusted EBITDA[1]	451.6	477.4
Capital expenditure	–265.4	–206.5
Change in inventories	–49.0	–10.7
Change in other working capital	–11.1	64.0
Adjusted operating cash flow	**126.1**	**324.2**

[1] Adjusted for non-comparable items in 2016 of MSEK –13.4 (–32.0), see table to the left.

Financial position

Total equity as of 31 December 2016 increased to MSEK 972.0 (924.9). The equity to assets ratio was 27.8 (29.4).

Net interest-bearing debt as of 31 December 2016 increased to MSEK 1,515.4 from MSEK 1,313.1 at year-end 2015. Net debt/adjusted EBITDA was 3.4 (2.8). Net debt/adjusted EBITDA was higher than the Group's target for this ratio as a result of the negativ impact of the bird flu on results and financial position at the same time as capital expenditure was at a high level.

Cash and cash equivalents amounted to MSEK 23.2 (142.7).

Refinancing

As of 23 December 2016, Scandi Standard entered into a new binding agreement with a group of banks regarding two five-year credit facilities of in aggregate MSEK 2,200. The new facilities were effective as of January 2017. The purpose of the new agreement was to refinance the existing bank facilities and to secure a robust, flexible and long term financing tailored to match the Group's ambitions for organic and strategic growth.

The new agreement comprise a MSEK 1,450 multicurrency term loan facility and a MSEK 750 multicurrency revolving loan facility, and allows for a future increase of up to MSEK 1,250 subject to agreement with lenders. The terms of the new facilities include an interest margin reduction of about 55 basis points per annum and increased flexibility through more generous covenants.

As a result of the refinancing, the Group expensed its remaining capitalised costs relating to the previous bank financing as well as certain costs relating to the new facilities totalling MSEK 8.2 in the fourth quarter 2016.

Transactions with related parties

Scandi Standard has an agreement with Lantmännen, a major shareholder, for the rental of the facility in Åsljunga, Sweden. Rental costs in 2016 under this agreement amounted to MSEK 2.2 (1.6).

Segment information

Sweden

MSEK	2016	2015	Change
Net sales	2,391.9	2,231.1	7%
Adjusted operating income[1)]	174.0	159.9	9%
Adjusted operating margin[1)]	7.3%	7.2%	–

[1)] Adjusted for non-comparable items in 2016 of MSEK –1.1 (–8.5). For a summary of adjustments to the segments, see page 84.

Net sales for the Swedish operation in 2016 increased by 7 percent to MSEK 2,391.9 (2,231.1). Net sales of chilled products showed continued strong growth, while net sales of frozen products decreased from last year. The increase of chilled products was significantly higher than the market growth in this segment and was achieved through continued, successful product launches.

Adjusted operating income increased by 9 percent to MSEK 174.0 (159.9), corresponding to a margin of 7.3 (7.2) percent. The bird flu had a negative impact of approximately MSEK 14 on adjusted operating income in the fourth quarter.

The retail market for chicken products in Sweden in 2016 grew by approximately 5 percent in value compared to 2015. Chilled products grew by 12 percent in value, while frozen products were unchanged in value compared to the previous year.

Denmark

MSEK	2016	2015	Change
Net sales	2,332.0	2,283.7	2%
Adjusted operating income[1)]	94.5	143.9	–34%
Adjusted operating margin[1)]	4.1%	6.3%	–

MDKK	2016	2015	Change
Net sales	1,833.3	1,820.5	1%
Adjusted operating income[1)]	74.3	114.7	–35%
Adjusted operating margin[1)]	4.1%	6.3%	–

[1)] Adjusted for non-comparable items in 2016 of MSEK –11.9 (–4.4). For a summary of adjustments to the segments, see page 84.

Net sales for the Danish operation in 2016 increased by 2 percent to MSEK 2,332.0 (2,283.7) and by 1 percent in local currency.

Adjusted operating income declined by 34 percent to MSEK 94.5 (143.9), corresponding to a margin of 4.1 (6.3) percent. The decline in adjusted operating income and margin was due to continued price pressure in both the local market and on export markets. The pressure on prices was more pronounced in the fourth quarter following the bans on exports due to the bird flu. The bird flu had a negative impact of approximately MSEK 12 on adjusted operating income in the fourth quarter.

A program to mitigate the effects of the bird flu was implemented in the fourth quarter, which included personnel reductions. A cost of MSEK 4.5 related to these reductions is included in non-comparable items.

The retail market for chicken products in Denmark in 2016 grew by approximately 2 percent in value compared to 2015. Chilled products grew by 3 percent in value, while frozen products declined by 2 percent in value compared to the previous year.

Norway

MSEK	2016	2015	Change
Net sales	1,433.7	1,178.3	22%
Adjusted operating income[1)]	94.9	60.4	57%
Adjusted operating margin[1)]	6.6%	5.1%	–

MNOK	2016	2015	Change
Net sales	1,405.7	1,125.9	25%
Adjusted operating income[1)]	93.1	57.7	61%
Adjusted operating margin[1)]	6.6%	5.1%	–

[1)] Adjusted for non-comparable items in 2016 of MSEK – (–4.4). For a summary of adjustments to the segments, see page 84.

Net sales in for the Norwegian operation in 2016 increased by 22 percent to MSEK 1,433.7 (1,178.3) and by 25 percent in local currency. The increase refers to the agreement with Coop Norway under which deliveries started in August 2015, as well as to a new agreement with NorgesGruppen signed in the first quarter 2016. A new premium product range of free-range chicken, which was launched in the third quarter 2016, also contributed.

Adjusted operating income increased by 57 percent to MSEK 94.9 (60.4), corresponding to a margin of 6.6 (5.1) percent. The increase in adjusted operating income and margin was attributable to higher volumes and improved operational efficiency.

The retail market for chicken products in Norway grew by approximately 14 percent in value compared to a decline of 2 percent in 2015. Chilled products grew by 18 percent, while frozen products declined by 8 percent in value compared to the previous year.

Finland

MSEK	2016	2015[2]	Change
Net sales	172.7	43.7	295%
Adjusted operating income[1]	–52.4	–24.1	–117%
Adjusted operating margin[1]	–30.3%	–55.1%	–

MEUR	2016	2015	Change
Net sales	18.2	4.7	287%
Adjusted operating income[1]	–5.5	–2.6	–112%
Adjusted operating margin[1]	–30.3%	–55.3%	–

[1] Adjusted for non-comparable items in 2016 of MSEK – (–9.0). For a summary of adjustments to the segments, see page 84.

[2] Operations were included in the Group's accounts as of 25 May 2015.

Net sales for the Finnish operation increased by 295 percent in 2016 to MSEK 172.7 (43.7), as a result of new and extended customer contracts. Adjusted operating income amounted to MSEK –52.4 (–24.1).

Adjusted operating income was negatively affected by costs for handling inefficiencies in production and one-time costs for a reduction of inventories. The bird flu had a negative impact of approximately MSEK 3 on adjusted operating income in the fourth quarter.

A number of activities are being taken to improve productivity in the plant as well as in other parts of the supply chain.

Acquisition in Denmark

As of 30 March 2016, an agreement was signed regarding the acquisition of a majority shareholding in Sødams Øko Fjerkræslagteri ApS in Denmark. The company has annual sales of approximately MDKK 18 and processes approximately 500 000 organic and free-range chickens on an annual basis.

The purchase price amounts to a maximum of MDKK 48 for 80 percent of the shares, including MDKK 18 paid in connection with the signing of the agreement. The remaining payments will be performed partially over four years and are dependent on the achievement of certain criteria.

The purchase agreement includes a put/call option for acquisition and sale of the remaining 20 percent of the shares. The total price is estimated to amount to a maximum of MDKK 61 over four years, including an additional payment of MDKK 13 for the remaining shares.

Purchase of own shares

In accordance with the authorization by the Annual General Meeting 2016, Scandi Standard purchased 214,900 own shares during the year to secure the cost and delivery of shares to participants in the Group's long-term incentive program 2016 (LTIP 2016). The shares were purchased on Nasdaq Stockholm. A total of 56,000 shares were purchased in August and 158,900 in September. The number of purchased shares corresponds to 0.4 percent of the total number of outstanding shares.

The Scandi Standard share

As of 31 December 2016, the share capital in Scandi Standard amounted to SEK 599,749 (599,749), comprising 60,060,890 shares. Each share carries one vote. All shares have equal rights to the Company's assets and profits.

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

As of 31 December 2016, the three largest shareholders were Carnegie Fonder, Investment AB Öresund and Kvalitena AB, with 9.5 percent, 8.4 percent and 5.8 percent of the capital respectively. For information on major shareholders, see page 33.

Environmental activities

Scandi Standard operates 9 production units, of which three in Sweden, three in Norway, two in Denmark and one in Finland. Permits and notification requirements in accordance with local legislation are required for all units. The main direct environmental impacts are noise, emissions into the air and water, and temporary storage of hazardous waste. There was no non-compliance reported in 2016.

Personnel

The average number of employees (FTE) in 2016 was 1,680 (1,670), of which 699 (637) in Sweden, 644 (729) in Denmark, 257 (262) in Norway and 80 (42) in Finland.

Changes in Group Management

Mark Hemmingsen took up the position as country manager in Denmark in August 2016. His most recent position was Chief Commercial Officer at Rynkeby Foods A/S in Denmark.

Anders Hägg took up the position as CFO in December 2016. His most recent position was CFO of Arla Foods in the UK.

Annual General Meeting 2017

The Annual General Meeting (AGM) 2017 will be held on 25 April at 1 pm in Wallenbergssalen, at the IVA Conference Center, Grev Turegatan 16 in Stockholm, Sweden. More information about the AGM is available on: http://investors.scandistandard.com/en/agm.

Proposed appropriation of earnings

The Board of Directors proposes a dividend for 2016 of SEK 1.35 (1.80) per share, for a total dividend payment of approximately MSEK 80.2 (107.3), based on the number of outstanding shares at year-end 2016. The proposed dividend corresponds to approximately 57 (57) percent of income for the period adjusted for non-comparable items.

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

The proposed record date is 27 April 2017. The last day of trading in Scandi Standard shares including the right to dividend for 2016 is 25 April 2017.

SEK	
Share premium reserve	702,724,690
Accumulated deficit	–42,953,579
Income for the year	0
Total	**659,771,111**
Dividend to shareholders of SEK 1.35 per share	80,186,325
To be carried forward	579,584,786
Total	**659,771,111**

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

Events after the close of the period

Unusually high levels of campylobacter bacteria were registered in the Valla facility in Sweden in the fourth quarter 2016. After thorough investigation of the entire production process the main cause of the high levels was found to be an installation error in a new cleaning system for trays used for transport of the birds from the farms to the facility. Tests made thereafter have shown that the level of campylobacter has declined.

Proposal regarding guidelines for remuneration for senior management

The Board of Directors proposes that the Annual General Meeting (AGM) resolves to approve the Board of Director's proposal regarding guidelines for remuneration for the senior management, which shall apply until the AGM 2018.

In this context, the senior management means the Managing Director of the Compay and the executives in the Company and other Group companies, who from time to time, are reporting to the Managing Director or the CFO and who are also members of the senior management, as well as members of the Board of Directors of Scandi Standard that has entered into an employment or consulting agreement.

Remuneration principles

Salaries and other terms and conditions of employment shall be sufficient for Scandi Standard to recruit and retain skilled senior managers at a reasonable cost. Remuneration to the senior managers shall be based on principles of performance, competitiveness and fairness and consist of fixed salary, variable salary, pension and other benefits.

Fixed and variable salary

Each senior manager shall be offered a fixed salary in line with market conditions and based on responsibility, expertise and performance. All senior managers may, from time to time, be offered variable salary (cash bonuses). The variable salary shall be based on achievement of a set of financial and personal objectives determined in advance by the Board. The variable salary may not amount to more than 75 percent of the fixed annual salary. Fixed annual salary means cash salary earned during the year, excluding pension, supplements, benefits and similar.

To the extent a member of the Board of Directors performs work for the Company, in addition to the Board work, a market-based consulting fee may be paid.

Long-term incentive programs

In addition, the AGM may resolve on long-term incentive programs such as share and share price-related incentive programs. These incentive programs shall be intended to contribute to long-term value growth and provide a shared interest in value growth for shareholders and employees.

Pensions

Agreements regarding pensions shall, where applicable, be premium based and shall be designed in accordance with the level and practice applicable in the country in which the member of senior management is employed.

Notice of termination and severance payment

Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for two years. The total severance payment shall for all members of the senior management be limited to the existing monthly salary for the remaining months up to the age of 65.

Deviations from guidelines for remuneration for senior management

The Board of Directors resolves on principles for remuneration for the senior management based on the guidelines adopted by the AGM.

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

Proposal for long-term incentive program

The Board of Directors has decided to propose to the AGM a long-term incentive program for 2017 (LTIP 2017) for key employees. The program is intended to contribute to long-term value growth and provide a shared interest in value growth between shareholders and employees. The program is of the same type as LTIP 2015 and LTIP 2016.

The program comprises a maximum of 22 participants. Performance share rights shall be allotted free of charge to the participants in relation to a fixed percentage of their fixed salary.

After a three-year vesting period commencing in connection with the implementation of LTIP 2017 and provided that certain conditions are fulfilled, the participants may exercise their performance share rights through which they will be allotted shares in the Company free of charge.

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

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

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

RISKS AND RISK MANAGEMENT

Scandi Standard's ability to reach its financial and other targets is dependent on a number of fundamental factors such as maintaining its strong local market shares and brand positions, cost-efficient and flexible production, and the ability to continuously launch new and innovative products.

As all business activities involve risks, effective risk management is required to realize the Group's potential and to protect its assets. Risks that are effectively managed may lead to opportunities, value creation and risk limitation, while risks that are not managed correctly could result in damage and value destruction.

A structured identification of the Group's major risks that can affect the Group's possibility to reach its targets was conducted in 2015 as a part of establishing a formalized and proactive risk management process, with clearly established roles and areas of responsibility. The process implies that risks must be identified, evaluated, managed and followed-up as a natural part of the corporate governance.

Risks and uncertainty factors

Risks connected with Scandi Standard's operations can generally be divided into strategic risks, operational risks including reporting and compliance risks, and financial risks.

Risks and uncertainty factors deemed to be of importance for the fulfilment of Scandi Standard's strategic, operational and financial objectives are described below in no particular order of priority and without claiming to be exhaustive. Other risks and uncertainty factors presently unknown to the Company, or which the Company at present deems to be insignificant, may in the future have a significant adverse impact on Scandi Standard.

Strategic risks

Strategic risks are linked to business development and long-term planning, as well as brand value. The most significant strategic risks include dependency on a few large customers,

EXAMPLES OF MAJOR RISKS FOR SCANDI STANDARD

STRATEGIC RISKS

- Business development
- Dependence on few, large customers
- Supply of birds
- New laws and regulations
- Damage to brand value
- New food trends that could reduce demand for the products

OPERATIONAL RISKS INCLUDING REPORTING AND COMPLIANCE RISKS

- Fluctuations in demand
- Price competition
- Purchasing costs
- Product quality and safety
- Disease outbreaks
- Disruptions in production or in the supply chain
- Internal processes in production or in other parts of the supply chain not having the desired effects
- Retail merchandising policies
- Acquisitions
- Financial reporting
- Compliance with internal steering documents as well as laws and regulations

FINANCIAL RISKS

- Changes in exchange rates
- Interest-rate fluctuations
- Currency and interest-rate hedging
- Refinancing and liquidity risks
- Credit and counterparty risks

EXAMPLES OF MANAGEMENT OF RISKS

- Annual strategy process
- Meetings by Group Management every second week
- Policies, instructions and manuals

- Code of Conduct
- Supplier Code of Conduct
- Frequent inspections of facilities for safety by internal and external experts
- Monitoring of sales and results on a weekly basis
- Finance & Accounting Manual

- Finance policy
- Country risk policies

availability of birds to support current business and growth, the ability to adapt in the event of the introduction of new laws and regulations that change the conditions for operating the business, as well as the risk of damage to the Group's brands. Demand for the Group's products can be influenced by health, dietary, animal welfare and other trends that may also affect the cost of production.

Strategic risks are largely dealt with by the Board of Directors, and as part of the Group's annual strategy process. The strategy process includes setting objectives and defining risks. Policies and actions are established to secure that the strategic risks are taken into account ahead of critical business decisions.

Fast dissemination of appropriate information in the organisation is ensured through the Group's management structure with strong local management.

Sales figures and results are reviewed by Group Management and other members of operational management on a weekly basis. Group Management holds video meetings every second week and meets once a month to review the monthly results, to update forecasts and plans and to discuss critical business issues.

Customer dependence

The Group's five largest customers represented approximately 40 percent of net sales in 2016, and the ten largest approximately 55 percent. This is partly due to the fact that the Scandinavian food retail market is consolidated with only a few major retailers in each country.

Retailers have a significant influence on consumer demand as consumer behaviour is influenced by the way retailers present products for sale, position in store, shelf space and the quantity of promotional activities. The Group is the major supplier of chicken to a number of major retailers and works actively to ensure that demand for chicken products is facilitated in terms of store fixtures and shelf space allocated.

Loss of customers or volume with customers can have a substantial negative impact on the Group's net sales and income.

New laws and regulations

The Nordic markets for chicken products are governed by extensive regulations and controls regarding hygiene, food safety and animal welfare. Changes in the legislative and fiscal framework can entail requirements for the Group to make significant investments in its operations that may negatively affect the Group's financial results and financial position.

The Group's Swedish and Danish production facilities are certified according to the BRC (British Retail Consortium) global standards for food safety. BRC is the leading safety and quality certification program used for the food industry. The certification, which is carried out by Sai Global, covers everything from HACCP (Hazard Analysis Critical Control Point) systems, quality management and factory requirements to production control processes and human resources. HACCP systems are used to monitor the entire value chain.

Operational risks including reporting and compliance risks

Operational risks arise in the course of the day-to-day running of the businesses and include among other things fluctuations in demand, price competition, changes of purchasing costs, product quality and safety, outbreaks of livestock diseases, disruptions in production or in the supply chain, that the internal processes in production or in other parts of the supply chain do not have the desired effects, changes in retail merchandising policies, as well as integration of acquisitions.

Operational risks also include risks regarding reporting in general and financial reporting in particular, as well as non-compliance with applicable laws and regulations.

Risks in the reporting cover for example errors in the internal or external reporting. Read more on financial reporting in the Corporate governance report on page 92–94.

The Group tries to minimize the total costs of potential damages through insurance solutions where such arrangements are obtainable. Insurable risks are placed with large Swedish and international direct insurance companies that purchase reinsurance in the international reinsurance market.

Fluctuations in demand

Production costs have a substantial impact on the Group's financial results. The main cost items are personnel, distribution, energy and property costs. Maximizing throughput in the least amount of time while minimizing waste, downtime and overtime are factors that are important for the profitability of a facility.

In the event of a sudden increase or decline in demand the Group may not be able to make an immediate adjustment of production, which may result in the build-up of inventory with a negative impact on the Group's financial results, margins and cash flow. To some extent, the negative effect can be limited for example by freezing products and selling them later as frozen products with longer shelf life.

Price competition and purchasing costs

The domestic production of chicken-based food products in the Nordic countries is consolidated to a few main producers in each country. There is strong competition to maintain and strengthen positions in the retail and food service markets. Some competitors offer not only chicken products, and competition is therefore also related to other product categories.

Total external purchasing costs in 2016 amounted to MSEK 3,603, of which the major part referred to the purchase of live chickens. The chickens are largely sourced from third party growing farms in each local market.

Business ethics risks, supply chain and commodity risks are mainly managed through implementation of the Group's Code of Conduct, as well as by including the supplier Code of Conduct in all agreements and regularly monitor compliance.

The competition in the retail market, as well as higher purchasing costs, may negatively affect the Group's financial results, margins and cash flow.

Disease outbreak

Scandi Standard is operating in the food business and deals with livestock. Careful handling of food safety and animal welfare are therefore of critical importance. Outbreaks of livestock diseases within the Group, its markets or other geographical markets or at competitors' facilities could have a negative impact on demand for chicken products.

Salmonella infection is a constant challenge for the entire poultry industry. Sweden has a track record in fighting salmonella and there are well-developed processes throughout the value chain, as well as restrictions on imports of chilled products to prevent any outbreaks. Nordic chicken products are generally regarded as being of the highest quality due to the strict standards applied on matters of animal health and welfare and the fact that neither antibiotics nor growth hormones are used in the feed process.

The greatest risk from a global perspective is a possible outbreak of bird flu or similar viruses. The main risk in such situations relates to the implementation of trade bans that restrict the Group's export sales, which can have a negative impact on net sales and financial results. Historically such outbreaks, or extensive media coverage regarding risks related to the consumption of chicken, have led to declines in chicken consumption in the affected local market. Demand has recovered relatively quickly after the outbreak has subsided, which cannot however always be anticipated in the future. Disease outbreaks can negatively affect the Group's net sales and financial results.

Disruptions in production or in the supply chain
Typically an order from a customer must be processed within one to three days. Even minor disturbances to production may make it difficult to fulfil obligations to customers, which could increase the risk of customers changing supplier. Customers may sometimes also be entitled to compensation.

A large proportion of the Group's products are sold as fresh food, which due to expiration dates must be distributed and sold to customers shortly after production.

Distruptions in production or in the supply chain can negatively affect the Group's financial results, margins and cash flow.

Acquisitions
Integration of acquisitions always involves risks. The Group's net sales might be negatively affected, the cost of integration might be higher than anticipated and synergy effects may be lower than expected.

Financial risks

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

Management of financial risks is based on the Group's finance policy and the risk policy specified to each country. The finance policy is adopted by the Board of Directors.

The Group's currency risk includes both transaction and translation exposure. Transaction exposure relates mainly to export sales. Translation exposure is the effect of changes in exchange rates when foreign subsidiaries' income statements in DKK, NOK and EUR and statements of financial position are translated into SEK. The Group's currency risk is hedged to some extent by denominating some loans in local currencies. The Group's interest rate risk is hedged to some extent by the use of swaps.

Interest bearing liabilities expose the Group to interest rate risks. Risks related to refinancing, liquidity and payment capacity include the risks of higher costs than expected and limited opportunities when renewing loans and other credit arrangements, as well as the risk of inability to meet payment obligations as a result of insufficient liquidity. Credit and counterparty risks include the risks that a counterparty in a transaction will not be able to discharge its obligations. See Note 20.

SENSITIVITY ANALYSIS

A sensitivity analysis of important factors affecting the Group's financial results is shown below. The analysis is based on values as of December 31, 2016 and assumes all other factors remain unchanged.

- A change in the average sales price of +/−1 percent would have an approximate impact on operating income of MSEK +/−60.
- A change in the costs of goods sold of +/−1 percent would have an approximate impact on operating income of MSEK +/−51.
- A change by +/−5 percent in the DKK, NOK and EUR exchange rates in relation to SEK would impact operating income by approximately MSEK +/−8, MSEK +/− 6 and MSEK −/+2 respectively, on an annual basis.

Consolidated financial statements

Consolidated income statement

MSEK	Note	2016	2015
Net sales	4	**5,967.4**	**5,422.9**
Other operating revenues	4	31.5	29.8
Changes in inventories of finished goods and work in progress		44.3	–2.2
Raw materials and consumables		–3,603.2	–3,144.5
Cost of personnel	5	–1,115.0	–1,010.0
Depreciation, amortisation and impairment	6	–201.3	–187.2
Other operating expenses	7	–886.8	–850.6
Share of income of associates	13	1.3	1.3
Operating income		**238.2**	**259.5**
Finance income	8	1.2	10.8
Finance expenses	8	–72.5	–54.7
Income after finance net		**166.9**	**215.5**
Income tax expense	10	–35.5	–51.6
Income for the period		**131.4**	**163.9**
Whereof attributable to shareholder´s of the Parent Company		131.4	163.9
Average number of shares		59,542,034[2)]	59,932,408[1)]
Earnings per share, SEK		2.21	2.73
Number of shares at the end of the period		60,060,890	60,060,890

1) 448,712 shares were repurchased in 2015.

2) 214,900 shares were repurchased during the 3rd quarter 2016.

Consolidated statement of comprehensive income

MSEK	Note	2016	2015
Income for the period		131.4	163.9
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gains and losses in defined benefit pension plans	21	–28.5	25.6
Tax on actuarial gains and losses		6.3	–6.0
Total		**–22.2**	**19.6**
Items that will or may be reclassified to the income statement			
Cash flow hedges		4.7	–5.9
Currency effects from conversion of foreign operations		43.6	–36.8
Income from currency hedging of foreign operations		12.3	–6.3
Tax attributable to items that will be reclassified to the income statement		–1.1	2.5
Total		**59.5**	**–46.5**
Other comprehensive income for the period, net of tax		**37.3**	**–26.9**
Total comprehensive income for the period		**168.7**	**137.0**
Whereof attributable to shareholder´s of the Parent Company		168.7	137.0

Consolidated statement of financial position

MSEK	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Goodwill	12	703.8	596.5
Other intangible assets	12	503.0	489.9
Property plant and equipment	11	1,010.8	881.7
Participations in associated companies	13	45.5	41.4
Financial assets	14	0.2	0.4
Surplus in funded pension plans	21	–	16.4
Deferred tax assets	10	46.8	16.5
Total non-current assets		**2,310.1**	**2,042.8**
Current assets			
Inventory	15	603.2	530.3
Trade receivables and other receivables	16	400.2	308.3
Other short term receivables	16	87.5	56.5
Prepaid expenses and accrued income	16	72.3	62.7
Derivate instruments		0.4	–
Short term investments	17	–	0.5
Cash and cash equivalents	17	23.2	142.7
Total current assets		**1,186.8**	**1,101.0**
TOTAL ASSETS		**3,496.9**	**3,143.8**

MSEK	Note	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		0.6	0.6
Other contributed equity		702.7	810.0
Reserves		42.7	−16.8
Retained earnings		226.0	131.1
Total equity	18	**972.0**	**924.9**
Liabilities			
Non-current liabilities			
Non-current interest bearing liabilities	19 20	1,427.6	1,381.3
Derivate instruments		14.2	13.6
Provisions for pensions	21	19.7	1.7
Deferred tax liabilities		109.3	86.0
Other non-current liabilities	10	46.3	–
Other non-current provisions	22	–	1.9
Total non-current liabilities		**1,617.1**	**1,484.5**
Current liabilities			
Current interest bearing liabilities	19 20	96.8	60.9
Trade payables	20 23	475.5	352.5
Tax payables	10	35.1	20.5
Derivate instruments		–	0.9
Other current liabilities		100.9	138.1
Accrued expenses and prepaid income		199.5	161.5
Total current liabilities		**907.8**	**734.4**
TOTAL EQUITY AND LIABILITIES		**3,496.9**	**3,143.8**

Pledged assets and contingent liabilities, see Note 28.

Consolidated statement of changes in equity

MSEK	Note	Share capital	Other contributed equity	Reserves	Retained earnings	Total equity
Opening balance, January 1, 2015		**0.6**	**888.1**	**29.7**	**–32.0**	**886.4**
Income for the period					163.9	163.9
Other comprehensive income, net after tax				–46.5	19.6	–26.9
Total comprehensive income				–46.5	183.5	137.0
Dividend			–78.1			–78.1
Repurchase own shares					–20.4	–20.4
Transactions with the owners			**–78.1**		**–20.4**	**–98.5**
Closing balance December 31, 2015		**0.6**	**810.0**	**–16.8**	**131.1**	**924.9**
Opening balance, January 1, 2016		**0.6**	**810.0**	**–16.8**	**131.1**	**924.9**
Income for the period					131.4	131.4
Other comprehensive income, net after tax				59.5	–22.2	37.3
Total comprehensive income				59.5	109.2	168.7
Dividend			–107.3			–107.3
Repurchase own shares					–14.3	–14.3
Transactions with the owners			**–107.3**		**–14.3**	**–121.6**
Closing balance December 31, 2016		**0.6**	**702.7**	**42.7**	**226.0**	**972.0**

Consolidated statement of cash flows

MSEK	Note	2016	2015
OPERATING ACTIVITIES			
Operating income		238.2	259.5
Adjustment for non-cash items		180.9	199.7
Paid finance items net	29:1	–59.3	–51.6
Paid current income tax		–25.1	–22.1
Cash flows from operating activities before changes in operating capital		**334.7**	**385.5**
Change in inventories		–49.0	–10.7
Change in operating receivables		–94.0	–27.9
Changes in operating payables		82.9	91.9
Cash flows from operating activities		**274.6**	**438.8**
INVESTING ACTIVITIES			
Business combinations	29:2	–30.2	–55.7
Investment in property, plant and equipment		–265.4	–206.5
Cash flows used in investing activities		**–295.6**	**–262.2**
FINANCING ACTIVITIES			
Net change in external loans		25.6	–20.4
Paid dividend		–107.3	–78.1
Repurchase own shares		–14.3	–20.4
Cash flow in financing activities		**–96.0**	**–118.9**
Cash flows for the period		**–117.0**	**57.7**
Cash and cash equivalents at beginning of the period		**142.7**	**89.7**
Currency effect in cash and cash equivalents		–2.5	–4.7
Cash flows for the period		–117.0	57.7
Cash and cash equivalents at end of the period	29:3	**23.2**	**142.7**

Parent Company financial statements

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

Parent Company income statement

MSEK	Note	2016	2015
Net sales		–	–
Operating expenses	31	–	–0.1
Operating income		**–**	**–0.1**
Finance net		14.6	14.6
Income after finance net		**14.6**	**14.5**
Group contribution		–14.6	–3.9
Tax expenses	33	–	–2.3
Income for the period		**0.0**	**8.3**

Parent Company statement of comprehensive income

MSEK	Note	2016	2015
Income for the period		0.0	8.3
Other comprehensive income		–	–
Total comprehensive income for the period		**0.0**	**8.3**

Parent Company statement of financial position

MSEK	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Investments in subsidiaries	34	532.7	532.7
Receivables from Group entities	35	358.8	358.7
Total non-current assets		**891.5**	**891.4**
TOTAL ASSETS		**891.5**	**891.4**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		0.6	0.6
Non-restricted equity			
Share premium account		702.7	810.0
Retained earnings		–42.8	–36.8
Income for the period		0.0	8.3
Total equity		**660.5**	**782.1**
Current liabilities			
Liabilities to Group entities		231.0	109.3
Total current liabilities		**231.0**	**109.3**
TOTAL EQUITY AND LIABILITIES		**891.5**	**891.4**

Pledged assets and contingent liabilities, see Note 32.

Parent Company statement of changes in equity

MSEK	Share capital	Share premium account	Retained earnings	Total equity
Equity, January 1, 2015	**0.6**	**888.1**	**–16.4**	**872.3**
Income for the period			8.3	8.3
Dividend		–78.1		–78.1
Repurchase own shares			–20.4	–20.4
Equity, December 31, 2015	**0.6**	**810.0**	**–28.5**	**782.1**
Equity, January 1, 2016	**0.6**	**810.0**	**–28.5**	**782.1**
Income for the period			0.0	0.0
Dividend		–107.3		–107.3
Repurchase own shares			–14.3	–14.3
Equity, December 31, 2016	**0.6**	**702.7**	**–42.8**	**660.5**

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

Parent Company statement of cash flows

MSEK	2016	2015
OPERATING ACTIVITIES		
Operating income	0.0	–0.1
Paid finance items net	–	14.6
Paid current income tax	–	–2.3
Cash flows from operating activities before changes in operating capital	**–**	**12.2**
Changes in operating payables	–	73.1
Cash flows from operating activities	**–**	**85.3**
FINANCING ACTIVITIES		
Lending to subsidiaries	121.6	13.2
Paid dividend	–107.3	–78.1
Repurchase own shares	–14.3	–20.4
Cash flows from financing activities	**0.0**	**–85.3**
Cash flows for the period	**–**	**–**

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Amounts in MSEK unless otherwise stated.

The Board of Directors of Scandi Standard AB (publ.) is domiciled in Stockholm, Sweden.
The address of the main office is Franzéngatan 5. The corporate identity number is 556921-0627.
The Group's operations are described in the Board of Directors' report and in Note 3, Segment reporting. The Group's and Parent Company's financial statements for 2015 will be presented for adoption by the AGM, on April 25, 2017.

Note 1 Accounting policies

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

BASIS OF PREPARATION

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

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

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

Standards, amendments and interpretations that have been adopted by the EU entered into force in 2016 and are applied by the Group

Disclosure Initiative, Amendments to IAS 1
The IASB has published amendments to IAS 1 Presentation of Financial Statements, made in the context of the IASB's Disclosure Initiative, which explores how financial statements disclosures can be improved. The changes to the standard involves clarification on a number of issues including; materiality, disaggregation, subtotals and notes.

The amendments does not have any material impact on the Group´s financial statements.

Annual improvements to IFRSs- 2012–2014 cycle
The annual improvements cycle 2012–2014 entails amendments to IFRS 5 and 7 respectively IAS 19 and 34. The amendments involve mainly clarifications but also a new requirement in IAS 34, Interim Financial reporting relating to cross-references in interim reports.

The amendments does not have any material impact on the Group´s financial statements.

IAS 19 – Defined benefit Plans: Employee Contributions – amendment
The amendment, which applies to fiscal years beginning after February 1, 2015, discusses and clarifies the reporting of contributions from employees or third parties (contributions paid) for defined benefit plans. The amendment makes a distinction between the charges related to the service only in the period in which they arise and charges related to the service for more than a period, and aims to simplify the presentation of charges that are independent of the number of years of service, such as employees' contributions calculated as a fixed percentage of salary. For this kind of charges the standard allows employee contributions deducted from the cost in the period in which the services are performed.

The amendments does not have any material impact on the Group´s financial statements.

IFRS 10 and IAS 28 – sale or contribution of assets between an investor and its associate or joint venture-Amendment
The IASB has made limited scope amendment to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures, which clarifies accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Accounting will depend on whether the non-monetary assets sold or contributed to an associate or joint venture will constitute a "business" (as defined in IFRS 3 Business Combinations) or not.

The amendments are effective from 1 January 2016 and does not have any material impact on the Group´s financial statements.

Standards, amendments and interpretations not yet adopted by the Group
IFRS 9, Financial Instruments: Recognition and Measurement
This standard is part of a project to replace the existing standard IAS 39. A complete version of the standard was issued in 2014 and the standard will be effective in 2018. IFRS 9 is divided into three areas:1.Classification and measurement of financial assets and liabilities, 2. Impairment and 3. Hedge accounting and will replace IAS 39 Financial Instruments. The Group is assessing the impact of IFRS 9.

IFRS 15, Revenue from contracts with customers
This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of

revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The standard is effective from 2018. The Group has initiated an evaluation of customer agreements in order to asses the impact of IFRS 15.

IFRS 16, Leases

IFRS 16 Leases was published in January 2016 and is replacing the former IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities relating to all the leases, with a few exceptions (short-term leases and those of minor value), are reported in the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right.The accounting for lessors will in all material aspects be unchanged, however the accounting for lessees will change as there will no longer be a distinction between operating and finance lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The Group has two larger lease contracts with a net cost of MSEK 320 today identified as operational lease contracts that will be recognised in statement of financial position in accordance with the new standard.

IFRS 2, Classification and measurement of share-based payment transactions – amendment

Changes in IFRS 2 are changes regarding measurement of cash settled program and measurement and accounting when changing from a share-based program to a cash settled program. The amendment is effective from 1 January 2018 and not yet adopted by EU. The Group has not assessed the impact of the amendment on the Group´s financial reports.

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

Changes to the Parent Company's accounting policies

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

ASSUMPTIONS AND ACCOUNTING ESTIMATES

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

CONSOLIDATED FINANCIAL STATEMENTS

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

Subsidiaries

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

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

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

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

Associates

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

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

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

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

Translation of foreign Group entities

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

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

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

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

Parent

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCE SHEET ITEMS

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

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

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

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

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

SEGMENT REPORTING

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditure that can be directly attributed to the acquisition of the asset, including the effect of cash flow hedges relating to investment purchases in foreign currencies. Start-up and pre-production costs that are necessary for bringing the asset to its predetermined condition are included in the cost. For major investments, where the total investment value is at least MSEK 100 and the investment period lasts at least 12 months, interest during construction is included in the cost of the asset.

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

Depreciation policies for property, plant and equipment

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

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

The following depreciation schedules are applied:

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

INTANGIBLE ASSETS

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

Goodwill

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

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

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

Trademarks

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

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

As all of the Group's trademarks have indefinite useful lives, no estimated useful lives have been defined.

Customer and supplier relationships

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

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

Research and development

No research is conducted within the Group. Expenditure on development is recognised as an intangible asset only if it is technically and financially feasible to complete the asset, it is expected to provide future economic benefits, the cost of the asset can be measured reliably and the development is substantial. Currently, this means that all expenditure on the development of commercial products and similar products is expensed as incurred. Expenditure on development of business-related

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IS/IT-systems is capitalized if the general preconditions according to the above are met and the total expenditure is estimated to exceed MSEK 3.

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

IMPAIRMENT LOSSES

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

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

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

INVENTORIES

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

FINANCIAL ASSETS AND LIABILITIES – FINANCIAL INSTRUMENTS

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

Classification of financial assets and liabilities

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

Financial assets measured at fair value through profit or loss

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

Loans and receivables

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

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

Available-for-sale financial assets

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

Financial liabilities measured at fair value through profit or loss

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

Other liabilities

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

Derivatives used in hedge accounting

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

Non-current financial assets

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

Short-term investments

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

Cash and cash equivalents

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

Interest-bearing liabilities

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

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

Cash flow hedges

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

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

Hedging of net investments

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

Currency risk

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

Interest rate risk

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

Parent

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

DETERMINATION OF FAIR VALUE

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

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

PROVISIONS

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

EMPLOYEE BENEFITS

Pensions

Scandi Standard has both defined contribution and defined benefit pension plans, most of which are funded.

With defined contribution plans, the Company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions thereafter. The costs for these plans are charged to consolidated profit as the benefits are earned.

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

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

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

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

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

Termination benefits

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

Long term incentive programs

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

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

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

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

Hedging of commitments according to LTIPs

No new shares will be issued due to LTIPs and in order to ensure the delivery of shares and for the purpose of hedging social security charges under LTIPs, the Company acquire own shares. The repurchased shares reduces the Group's equity and are considered in the calculations of earnings per share ("EPS").

Variable salary

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

INCOME TAX

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

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

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

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

REVENUE

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

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

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

LEASING

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

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

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

GOVERNMENT GRANTS

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

BORROWING COSTS

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

BIOLOGICAL ASSETS

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Parent Company

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

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

RELATED PARTIES

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

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

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

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

The Group's main currencies in addition to SEK, 2016

SEK	Average rate	Closing rate
DKK	1.27	1.29
NOK	1.02	1.05
EUR	9.47	9.57

SUBSEQUENT EVENTS

During the quarter unusually high levels of campylobacter were registered in Valla, our main facility in Sweden. The main cause was found to be an installation error in our new cleaning system for trays used for transport of the birds to the facility. Recent tests show that the level of campylobacter has now declined.

Note 2 Significant judgements, accounting estimates and assumptions

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

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

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

Impairment of goodwill and other assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or whenever there are indications of possible impairment - in situations such as a changed business environment, a divestment decision or closure of operations. The Group's goodwill and other intangible assets amounted to MSEK 1,206.8 (1,086.4) at the end of the year, which corresponds to 34 (35) percent of the Group's total assets. Other assets are tested for impairment as soon as there is an indication that an asset's recoverable amount is lower than its carrying amount.

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

The discount rates used to calculate the present value of the expected future cash flows are estimated from the current weighted average cost of capital established within the Group for the markets in which the cash-generating units are active.

Other estimates regarding expected future results and the discount rates used can give different values of assets from those applied. Impairment is described in more detail in Note 6.

Deferred tax assets and tax liabilities

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

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

Pensions

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

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

Biological assets

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

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

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

Note 3 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

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

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

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2015, Jan 1–Dec 31 MSEK	Region Sweden	Region Denmark	Region Norway	Region Finland	Group-wide[1]	Eliminations	Total Group
Net sales							
External sales	2,095.2	2,105.7	1,178.3	43.7	–	–	5,422.9
Internal sales	135.8	178.0	–	–	68.7	–382.5	–
Total net sales	**2,231.1**	**2,283.7**	**1,178.3**	**43.7**	**68.7**	**–382.5**	**5,422.9**
Operating income	**151.1**	**136.0**	**56.0**	**–33.1**	**–50.5**	–	**259.5**
Of which share of income of associates	–	1.9	–0.6	–	–	–	1.3
Finance income							10.8
Finance expenses							–54.7
Income tax expenses							–51.6
Income for the period							**163.9**
Other disclosures							
Assets	966.9	1,275.4	679.0	131.7	123.6	–74.2	3,102.4
Holdings in associates	0.0	26.8	14.6	–	–	–	41.4
Total assets	**966.9**	**1,302.2**	**693.6**	**131.7**	**123.6**	**–74.2**	**3,143.8**
Liabilities	321.6	272.2	192.1	12.4	55.9	–74.2	780.0
Unallocated liabilities							1,438.9
Equity							924.9
Total liabilities and equity	**321.6**	**272.2**	**192.1**	**12.4**	**55.9**	**–74.2**	**3,143.8**
Investments	96.2	38.6	48.1	31.8	1.4	–	216.2
Depreciation, amortisation and impairment	74.6	62.5	45.3	3.9	0.9	–	187.2

[1] EBIT reported under Group-wide includes central corporate costs of MSEK –68.7. Group-wide assets includes assets and liabilities relating to central functions.

INFORMATION ABOUT GEOGRAPHIC AREAS, BASED ON CUSTOMER LOCATION

MSEK	External sales 2016	External sales 2015
Sweden	2,633.4	2,367.9
Norway	1,449.3	1,193.8
Denmark	1,002.8	1,163.5
Germany	291.2	307.4
Finland	193.6	34.5
United Kingdom	152.1	210.1
Rest of Europe	110.1	56.9
Rest of world	135.0	88.8
Total	**5,967.5**	**5,422.9**

Two of Scandi Standard's customers accounts for more than 10 percent of the Group's total net sales. The net sales amount on a Full Year basis is MSEK 950.4 (900.7) and MSEK 646.6 (512.5). The customers are located in Region Sweden and Norway.

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

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

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

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

Note 3 Segment reporting cont.

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

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

Segment Finland comprises Kronfågel Oy that includes the business and assets acquired from Huttulan Kukko Oy in May 2015. The segment includes slaughtering and processing of chícken for the Finnish market. The segment had no activities prior to May 2015.

Note 4 Breakdown of revenue

MSEK	2016	2015
Net sales		
Sales of goods	5,967.4	5,422.9
Total	**5,967.4**	**5,422.9**
Other operating income		
Capital gains	3.6	2.4
Rental income	0.3	0.3
Government grants	0.4	0.5
Canteen sales	6.8	5.8
Insurance compensation	3.7	1.7
Other	16.7	19.1
Total	**31.5**	**29.8**

Note 5 Employees and employee benefits expenses

Average number of employees	2016	of which women	2015	of which women
Group				
Sweden	699	39%	637	40%
Denmark	644	37%	729	37%
Norway	257	59%	262	55%
Finland	80	48%	42	31%
Total, Group	**1,680**	**42%**	**1,670**	**41%**

The Parent Company has no employees.

Employee benefits MSEK	2016	2015
Salaries and benefits, Board of Directors and MDs	19.0	13.7
- of which variable salary	6.9	2.3
Salaries and benefits, other employees	872.8	794.3
Social security expenses	127.8	113.2
Pension expenses[1]	72.6	55.1
Other staff costs	22.9	33.7
Total	**1,115.0**	**1,010.0**

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

Gender representation in executive management

	Group		Parent Company	
Female representation, %	**2016**	**2015**	**2016**	**2015**
Board of Directors	2.0	4.7	12.5	28.6
Other senior executives	–	–	–	–

REMUNERATION TO SENIOR MANAGEMENT

Senior managers

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

Guidelines

Remuneration principles have been approved by the Board of Directors in accordance with guidelines for remuneration for senior management.

Remuneration principles

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

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

Remuneration structure

Scandi Standard's remuneration structure has the following components:

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

Fixed salary

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

Variable salary

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

Pension

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

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

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

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

Termination and other benefits

Termination benefits/notice

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

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

Other benefits

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

Salaries and remuneration of senior management 2016, TSEK	Directors' fees	Fixed salary[2]	Variable salary[3]	LTIP[6]	Pension[2]	Other benefits[4]	Total 2016
Board members, specified below	2,737						2,737
Managing Director and CEO Leif Bergvall Hansen		3,666	917	2,573	550	127	7,833
Group Management, other[1]		9,417	922	3,217	757	541	14,854
	2,737	**13,083**	**1,839**	**5,790**	**1,307**	**668**	**25,424**

Salaries and remuneration of senior management 2015, TSEK	Directors' fees[5]	Fixed salary[2]	Variable salary[3]	LTIP[5]	Pension[2]	Other benefits[4]	Total 2015
Board members, specified below	2,600						2,600
Managing Director and CEO Leif Bergvall Hansen		3,350	1,028	1,213	526	113	6,230
Group Management, other[1]		11,370	1,454	1,589	871	534	15,818
	2,600	**14,720**	**2,482**	**2,802**	**1,397**	**647**	**24,648**

1) Group Management consists of 7 (6) individuals that are members of the Group Management of the Scandi Standard Group.

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

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

4) Mainly car, phone and health insurance benefits.

5) The Group´s expense per December 31, 2015 referring to LTIP 2015.

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

Long term incentive program

At the end of 2015 the Group had one long term compensation plan, LTIP 2015, outstanding. The Board of Directors has decided to propose a new long-term incentive program, LTIP 2016, to the AGM 2016 based on the same terms as LTIP 2015 and comprising maximum 19 participants.

LTIP 2015, which at year-end 2015 comprised 18 participants, implies that performance share rights shall be allotted free of charge to the participants in relation to a fixed percentage of their fixed salary. The vesting period is three years and provided that certain conditions are fulfilled, the participants may exercise their performance share rights through which they will be allotted shares in the Company free of charge. Each performance share right is entitled to allotment of up to one share. In order for performance share rights to entitle to allotment of shares, it shall be required that the participant remains employeed and has not given or been given notice of termination of employment within the Group during the vesting period.

Performance requirement

In order for full allotment of shares under LTIP 2015 and LTIP 2016, the average annual growth rate of earnings per share ("EPS CAGR") during the period January 1, 2015 – December 31, 2017 and January 1, 2016 – December 31, 2018 must be at least 12.5 percent. If the average EPS CAGR during the period is 5 percent, the participants shall be allotted shares for 25 percent of their performance share rights. If the average EPS CAGR during the period is more than 5 percent but less than 12.5 percent, the participants shall receive linear allotment. If the average EPS CAGR during the period is less than 5 percent, no shares shall be allotted.

Value and estimated costs for LTIP 2015 and LTIP 2016

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

Assuming 100 percent vesting, full fulfilment of the EPS requirement and a share price at the time of exercise of the performance share rights of SEK 52.63 for LTIP 2015 and SEK 57.58 for LTIP 2016, the incentive program will result in allocation of 390,184 shares in the Company, representing a value of SEK 20,535,383 for LTIP 2015 and 209,076 shares representing a value of SEK 14,237,604 for LTIP 2016. As per December 2016, accrued costs for the incentive program amounted to MSEK 5.4 (3.8) for LTIP 2015 and MSEK 2.6 for LTIP 2016.

Social security charges are expected to amount in average to approximately 16 percent of the market value of the shares allocated upon exercise of the performance share rights. The average percentage of social charges is also depending on the mix of nationalities participating in the program. In order to ensure the delivery of shares and for purpose of hedging social charges, the Group repurchased 448,712 own shares during 2015 and 214,900 shares during 2016.

Board of Directors' Fees TSEK	2016	2015
Per Harkjaer, chairman of the Board	600	600
Kate Briant	117	350
Ulf Gundemark	350	350
Michael Parker	275	275
Karsten Slotte	275	275
Heléne Vibbleus	428	475
Samir Kamal	200	–
Harald Pousette	217	–
Asbjörn Reinkind	275	275
Total	**2,737**	**2,600**

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

MSEK	2016	2015
Depreciation and amortisation		
Land and buildings	20.1	14.9
Plant and machinery	111.5	109.7
Equipment, tools, fixtures and fittings	43.5	38.3
Intangible assets	26.2	24.3
Total	**201.3**	**187.2**

Impairment

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

The cash generating units are the Groups operating segments. Cash flow expectations for the segments are based on business plans agreed by Group management for the next five years and on 2 percent organic growth thereafter. The cash flows are discounted by a calculated WACC before tax at 8.0–8.1 (8.0–8.1) percent based on the estimated return requirement for the segments.

For the testing at the end of 2016, all cash generating units are expected to perform in line with the market. EBITDA is expected to improve slightly over the forecasting period towards the Group's medium term target of 10 percent.

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

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

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

The bird flu outbreak in Sweden and Denmark has effected the profitability of the operations in these segments, and the effect will be substantial also during 2017. The effects are assumed to be temporary and the profitability regained within 12 months and are therefore not substantially effecting the estimation of need for impairment. The Norwegian market has recovered during 2016 in line with expectations and profitability of the operation is back at the levels of which the business plan is based upon. The operation in Norway is vulnerable due to its concentrated customer structure, but sensitivity analysis shows cash flows are expected to be sufficient even if the positive development of market share would ground to a halt.

Market growth is strong in Sweden and there is a change from frozen to chilled products which improves margins. This change is not reflected in the business plan used as basis for the impairment test thus understating expected cash flow. There is a risk that EBITDA in Sweden will be impacted by supply constraints in the short term which would affect cash flow negatively. The test show no impairment need even if EBITDA margin were to drop by three percentage points.

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

When the operation in Finland was acquired in 2015 it showed a low level of capacity utilization and generated a negative income. The valuation of Goodwill is based on a business plan where the operation is generating profit and a higher capacity utilization. In 2016 the production volumes and sales are up but inefficiency and bottle necks has led to the operation still generating losses. The management is working with improvement of internal processes and increasing efficiency, and the operation is expected to generate profit within the next few years. Hence impairment of Goodwill is not estimated necessary.

Note 7 Fees and reimbursement to auditors

MSEK	2016	2015
Öhrlings PricewaterhouseCoopers AB		
Audit services	3.2	2.4
Audit related services	0.4	0.5
Tax services	0.7	0.5
Other services	1.7	1.9
Total	**6.0**	**5.4**

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

Note 8 Finance income and finance expenses

	2016			2015		
MSEK	Income	Expenses	Total	Income	Expenses	Total
Financial assets at fair value through profit or loss						
Other income	–	–	–	–	–	–
						0.0
Loans and receivables						
Other interest income	1.2	–	1.2	3.6	–	3.6
						3.6
Derivatives used in hedging						
Interest and currency swaps	–	–	–	–	–0.5	–0.5
						–0.5
Other financial liabilities						
Interest expense, pension plans	–	0.6	0.6	–	–0.4	–0.4
Interest expense, borrowing	–	–43.2	–43.2	–	–43.6	–43.6
Other borrowing expenses	–	–13.9	–13.9	–	–7.7	–7.7
Other interest expenses	–	–4.4	–4.4	–	–2.5	–2.5
Currency effects	–	–11.6	–11.6	7.2	–	7.2
		–72.5	**–72.5**			**–47.0**
Total	**1.2**	**–72.5**	**–71.3**	**10.8**	**–54.7**	**–43.9**

Note 9 Exchange differences affecting income

MSEK	2016	2015
Exchange differences affecting operating income	3.6	2.5
Exchange differences, financial items	–11.6	7.2
Total	**–8.0**	**9.7**
Exchange differences in operating income are included in:		
Other operating income/expense	3.6	2.5
Total	**3.6**	**2.5**

Note 10 Taxes

Tax on income for the period, MSEK	2016	2015
Current tax expense (–) / tax income (+)		
Tax expense / income for the year	–33.0	–14.7
Adjustment of tax attributable to prior years	0.0	0.9
Total current tax	**–33.0**	**–13.8**
Deferred tax expense (–) / tax income (+)		
Deferred tax from changes in temporary differences	2.5	–18.6
Deferred tax income in capitalized losses carry forward	12.4	–
Deferred tax expense use of capitalized losses carry forward	–17.4	–19.1
Total deferred tax	**–2.5**	**–37.7**
Total recognised tax expense	**–35.5**	**–51.6**

	2016		2015	
Reconciliation of effective tax	%	MSEK	%	MSEK
Income after finance net		166.9		215.5
Anticipated tax according to enacted Swedish tax rate	22.0	–36.7	22.0	–47.4
Effect of other tax rates for foreign subsidiaries	0.3	0.5	2.1	–4.6
Non-deductable expenses	0.3	–0.5	1.5	–3.3
Non-taxable income	–0.3	0.5	–0.0	0.1
Effect of tax related to previous year	0.0	0.0	–0.0	0.9
Reversal of income of associates	0.2	–0.3	–0.0	0.3
Other	–0.6	1.0	–0.1	–2.4
Recognised effective tax	**21.9**	**–35.5**	**24.6**	**–51.6**

Tax items recognised in equity through other comprehensive income, MSEK	2016	2015
Actuarial gains and losses on defined benefit pension plans	6.3	–6.0
Cash flow hedges	–1.1	2.5
Hedges of net investments	–	–
Total tax effects in other comprehensive income	**5.2**	**–3.5**

Deferred tax assets/tax liabilities, MSEK	December 31, 2016 Deferred tax assets	Deferred tax liabilities	Net	December 31, 2015 Deferred tax assets	Deferred tax liabilities	Net
Buildings	34.5	0.0	34.5	32.9	3.7	29.2
Machinery and equipment	18.5	30.8	–12.4	23.0	27.3	–4.3
Intangible assets	0.1	107.5	–107.4	0.1	108.6	–108.5
Other assets	–	3.7	–3.7	–	4.1	–4.1
Pension provisions	3.7	–	3.7	–	3.6	–3.6
Other liabilities	7.9	1.4	6.4	2.9	2.0	0.9
Losses carry forward	12.4	–	12.4	17.4	–	17.4
Other	3.9	–	3.9	4.9	1.4	3.5
Total	**80.8**	**143.4**	**–62.6**	**81.2**	**150.7**	**–69.5**
Netting of offsettable assets/liabilities by jurisdiction	–34.1	–34.1	0.0	–64.7	–64.7	0.0
Total net deferred tax liability	**46.7**	**109.3**	**–62.6**	**16.5**	**86.0**	**–69.5**

Deferred tax assets and liabilities nettable within the same jurisdiction was netted in 2015.

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

Change in deferred tax in temporary differences and loss carryforwards 2015 Group, MSEK	Amount at beginning of period	Recognised in income statement	Recognised in OCI	Changes in acquisition/ divestment of companies	Translation differences	Amount at end of period
Buildings	39.5	–9.2	–	–	–1.1	29.2
Machinery and equipment	11.3	–14.6	–	–	–1.0	–4.3
Intangible assets	–120.1	4.6	–	–	7.0	–108.5
Other assets	–3.6	0.5	–	–	–1.0	–4.1
Pension provisions	4.0	–1.7	–6.0	–	–	–3.7
Other liabilities	2.3	–1.4	2.5	–	–2.3	1.1
Losses carry forward	36.4	–19.1	–	–	–	17.3
Other	0.0	3.3	–	–	0.2	3.5
Total	**–30.2**	**–37.7**	**–3.5**	**–**	**1.9**	**–69.5**

Loss carry forward

At the end of the year, the Group had losses carry forward of MSEK 61.4 (76.5), all of which were recognised as deferred tax assets. All tax losses have indefinite lives. 12,4 (7,7) MSEK of the deferred tax assets relates to losses carry forward in Finland. Operations in Finland have so far shown a loss because of low capacity utilization and inefficient production. Management is working to improve the internal processes and to increase efficiency and business is expected to turn a profit within a few years.

Note 11 Property, plant and equipment

	Land and land improvements		Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total property, plant and equipment	
MSEK	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Accumulated cost	18.2	13.1	518.5	476.7	1,679.4	1,517.0	456.0	345.9	179.2	128.7	2,851.2	2,481.4
Accumulated depreciation	–5.5	–5.6	–238.2	–208.1	1,204.4	–1,060.3	–257.8	–200.9	–	–	–1,705.9	–1,474.9
Accumulated impairment	–	–	–66.0	–62.8	–64.3	–61.1	–1.0	–0.9	–3.2	–	–134.4	–124.9
Carrying amount	**12.7**	**7.5**	**214.2**	**205.8**	**410.7**	**395.6**	**197.2**	**144.1**	**176.0**	**128.7**	**1,010.8**	**881.7**
Balance at beginning of the period	7.5	6.0	205.8	173.5	395.6	434.5	144.1	133.9	128.7	62.0	881.7	809.9
Expenditure[1]	5.1	–	3.8	12.6	6.7	9.8	62.6	47.8	187.3	136.2	265.6	206.4
Acquisitions	–	–	1.3	40.8	2.4	16.0	0.1	–	–	4.9	3.8	61.7
Sales and disposals	–	–	–	–	–2.2	–1.4	–	–	–1.4	–	–3.6	–1.4
Depreciation for the period	–0.4	–0.3	–19.7	–14.6	–111.5	–109.7	–43.5	–38.3	–	–	–175.2	–162.9
Reclassifications	0.2	1.6	14.0	0.8	108.3	55.8	22.2	11.0	–141.1	–69.2	3.6	0.0
Translation differences	0.3	0.2	8.9	–7.3	11.4	–9.4	11.7	–10.3	2.6	–5.2	35.2	–32.0
Book value	**12.7**	**7.5**	**214.2**	**205.8**	**410.7**	**395.6**	**197.2**	**144.1**	**176.0**	**128.7**	**1,010.8**	**881.7**
Leases, MSEK												
Carrying amount of assets held under finance leases	–	–	0.3	0.5	8.2	4.1	–	–	–	–	8.5	4.6

[1] Expenditure does not include any capitalized interest.

No government grants affecting investment values were received in 2016 or 2015.
For further information about depreciation, amortisation and impairment, see Note 6.
For further information about leases, see Note 24.

Note 12 Intangible assets

	Goodwill		Other intangible assets							
			Brands		Customer and supplier relationships		Capitalized expenditure on internal development work		Total other intangible assets	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost	703.8	596.5	323.6	310.6	230.8	196.4	80.1	33.8	634.5	540.8
Accumulated amortisation	–	–	–	–	–70.1	–45.2	–61.4	–5.7	–131.5	–50.9
Carrying amount	**703.8**	**596.5**	**323.6**	**310.6**	**160.7**	**151.2**	**18.7**	**28.1**	**503.0**	**489.9**
Balance at beginning of year	596.5	611.3	310.6	322.9	151.2	179.9	28.1	25.9	489.9	528.7
Additions	63.7	24.1	–	–	18.4	1.8	3.2	7.6	21.6	9.4
Sale and disposals	–	–	–	–	–	–	–5.6	–	–5.6	–
Amortisation for the year	1.5	–	–	–	–20.4	–19.0	–7.3	–5.3	–27.7	–24.3
Translation differences	42.1	–38.9	13.0	–12.3	11.5	–11.5	–0.2	–0.1	24.4	–23.9
Book value	**703.8**	**596.5**	**323.6**	**310.6**	**160.7**	**151.2**	**18.7**	**28.1**	**503.0**	**489.9**

Allocation of goodwill, brands and customer/supplier relationships	Goodwill 2016	Goodwill 2015	Brands 2016	Brands 2015	Customer and supplier relationships 2016	Customer and supplier relationships 2015
Sweden	120.7	120.7	144.0[1]	144.0[1]	26.3	28.6
Denmark	190.6	121.0	82.7[2]	78.6[2]	32.7	16.0
Norway	365.1	331.0	97.0[3]	87.9[3]	101.7	106.6
Finland	27.5	23.8	–	–	–	–
Total	**703.8**	**596.5**	**323.6**	**310.6**	**160.7**	**151.2**

1) Brands with indefinite useful life (Kronfågel, Ivars, Vitafågeln, Bosarp).

2) Brands with indefinite useful life (Danpo, BornholmerHanen).

3) Brands with indefinite useful life (Den Stolte Hane).

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

Note 13 Participations in associated companies

Group, MSEK	Dec 31, 2016	Dec 31, 2015
Balance at the beginning of the year	41.4	42.7
Share of income in associates	9.0	1.3
Dividend	–7.7	0.0
Translation difference	2.8	–2.6
Carrying amount	**45.5**	**41.4**

Information on associates in 2016

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

Information on associates in 2015

MSEK	Assets	Liabilities	Net sales	Income for the period
Farmfood A/S	141.8	57.7	28.3	5.8
Nærbø Kyllingslakt AS	27.9	17.5	56.3	0.6
UAB ScanEcoBalt	0.0	–	–	–

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

Group holdings in associates, December 31, 2016

	Corporate name	Corp. identity no.	Domicile	Number of shares	Share of capital. %	Carrying amount in Group 2015, MSEK	Carrying amount in Group 2014, MSEK
Associates in the Group:							
Denmark	Farmfood A/S	27 121 977	Loegstoer	10,000	33.3	30.0	26.8
Norway	Nærbø Kyllingslakt AS	985 228 175	Nærbø, Hå	3,875	50.0	15.5	14.6
Lithuania	UAB ScanEcoBalt	303 919 855	Vilnius	100	49.0	0.0	0.0
Total						**45.5**	**41.4**

Note 14 Non-current financial assets

Group, MSEK	Dec 31, 2016	Dec 31, 2015
Receivables from associates	–	–
Other shares and interests	0.2	0.2
Other financial receivables	–	0.2
Total	**0.2**	**0.4**

Note 15 Inventory

Group, MSEK	Dec 31, 2016	Dec 31, 2015
Raw materials and consumables	52.6	78.9
Goods in progress	64.3	49.1
Finished goods and merchandise	486.3	402.3
Advances to suppliers	–	–
Total	**603.2**	**530.3**

MSEK 106.6 (47.5) of inventories this year were measured at net realizable value. Impairment losses of MSEK 15.6 (5.4) were recognised during the year.

Note 16 Trade receivables and other receivables

MSEK	Dec 31, 2016	Dec 31, 2015
Trade receivables	400.2	308.3
Other current receivables	87.5	56.5
Prepayments and accrued income	72.3	62.7
Total	**560.0**	**427.5**

Age analysis of trade receivables MSEK	Dec 31, 2016	Dec 31, 2015
Receivables, not yet due	338.7	272.5
Receivables, past due		
< 31 days	58.3	34.3
31–60 days	2.0	1.0
61–90 days	0.3	0.1
> 90 days	0.9	0.4
Total	**400.2**	**308.3**
Provision for doubtful debts	0.0	0.0
Total	**400,2**	**308.3**

For information of assessment of trade receivables, see Note 20.

Prepayments and accrued income MSEK	Dec 31, 2016	Dec 31, 2015
Prepaid rent	3.9	4.3
Prepaid insurance	4.0	2.9
Prepayments to contract broiler producers	17.0	16.8
Up front fee, financing	1.1	11.4
Other prepaid expenses	46.0	20.8
Other accrued income	0.2	6.7
Total	**72.3**	**62.7**

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

MSEK	Dec 31, 2016	Dec 31, 2015
Interest-bearing receivables	–	0.5
Total	–	**0.5**

Cash and cash equivalents MSEK	2016	2015
Cash and bank balances	23.2	142.7
Total	**23.2**	**142.7**

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

Note 18 Equity

MSEK	Share capital[1)]	Other con-tributed equity	Hedge reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent
Total equity, opening balance January 1, 2015	**0.6**	**888.1**	**–34.2**	**63.9**	**–32.0**	**886.4**
Income for the period					163.9	163.9
Actuarial gains and losses on pension plans					25.6	25.6
Cash flow hedges						
– remeasurement for the year			–6.0			–6.0
– reclassified to income statement						
Exchange differences on translation of foreign operations				–36.7		–36.7
Net gain on hedge of net investments in foreign operations				–6.3		–6.3
Tax relating to components of other comprehensive income			2.5		–6.0	–3.5
Other comprehensive income for the period, net of tax			**–3.5**	**–43.0**	**19.6**	**–26.9**
Transactions with owners						
Dividend		–78.1				–78.1
Repurchase own shares					–20.4	–20.4
Total equity, closing balance December 31, 2015	**0.6**	**810.0**	**–37.7**	**20.9**	**131.1**	**924.9**

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

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

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

During 2016 payment of the shareholder dividend decreased equity by MSEK −107.3. Repurchase of own shares also affected the equity by MSEK −14.3.

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

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

	2015	
Share capital, total	**Number of shares**	**SEK**
Opening balance, Jan 1, 2015	60,060,890	599,749
Change during year	–	–
Closing balance	**60,060,890**	**599,749**

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

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

Earnings per share	2016	2015
Income for the period, MSEK	131.4	163.9
Earnings per share, SEK	**2.21**	**2.73**
Average number of shares, million	59.5	59.9
Equity per share, SEK	16.34	15.44

Changes in share capital

		No. of shares		Share capital		
Registered	**Transaction**	**Change**	**After transaction**	**Quota value SEK**	**Change**	**After transaction**
Feb 1. 2013	Incorporation	50,000	50,000	1.000000	50,000	50,000
Jun 26. 2013	New share issue	500,716,726	500,766,726	0.000500	200,287	250,287
Jun 26. 2013	Reduction of share capital	–	500,766,726	0.000200	−150,215	100,072
Jun 26. 2013	Reduction of share capital	−50,000	500,766,726	0.000100	−50,000	50,072
May 19. 2014	Bonus issue	–	500,766,726	0.000999	449,928	500,000
May 19. 2014	Reclassification of shares	–	500,766,726	0.000999	–	500,000
May 20. 2014	New share issue	4,569,376	505,286,102	0.000999	4,563	504,563
Jun 27. 2014	Reclassification of shares	–	505,286,102	0.000999	–	504,563
Jun 27. 2014	Reversed split 1:10	−454,757,492	50,528,610	0.009986	–	504,563
Jun 27. 2014	New share issue	95,186	50,623,796	0.011847	95,186	599,749
Jun 27. 2014	Set-off of shareholder loans	9,437,094	60,060,890	0.009986	–	599,749

Note 19 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	Dec 31, 2016	Dec 31, 2015
Non-current liabilities to credit institutions	20	1,425.5	1,378.7
Derivative instruments		14.2	13.6
Financial liabilities, leases	24	2.1	2.6
Other interest-bearing liabilities		–	–
Total		**1,441.8**	**1,394.9**

Current interest-bearing liabilities

MSEK	Note	Dec 31, 2016	Dec 31, 2015
Current liabilities to credit institutions	20	93.8	60.0
Accrued interest expenses		3.0	–
Financial liabilities, leases	24	–	0.9
Total		**96.8**	**60.9**

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

Syndicated Multicurrency term agreement

An agreement for two new loan facilities was signed on December 22th 2016, replacing existing outstanding debt. The new financing is a five-year facility of MSEK 1,450 and a revolving facility of MSEK 750. Both facilities are to be repaid in January 2022. The agreement also gives Scandi Standard the opportunity to extend the loan facility with up to additionally MSEK 1,250 if needed. The facilities are available to Scandinavian Standard Nordic AB and selected subsidiaries. Furthermore, the ability for the Group to take on new debt is regulated by the loan agreement. The new facilities that were agreed upon 2016 were capitalized in January 2017 and thereafter the long term finacing of the group amounts to MSEK 1,450. The completion of the new facilities has not resulted in any effect on net cash flow.

Covenants

The syndicated loan agreement sets forth a covenant on *leverage* (quotaratio of net debt in relation to EBITDA on rolling twelve–months basis) and a covenant on *interest cover* (ratio of finance charges in relation to EBITDA on rolling twelve month basis). The definition of leverage in the loan agreement is different from the definition used when calculating the Group's financial targets. Scandi Standard complied with its covenants at the end of 2016.

Note 20 Financial instruments and financial risk management

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

CURRENCY RISK

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

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

Transaction exposure

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

Distribution of trade receivables by currency

MSEK	Dec 31, 2016	Dec 31, 2015
SEK	116.2	82.2
DKK	95.1	88.5
NOK	67.1	71.7
EUR	104.6	56.7
Other currencies	17.2	9.2
Total	**400.2**	**308.3**

Distribution of trade payables by currency

MSEK	Dec 31, 2016	Dec 31, 2015
SEK	185.2	147.2
DKK	75.6	95.6
NOK	112.6	69.6
EUR	100.7	40.1
Other currencies	1.4	0.0
Total	**475.5**	**352.5**

Translation exposure

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

If the Swedish krona weakened against other currencies by 10 percent, equity would decrease by MSEK –113.4 (–110.9), not taking into account the equity hedge. If the equity hedge is taken into account, equity would decrease by MSEK –21.4 (–18.1), all other things being equal.

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

Foreign-exchange sensitivity in transaction and translation exposure

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

If, on translation of operating income, the Swedish krona were to weaken against subsidiaries' currencies by 5 percent, this would have an adverse impact of MSEK –12.3 (–7.3) on operating income, all other things being equal. The impact is broken down as follows: DKK/SEK –7.9 (–7.0) MSEK and NOK/SEK –6.4 (–2.0) MSEK and EUR/SEK 2.0 (1.5) MSEK.

The calculation does not take into account any changes in prices and customer behavior caused by the exchange rate movements.

INTEREST RATE RISK

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

At December 31, 2016, the Group's outstanding liabilities to credit institutions, including outstanding interest rate swaps, had a weighted average fixed-rate period of 15 (32) months.

REFINANCING RISK, LIQUIDITY RISK AND PAYMENT CAPACITY

Refinancing risk is the risk that costs will be higher and opportunities for financing limited when loans and other credit arrangements are renewed. Liquidity risk is the risk that the Group will encounter difficulty in discharging payment obligations. Scandi Standard limits its refinancing risk by having a well-diversified group of counterparties and maturities for its loans. The weighted average maturity of loans with credit institutions at the end of the year was 5.0 (2.8) years.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity, thereby reducing the liquidity risk. Payment capacity, i.e. cash and cash equivalents and unused credit facilities, at December 31, 2016 was MSEK 307.0 (547.2).

Maturity structure of liabilities to credit institutions by currency 2016

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

Maturity structure of liabilities to credit institutions by currency 2015

MSEK	2016	2017	2018	2019	2020–	Total
EUR	0.1	0.1	0.1	0.1	60.2	60.6
DKK	27.4	257.4	27.4	177.4	–	489.6
NOK	32.3	262.3	32.3	182.3	–	509.2
SEK	27.4	257.4	27.4	177.4	–	489.6
Total	**87.2**	**777.2**	**87.2**	**537.2**	**60.2**	**1,549.0**
Of which interest	27.5	27.5	27.5	27.5	0.2	110.2

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

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

Maturity structure of derivative instruments, nominal amounts December 31, 2015

MSEK	2016	2017	2018	2019–	Fair value
Currency derivatives	54.2	–	–	–	–0.9
Interest rate derivatives	–	–	–	967.0	–13.6
Total	**54.2**	**–**	**–**	**967.0**	**–14.5**

CREDIT AND COUNTERPARTY RISK

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

Customer credit risk

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

VALUATION FINANCIAL LIABILITIES

An agreement of additional purchase where made when acquiring Sødam Øko Fjerkræslagteri Aps, with a maximum payment of MSEK 37.2 which is to be paid during the second half of 2016 to 2019. The amount is depending on the progress of operating income before depreciation and amortization (EBITDA) of the acquired operation. The first part of the additional payment was made during the second part of 2016 with MSEK 8.7. The remaining amount is assessed to be highest possible amount and is recognized as liability. There are also a call and put option providing the right to purchase the remaining 20 percent. The purchase price is depending on operating income before depreciation and amortization, and the amount will be MSEK 16.1 at the most. The amount is recognized as liability in the Group balance sheet

Financial assets and liabilities by measurement category December 31, 2016

December 31, 2016, MSEK	Loans and receivables	Financial assets at fair value through profit or loss	Derivatives used in hedge accounting	Other financial assets and liabilities	Total carrying amount	Measured at amortised cost[2]	Fair value by level[1]
ASSETS							
Other non-current financial assets							
Trade and other recievables	400.2	–	–	–	400.2	400.2	–
Current interest bearing receivables	–	–	–	–	–	–	–
Derivatives	–	–	0.4	–	0.4	–	0.4
Cash and cash equivalents	23.2	–	–	–	23.2	23.2	–
Total financial assets	**423.4**	**–**	**0.4**	**–**	**423.8**	**423.4**	**0.4**
LIABILITIES							
Non-current interest bearing liabilities	–	–	–	1,427.6	1,427.6	1,427.6	–
Other non-current liabilities	–	29.6	–	16.7	46.3	–	46.3 [3]
Derivatives	–	–	14.2	–	14.2	–	14.2
Current interest bearing liabilities	–	–	–	96.8	96.8	96.8	–
Trade and other payables	–	–	–	475.5	475.5	475.5	–
Total financial liabilities	**–**	**29.6**	**14.2**	**2,016.6**	**2,060.4**	**1,999.9**	**60.5**

Financial assets and liabilities by measurement category December 31, 2015

December 31, 2015, MSEK	Loans and receivables	Financial assets at fair value through profit or loss	Derivatives used in hedge accounting	Other financial liabilities	Total carrying amount	Measured at amortised cost[2]	Fair value by level[1]
ASSETS							Level 2
Other non-current financial assets	0.4	–	–	–	0.4	0.4	–
Trade and other recievables	308.2	–	–	–	308.2	308.2	–
Current interest bearing receivables	0.5	–	–	–	0.5	0.5	–
Cash and cash equivalents	142.7	–	–	–	142.7	142.7	–
Total financial assets	**451.8**	**–**	**–**	**–**	**451.8**	**451.8**	**–**
LIABILITIES							Level 2
Non-current interest bearing liabilities	–	0.5	13.1	1,381.3	1,394.9	1,381.3	13.6
Current interest bearing liabilities	–	–	–	60.9	60.9	60.9	–
Trade and other payables	–	–	0.9	350.6	351.5	350.6	0.9
Total financial liabilities	**–**	**0.5**	**14.0**	**1,792.8**	**1,807.3**	**1,792.8**	**14.5**

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

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

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

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

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

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

Note 21 Pensions

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

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

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

Defined benefit plans, MSEK	Dec 31, 2016	Dec 31, 2015
Funded plans		
Defined benefit obligations under Swedish PRI pensions-garanti plans	177.2	148.9
Fair value of plan assets	−159.4	−165.3
Total net value of funded plans	**17.8**	**−16.4**
Surplus in pension plan reported as asset		−16.4
Partially funded plan reported as liability	17.8	–
Unfunded plans		
Other unfunded obligations	1.9	1.7
Total unfunded plans	**1.9**	**1.7**
Provision for pensions, net value	**19.7**	**−14.6**

All defined benefit pension plans are in Sweden.

Pension cost in the income statement, MSEK	2016	2015
Defined benefit plans		
Incurred pension expense during the year	1.7	1.7
Interest income / expenses	0.6	−0.4
Cost of defined benefit plans	**2.3**	**1.3**
Cost of defined contribution plans	−74.3	−56.8
Total pension cost	**−72.0**	**−55.5**
The cost is recognised in the following lines in the income statement		
Employee benefits expenses, Note 5	−72.6	−55.1
Finance expenses, Note 8	0.6	−0.4
Total pension cost	*−72.0*	*−55.5*

Pension-related charges in other comprehensive income, MSEK	2016	2015
Defined benefit plans		
Return on plan assets in excess of what is recognised as interest income in the income statement	2.2	6.2
Experience based adjustment of obligation	2.5	2.0
Effect of changes in demographic assumptions	–	–
Effects of changes in financial assumptions	−33.2	17.4
Total actuarial gains (+) and losses (−)	**−28.5**	**25.6**
Tax in gain / loss	6.3	−6.0
Total recognised in other comprehensive income	**−22.2**	**19.6**

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Note 21 Pensions cont.

Changes in obligations, assets and net amount:

MSEK	December 31, 2016 Defined benefit obligations	Plan assets	Net	December 31, 2015 Defined benefit obligations	Plan assets	Net
Opening balance	150.5	–165.2	–14.7	175.7	–155.3	20.4
Service cost	–1.8	–	–1.8	–1.7	–	–1.7
Interest recognised in income statement	5.0	–5.6	–0.6	4.7	–4.3	0.4
Payment of pension benefits	–7.2	–	–7.2	–7.0	–	–7.0
Compensation received[1)]	–	13.6	13.6	–	0.6	0.6
Curtailments and settlements	–	–	–	–2.3	–	–1.9
Return in plan assets in excess of recognised interest	–	–2.2	–2.2	–	–6.2	– 6.2
Remeasurement of pension obligations recognised in other comprehensive income	30.7	–	30.7	–19.0	–	–19.0
Closing balance, pension liability	**177.2**	**–159.4**	**17.8**	**150.5**	**–165.2**	**–14.7**
Of which funded plans	–	–	–	–	–	–16.4
Of which unfunded plans	–	–	–	–	–	1.7

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

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

	2016 MSEK	2016 %	2015 MSEK	2015 %
Property	92.9	58.3	97.0	58.7
Fixed-interest investments	18.9	11.8	17.2	10.4
Structured products	2.6	1.6	5.0	3.0
Equity investments	33.7	21.1	35.4	21.4
Hedge funds	8.2	5.2	5.4	3.3
Cash and cash equivalents	3.1	2.0	5.2	3.2
Total	**159.4**	**100.0**	**165.2**	**100.0**

Equity investments are all listed equity.

Actuarial assumptions	**2016**	**2015**
Discount rate	2.20%	3.30%
Future pension increase	1.50%	1.50%
Inflation	1.50%	1.50%
Mortality table	DUS14	DUS14

A reduction of the discount rate by 0.25 percentage points would increase the pension obligation by MSEK 6.6 (5.5) while an increase would reduce the obligation by MSEK 6.3 (5.2). A change in the expected life span of one year would change the obligation by MSEK 6.9 (5.5). A change of the inflation rate of 0.25 percentage points would change the obligation by about MSEK 6.5 (5.5). The pension fund's return was 5 (6) percent and a change of 1 percentage point would change the value of plan assets by about MSEK 1.6 (1.5).

Funded plans cover to 56.7 (60) percent paid-up policy holders and to 43.3 (40) percent retired persons. Duration is 15.1 (14.4) years.

Expected payments under defined benefit pension plans in 2017 are MSEK 7.0.

For certain employees in Sweden insurance premiums are paid to Alecta under the ITP plan (individual supplementary pension). The plan is a multi employer defined benefit plan. Alecta is currently unable to disclose the information required to recognise the plans as a defined benefit pension plan. Consequently, pension plans under Alecta are recognised as defined contribution plans. MSEK 3.5 (3.7) of total pension cost of MSEK 72.0 (55.5) for defined contribution plans are related to Alecta premiums for ITP plans. Alecta may distribute its surplus to policy holders and/or the insured. At the end of the year, Alecta's surplus defined as collective funding ratio was 149 percent (153). The collective funding ratio reflects the market value of the Assets of Alecta as a percentage of its pension obligations, calculated with Alecta's Actuarial assumptions, which do not follow IAS19.

Note 22 Other provisions

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

Note 23 Trade payables and other current liabilities

MSEK	Dec 31, 2016	Dec 31, 2015
Trade payables	475.5	352.5
Operating liabilities to associates	–	–
Other current liabilities	100.9	138.1
Derivative instruments	–	0.9
Accruals and deferred income	199.5	161.5
Total	**775.9**	**653.0**

Accruals and deferred income

MSEK	2016	2015
Accrued personnel-related costs	131.3	113.9
Bonuses and discounts	20.7	14.3
Other accruals	36.8	27.4
Deferred income	10.7	5.9
Total	**199.5**	**161.5**

Note 24 Leases

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

Operating leases are mainly property leases, representing more than 90 percent reported minimum lease obligations.

Operating leases
Recognised cost of operating leases

MSEK	2016	2015
Minimum lease payments	71.9	64.5
Total	**71.9**	**64.5**

Future committed lease obligations are disclosed below.

Minimum lease payments due

MSEK	Dec 31, 2016	Dec 31, 2015
Within one year	64.3	56.4
Between one and five years	194.2	190.7
Beyond five years	120.8	126.9
Total	**379.3**	**374.0**

One company in the Group are tenants in properties owned by Lantmännen ek för. The annual rent for this amounted to MSEK 2.2 (1.6).

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

Recognised costs and payment of finance leases

MSEK	2016	2015
Minimum lease payments		
– reported as interest	0.1	0.3
– reported as repayment of liability	1.6	2.2
Total payments under finance leases	**1.7**	**2.5**

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

Future minimum lease payments by period

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

	Dec 31, 2015		
	Payment	Interest	Total charge
Within one year	0.9	0.2	1.1
Between one and five years	2.6	0.6	3.2
Total	**3.5**	**0.8**	**4.3**

Note 25 Related party transactions

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

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

Owner transactions

MSEK	2016	2015
Paid rentals to Lantmännen	2.2	1.6

Other related party transactions

MSEK	2016	2015
Intra-group purchases, share of total purchases, %	11.0	9.0
Intra-group sales, share of total sales, %	8.0	7.0
Purchases of goods and services from associates, MSEK	59.9	48.4
Sales of goods and services to associates, MSEK	7.1	38.0
Transfer of capital from pension fund, credited, MSEK	13.6	0.6

Note 26 Government grants

MSEK	2016	2015
Grants recognised as revenue	0.8	0.5
Total	**0.8**	**0.5**

Note 27 Acquired operations

During 2016, 80 percent of the business and assets of Sødam Øko Fjerkræslagteri Aps were acquired for a maximum of MDKK 48.0. Sødam is a danish producer of free-range and organic chicken. The acquisition was paid with MDKK 18.0 in cash and the remaining amount is payable to the sellers with partial payments during the period 2016-2019, where the amount is depending on the profitability progress of the company. MDKK 7.0 of the remaining amount was paid during the second half of 2016. The purchase agreement contains a call and put option providing the right to purchase remaining 20 percent of the company for MDKK 13.0. An assament has been made which concludes that it is likely that the option will be used and therfore a provision of the estimated payable amount is made and the company is consolidated to 100 percent in the Group balance sheet.

Aquired customer relationships has been valued to MDKK 14.4 and will be amortized over 8 years. MDKK 49.3 of the purchase price has been allocated to Goodwill with indefinite life, and will be tested for impairment within the cash generating unit Denmark.

The acquired operation contributed to the sales of the Group by MSEK 38.4 and on adjusted operating profit by MSEK 3.6. In addition about MSEK 0.7 of transaction and start-up costs have been charged to the profit and loss.

MSEK	2016 Sødam Øko Fjerkræslagteri Aps	2015 Huttulan Kukko
Acquisition price		
Cash payment	31.6	46.4
Deferred consideration, recognised liability	27.9	9.3
Liability related to the acquisition of minority	16.1	–
Total	**75.6**	**55.7**
Acquired assets and liabilities at fair value		
Other intangible assets	17.9	–
Deffered tax	–3.9	–
Property, plant and equipment	3.7	67.8
Inventories	0.5	10.2
Other current and non current assets	1.9	–
Other liabilities	–6.9	–
Net assets acquired, total	**13.1**	**78.0**
Cash and bank balances	1.4	–
Borrowing	–	–46.4
Net debt, acquired	**1.4**	**–46.4**
Goodwill	**61.0**	**24.1**
Total	**75.6**	**55.7**

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

MSEK	Sødam Øko Fjerkræslagteri Aps	Huttulan Kukko Oy
Cash impact from acquisition		
Cash paid for acquired companies	–22.3	–55.7
Cash and cash equivalents in acquired companies	1.4	–
Total	**–20.9**	**–55.7**

Note 28 Pledged assets and contingent liabilities

Pledged assets	For own liabilities	
MSEK	Dec 31, 2016	Dec 31, 2015
Real estate mortgages	63.4	60.5
Total	**63.4**	**60.5**

Contingent liabilities

MSEK	Dec 31, 2016	Dec 31, 2015
Guarantee multicurrency credit facilitiy	2,200.0	1,500.0
Rent guarantee	1.2	31.7
Guarantees for contract broiler producers	–	17.6
Capital adequacy guarantee	–	–
Other contingent liabilities	12.2	17.1
Total	**2,213.4**	**1,566.4**

The parent company Scandi Standard AB (publ) has pledged a rental guarantee for Kronfågel AB. The annual rent amounts to MSEK 8.0. Scandi Standard AB (publ) also has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.9.

Note 29 Notes to the statement of cash flows

1) Paid finance items net, MSEK	2016	2015
Interest received	0.3	3.6
Interest paid	–46.1	–47.8
Other paid financial items	–13.5	–7.4
Total	**–59.3**	**–51.6**

2) Business combinations	2016	2015
Acquired assets and liabilities		
Property, plant and equipment	3.7	67.8
Intangible assets	75.0	24.1
Inventories	0.5	10.2
Trade and other receivables	1.9	–
Liabilities	–6.9	–
Cash and cash equivalents	1.4	–
	75.6	**102.1**
Operating liabilities	–	–
Additional consideration, recognized liability	–27.9	–
Provision for acquisition of minority	–16.1	–
Loans in acquired business combination	–	–46.4
Paid consideration	**31.6**	**55.7**
Cash and cash equivalents in acquired business combination	–1.4	–
Cash flow effect	**30.2**	**55.7**

3) Cash and cash equivalents, MSEK	2016	2015
Cash and bank deposits	23.2	142.7
Total	**23.2**	**142.7**

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

Note 30 Biological assets

MSEK	2016	2015
Balance at beginning of the period	38.7	36.2
Change to due to change of estimate	15.9	–
Change in number of hens	4.3	1.7
Change in revenue per hen	–5.6	5.9
Change in production cost	–4.3	–5.9
Other	–2.2	0.8
Balance at end of the period	**46.8**	**38.7**

The biological assets consists primarily of parent broiler stock that produces day-old chicks sold to contract broiler producers.

The lifespan of the parent broilers is about 60 weeks and the main source of revenue is sales of the day-old chicks that they produce. Each hen produces about 129 chicks between week 25 and week 60.

Production costs include direct and indirect costs such as feed, rent and energy used.

At the end of the year there were about 548 thousand (547) hens in stock with a total fair value less cost of sales of MSEK 46.8 (38.7).

Notes to the Parent Company financial statements

Note 31 Fees and reimbursements to auditors

MSEK	2016	2015
Öhrlings Pricewaterhouse-Coopers AB		
Annual audit	0.5	0.5
Total	**0.5**	**0.5**

Note 32 Pledged assets and contingent liabilities

MSEK	Dec 31, 2016	31 dec 2015
Contingent liabilities		
Guarantor long-term multicurrency credit facilities	2,200.0	1,500.0
Total	**2,200.0**	**1,500.0**

The parent company Scandi Standard AB (publ) has pledged a rental guarantee for Kronfågel AB. The annual rent amounts to MSEK 8.0. Scandi Standard AB (publ) also has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.9.

Note 33 Taxes

Tax on income for the period **MSEK**	**2016**	**2015**
Current tax expense (–) /tax income (+)		
Tax expense for the period	–	–
Total current tax	–	–
Deferred tax expense (–) /revenue (+)		
Deferred tax related to losses carried forward recognised during the period	0.0	–2.3
Total deferred tax	**0.0**	**–2.3**
Total recognised tax expense	**0.0**	**–2.3**

Changes in deferred tax asset

	2016		
MSEK	Amount at the beginning of the year	Recognised in the profit and loss	Amount at the end of the year
Losses carried forward	0.0	0.0	0.0
Total deferred tax asset	**0.0**	**0.0**	**0.0**

Loss carry forward

At the end of the year, the Parent Company had losses carry forward of MSEK 0.0 (10.6), all of which were taken into account in the computation of deferred tax.

All tax losses have indefinite lives.

	2016		2015	
Reconciliation of effective tax	**%**	**MSEK**	**%**	**MSEK**
Income before tax		–		14.5
Anticipated tax according to enacted Swedish tax rate	22.0	–	22.0	–3.2
Non-deductable expenses	–	–	–0.0	0.0
Group contribution paid	–	–	–6.0	0.9
Recognised effective tax	**–**	**–**	**–16.0**	**–2.3**

Note 34 Investments in subsidiaries

MSEK	2016	2015
Accumulated cost of acquisition	532.7	532.7
Carrying amount	**532.7**	**532.7**

MSEK	2016	2015
Balance at the beginning of the period	532.7	532.7
Carrying amount	**532.7**	**532.7**

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

Parent Company and Group holdings of interests in Group companies, December 31, 2016
The table includes directly-owned subsidiaries and indirectly-owned companies.

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

Note 35 Financial instruments

MSEK	Dec 31, 2016	Dec 31, 2015
Loans and receivables		
Non-current interest-bearing receivables from subsidiaries	358.7	358.7
Total	**358.7**	**358.7**
Financial liabilities measured at amortised cost		
Liabilities to subsidiaries	231.0	109.3
Total	**231.0**	**109.3**

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

Note 36 Proposed appropriation of earnings

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

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

SEK	
Share premium reserve	702,724,690
Accumulated deficit	–42,953,579
Income for the year	0
Total	**659,771,111**
Dividend to shareholders of SEK 1.35 per share	80,186,325
To be carried forward	579,584,786
Total	**659,771,111**

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

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

	SEK
Share premium reserve	702,724,690
Accumulated deficit	–42,953,579
Income for the year	0
Total	**659,771,111**

	SEK
Dividend to shareholders of SEK 1.35 per share	80,186,325
To be carried forward	579,584,786
Total	**659,771,111**

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

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

Stockholm, 29 March 2017

Per Harkjær
Chairman of the Board

Ulf Gundemark
Board member

Samir Kamal
Board member

Michael Parker
Board member

Harald Pousette
Board member

Asbjørn Reinkind
Board member

Karsten Slotte
Board member

Heléne Vibbleus
Board member

Leif Bergvall Hansen
Managing Director and CEO

The Group's and Parent Company's annual financial statements will be presented for adoption by the Annual General Meeting on 25 April 2017.

Our audit report was submitted on 29 March 2017
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

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

Auditor's report

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

Report on the audit of the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Scandi Standard AB for the year 2016. The annual accounts and consolidated accounts of the company are included in on pages 35–78 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for opinion

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

Our audit approach

Scope of the audit

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

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

The financial statements of the Group consists of 14 reporting units operating in four countries in the Nordic region. The operations are managed and monitored through the business per country – Sweden, Denmark, Norway and Finland. We have therefore scoped our audit procedures for the reporting units within each country, taking into account the control environment and business processes at the individual reporting unit level but also by assessing business performance reviews and Group management oversight and follow-up activities on each entity.

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

The group consolidation, financial statement disclosures and a number of complex transactions, and Swedish entities were audited by the Group engagement team. These procedures include impairment test of goodwill and other intangible assets with indefinite life, long-term incentive program for management, business combinations and pension obligations. The entities in scope for the Group audit procedures represent approximately 90 percentage of Group net sales.

Our audit is carried out continuously during the year. For the interim report covering the period January 1, 2016 to September 30, 2016, we issue a public limited review report. In connection with the issuance of the interim reports for the third quarter and year-end, we report our observations to Group management and the Audit Committee. At year-end, we also report our main observations to the entire Board of Directors.

Materiality

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

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

Key Audit Matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GOODWILL IMPAIRMENT TEST AND INTANGIBLE ASSETS WITH INDEFINITE LIFE *Refer to the Annual Report Note 6 - Amortization and Impairment of Intangible Assets and Note 12 - Intangible Assets.* The carrying value of goodwill amounts to SEK 703.8 million as of December 31, 2016. Intangible assets with indefinite life comprise various brand names acquired in Sweden, Denmark and Norway. The carrying value of brands with indefinite life amounts to SEK 323.6 million as of December 31, 2016. Goodwill and brands are significant intangible assets in the consolidated balance sheet. During the year operations in Finland was negatively impacted by inefficiencies and bottle necks in the production and Denmark was negatively impacted by a weak market environment. Therefore, it has been especially important for management to assess if the carrying value of goodwill and brand names can be supported taking into consideration the future cash flows related to the Finnish and Danish operations. The carrying value of goodwill for Denmark amounts to SEK 190.6 million and for Finland to SEK 27.5 million as at December 31, 2016. The carrying value of brand names for Denmark amounts to SEK 82.7 million. No impairment charge has been recognised against goodwill or brand names with indefinite life in 2016.	In our audit we have performed a number of audit procedures in order to verify that the goodwill impairment tests are prepared based on generally accepted methods, mathematical correct and based on reasonable assumptions regarding future cash flows, growth rates and discount rates. Our audit procedures have included a review of the budget and forecasts of future cash flows used by management. We have verified that assumptions used in the forecast are in line with management's strategic plans and intentions. We have also assessed the company's analysis of the sensitivity in the valuation around changes in significant parameters that could imply an impairment situation.
VALUATION OF INVENTORIES *Refer to Annual Report Note 15 Inventories.* Inventory of frozen chicken and processed products is held at a few locations in the Group and amounts to SEK 603.2 million as at December 31, 2016. Inventory is a significant asset in the consolidated balance sheet. It is arduous to perform accurate accounting and recognition of the acquisition cost for the reason that the manufacturing process includes a large variety of products. Production calculations require a number of judgments necessary by management that have consequences to the inventory values recognised. Accurate inventory valuation, including making proper write-downs when necessary, is therefore a significant area in our audit. As a result of price changes with respect to certain articles on the markets in Sweden, Denmark and Finland and the situation during the winter of 2016 with bird flu and the subsequent ban on export from Denmark a write-down in the amount of SEK 15.6 million on the inventory of finished goods was recognised related to Sweden, Denmark and Finland.	Our audit included an assessment of the Group's accounting policy for provision of obsolescence, analytical procedures and inquiries with controllers and detailed tests of significant inventory accounts. We have tested the design and effectiveness of the methods applied in determining product calculations for finished goods, for inward and outward deliveries from the inventory, and as regards the monitoring undertaken to ensure that stock-taking takes place at all inventory sites and that inventory differences are investigated. We have performed price tests of the inventory stock of frozen chicken products. We have walked through management's monitoring controls of slow moving items and management's assessment of obsolescence. We have participated in stock-takings and performed our own control stock-takings to verify existence and test obsolescence. Our group audit procedures at year-end focused on assessing the remaining risk of write-downs and evaluate management's assessment for write-downs made. Scandi Standard's inventory amounted to SEK 603.2 million at year end of which SEK 106.6 million were recognised at net selling value.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–34 and pages 83–87 and page 100. The Board of Directors and Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's Responsibilities

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have audited the administration of the Board of Directors and Managing Director of Scandi Standard AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under to those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of dividend, this include an assessment of whether the dividend is justifiable consideration the requirements which the company's and the group's type of operations, and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation of the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage ongoing administration according to the Board of Directors' guidelines and instructions and for among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibilities

Our objective concerning the audit of the administration and, thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any Board member of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and, thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Stockholm, 29 March 2017
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

Four year summary

MSEK, unless otherwise stated	2016	2015	2014	Pro forma 2013
Net sales	5,967.4	5,422.9	5,267.2	5,192.4
EBITDA	438.2	445.4	407.7	324.7
Operating income	238.2	259.5	238.5	162.9
Income for the period	131.4	163.9	56.1	−30.0
EPS, SEK	2.21	2.73	1.02	−0.67
Adjusted EBITDA[1)]	451.6	477.4	470.2	479.0
Adjusted EBITDA-marginl[1)], %	7.6	8.8	8.9	9.2
Adjusted operating income[1)]	251.6	291.5	301.0	317.2
Adjusted operating margin[1)], %	4.2	5.4	5.7	6.1
Adjusted income after finance net[1,2)]	180.3	247.5	189.8	166.3
Adjusted income for the period [1,2,3)]	141.9	188.7	145.1	89.2
Adjusted EPS [1,2,3)], SEK	2.38	3.15	2.63	1.78
Dividend, SEK	1.35[4)]	1.80	1.30	–
Adjusted operating cash flow	126.1	324.2	438.1	176.1
Capital expenditure	265.4	206.5	141.3	89.7
Adjusted return on operating capital (ROC)[1)], %	10.6	12.9	13.6	–
Adjusted return on capital employed (ROCE)[1)], %	10.3	12.7	12.9	–
Net debt/Adjusted EBITDA	3.4	2.8	3.0	3.3
Equity to assets ratio, %	27.8	29.4	28.6	13.3
Average number of employees	1,680	1,670	1,660	1,677

1-3) See table to the right.
4) Proposed by the Board.

Non-comparable items in EBITDA and operating income	2016	2015	2014	Pro forma 2013
Staff reduction costs[a)]	−4.5	–	–	–
Write down of inventory[b)]	−6.7	–	–	–
Financial support to associated company [d)]	–	−7.0	–	–
Transaction costs[c)]	−2.2	−25.0	−2.3	−150.8
IPO costs[e)]	–	–	−36.5	–
Transition costs[f)]	–	–	−13.9	−9.7
Monitoring fees[g)]	–	–	−5.8	−1.8
Pension revaluation[h)]	–	–	−4.0	8.0
1) Total	**−13.4**	**−32.0**	**−62.5**	**−154.3**
Non-comparable items in finance net and tax effects				
2) Refinancing			−51.0	–
3) Tax effect on adjustments	2.9	7.2	24.5	35.1
Non-comparable items in income for the period	**−10.5**	**−24.8**	**−89.0**	**−119.2**

a) Staff reduction costs in Denmark, i.e salaries during notice period.
b) Write down of inventory in Denmark.
c) Costs for completed and non-completed acqusitions, as well as costs related to the formation of the Scandi Standard Group.
d) Financial support to associated company Farmfood A/S.
e) Non-reccuring costs related to the IPO in June 2014.
f) Transition costs related to the carve-out of the Swedish and Danish operations from Lantmännen, e.g. IS/IT-costs.
g) Monitoring fees charged by the former owners, which ceased at the time of the IPO.
h) Pension revaluation related to the closure of the defined benefit plan.

Segment information by quarter

Group MSEK	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	Full year 2016[1]	Full year 2015[1]
Net sales	1,386.3	1,309.6	1,503.5	1,341.3	1,569.9	1,396.1	1,507.6	1,376.0	5,967.4	5,422.9
Adjusted operating income	68.3	67.6	74.3	77.0	76.1	71.7	32.9	68.1	251.6	291.5
Adjusted operating margin, %	4.9	5.2	4.9	5.7	4.8	5.1	2.2	5.0	5.9	5.4
Adjustments to operating income	–1.1	–	–	–4.2	–0.7	–0.3	–11.6	–20.5	–13.4	–32.0
Operating income	67.2	67.6	74.3	72.8	75.4	71.4	21.3	47.6	238.2	259.5

Sweden MSEK	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	Full year 2016[1]	Full year 2015[1]
Net sales	563.9	530.9	618.6	564.4	625.4	572.5	583.9	571.5	2,391.9	2,231.1
Adjusted operating income	43.7	33.0	51.8	46.7	51.0	39.2	27.5	37.5	174.0	156.4
Adjusted operating margin, %	7.7	6.2	8.4	8.4	8.2	6.9	4.7	6.6	7.3	7.2
Adjustments to operating income	–1.1	–	–	–	–	–0.3	–	–5.0	–1.1	–5.3
Operating income	42.5	33.0	51.8	46.7	51.0	38.9	27.5	32.5	172.9	151.1

Denmark MSEK	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	Full year 2016[1]	Full year 2015[1]
Net sales	548.8	584.8	596.3	570.5	636.7	589.1	550.2	539.2	2,320.0	2,283.7
Adjusted operating income	28.7	32.8	21.8	35.4	30.4	38.0	13.6	34.2	94.5	140.4
Adjusted operating margin	5.2	5.6	3.7	6.2	4.8	6.5	2.4	6.3	4.1	6.3
Adjustments to operating income	–	–	–	–	–0.7	–	–11.2	–4.4	–11.9	–4.4
Operating income	28.7	32.8	21.8	35.4	29.7	38.0	2.4	29.8	82.6	136.0

Norway MSEK	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	Full year 2016[1]	Full year 2015[1]
Net sales	331.9	275.7	313.0	280.4	360.7	300.5	388.1	321.8	1,433.7	1,178.3
Adjusted operating income	20.1	13.2	26.1	9.6	20.9	16.0	27.8	21.6	94.9	60.3
Adjusted operating margin, %	6.1	4.8	7.4	3.4	5.8	5.3	7.2	6.7	6.6	5.1
Adjustments to operating income	–	–	–	–	–	–	–	–4.4	–	–4.4
Operating income	20.1	13.2	26.1	9.6	20.9	16.0	27.8	17.2	94.9	56.0

Finland MSEK	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	Full year 2016[1]	Full year 2015[1]
Net sales	20.7	–	34.0	8.2	47.2	19.6	70.8	15.9	172.7	43.7
Adjusted operating income	–9.2	–	–11.7	–3.4	–11.1	–8.9	–20.4	–11.7	–52.4	–24.1
Adjusted operating margin, %	–44.6	–	–34.4	–41.5	–23.5	–45.7	–28.8	–73.6	–30.3	–55.1
Adjustments to operating income	–	–	–	–4.2	–	1.5	–	–6.3	–	–9.0
Operating income	–9.2	–	–11.7	–7.6	–11.1	–7.4	–20.4	–18.1	–52.4	–33.1

[1] For a description of adjustments, see page 35–36.

Alternative KPIs

Calculations and reconciliation to financial statements

From income statement, MSEK		2016	2015
Net sales	A	5,967.4	5,422.9
Income for the period	B	131.4	163.9
+ Income tax expense		35.5	51.6
Income after finance net	**C**	**166.9**	**215.5**
+Financial income and expenses, net		71.3	44.0
Operating income	**D**	**238.2**	**259.5**
+Depreciation, amortization and impairment		201.3	187.2
+Share of income of associates		−1.3	−1.3
EBITDA	**E**	**438.2**	**445.4**
Non-comparable items in income for the period	F	10.5	24.8
Adjusted income for the period	**B+F**	**141.9**	**188.7**
Non-comparable items in income after finance net	G	13.4	32.0
Adjusted income after finance net	**C+G**	**177.4**	**247.5**
Non-comparable items in operating income	G	13.4	32.0
Adjusted operating income	**D+G**	**251.6**	**291.5**
Adjusted operating margin	**(D+G)/A**	**4.2%**	**5.4%**
Non-comparable items in EBITDA	G	13.4	32.0
Adjusted EBITDA	**E+G**	**451.6**	**477.4**
Adjusted EBITDA-margin %	**(E+G)/A**	**7.6%**	**8.8%**

From balance sheet, MSEK		31 dec 2016	31 dec 2015
Total assets		**3,496.9**	**3,143.8**
Non-current non interest bearing liabilities			
- Deferred tax liabilities		−109.3	−86.0
- Other non-current liabilities		−46.3	–
Total non-current interest bearing liabilites		**−155.6**	**−86.0**
Current non interest bearing liabilities			
Trade payables		−475.5	−352.5
Tax payables		−35.1	−20.5
Other current liabilities		−100.9	−138.1
Accrued expenses and prepaid income		−199.5	−161.5
Total current non interest bearing liabilities		**−811.0**	**−672.6**
Capital employed		**2,530.3**	**2,385.2**
Cash and cash equivalents		−23.2	−142.7
Operating capital		**2,507.1**	**2,242.5**
Average capital empoyed	**H**	**2,457.8**	**2,395.5**
Average operating capital	**I**	**2,374.8**	**2,279.3**
Operating income, LTM		238.2	285.3
Adjusted operating income, LTM	J	251.6	295.9
Finance income	K	1.2	5.3
Adjusted return on capital employed	**(J+K)/H**	**10.3%**	**12.6%**
Adjusted return on operating capital	**J/I**	**10.6%**	**13.0%**

From balance sheet, MSEK	31 dec 2016	31 dec 2015
Interest bearing liabitities		
Non-current interest bearing liabilities	1,367.6	1,381.3
Derivates	14.2	13.6
Current interest bearing liabilities	156.8	60.9
Total interest bearing liabilities	1,538.6	1,455.8
Cash and cash equivalents	−23.2	−142.7
Net interest bearing debt	**1,515.4**	**1,313.1**

From statement of cash flows, MSEK		2016	2015
Operating activities			
Operating income		238.2	259.5
Adjustment for non-cash items			
Depreciation, amortization and impairment		201.3	187.2
Share of income of associates		−1.3	−1.3
EBITDA		**438.2**	**445.4**
Non-comparable items in EBITDA	G	13.4	32.0
Justerad EBITDA		**451.6**	**477.4**

Definitions

EBIT
Operating income.

- ***Adjusted EBIT***
  Operating income adjusted for non-recurring items.
- ***EBIT margin***
  Operating income (EBIT) as percent of net sales.
- ***Adjusted EBIT margin***
  Adjusted operating income (adjusted EBIT) as percent of net sales.

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

- ***Adjusted EBITDA***
  Adjusted operating income before depreciation, amortization and impairment and share of income of associates.
- ***EBITDA margin***
  EBITDA as percent of net sales.
- ***Adjusted EBITDA-margin***
  Adjusted EBITDA as a percentage of net sales.

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

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

Adjusted operating margin
Operating income adjusted for non-comparable items assessed by Group Management, as a percentage of net sales.

Adjusted operating cash flow
Cash flow adjusted for non-comparable items assessed by Group Management.

Adjusted income after financial net
Income after financial net adjusted for non-comparable items assessed by Group Management.

Adjusted income for the period
Income for the period adjusted for non-comparable items assessed by Group Management.

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

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

Raw materials and consumables
Costs of raw materials and other consumables include the purchase costs of live chicken and other raw materials such as packaging etc.

Net sales
Net sales is gross sales less sales discounts and joint marketing allowances.

Production costs
Production costs include direct and indirect personnel costs related to production and other production-related costs.

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

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

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

Other operating expenses
Other operating expenses include marketing, Group personnel and other administrative costs.

Other operating revenues
Other operating revenue is revenue not related to sales of chicken, such as rent of excess land/ buildings to other uses and payment by non-employees for use of the Company's canteens.

Corporate governance report

Corporate governance within Scandi Standard aims to promote sustainable value creation for shareholders by means of profitable growth based on a sound corporate culture where business opportunities are utilised within the framework of good risk control. This corporate governance report, which is a part of the Annual Report for 2016, has been prepared by the Board of Directors and has been examined by Scandi Standard's auditor. No deviations from the Swedish Corporate Governance Code are reported.

Scandi Standard AB (publ) (Scandi Standard or the Company) is a Swedish Public Limited Liability Company with its registered office in Stockholm and its shares listed on Nasdaq Stockholm. The governance of Scandi Standard is based on both external laws and regulations as well as internal steering documents. Responsibility for management and control of the Company is distributed between the shareholders at the general meetings, the Board of Directors with appointed committees, and the Managing Director, pursuant to applicable laws and regulations, Scandi Standard's Articles of Association, as well as internal codes, policies, instructions and manuals etc.

Share capital and shareholders

At year-end 2016, the share capital amounted to SEK 599,749, represented by 60,060,890 shares with a quota value of SEK 0.009986 per share. Each share carries one vote. All shares have equal rights to Scandi Standard's assets and profits. The total number of shareholders at year-end was 8,501. Approximately 34 percent of the share capital was owned by foreigners.

At year-end no shareholder had a holding in excess of 10.0 per cent of the share capital. For more information on the share and shareholders, see pages 32–33.

General Meetings of shareholders

The General Meeting of shareholders is Scandi Standard's highest decision-making body through which shareholders exercise their rights to make decisions on Scandi Standard's affairs. There are no restrictions on the shareholders' rights in the Articles of Association or, as far as the company is aware of, in any shareholder agreements.

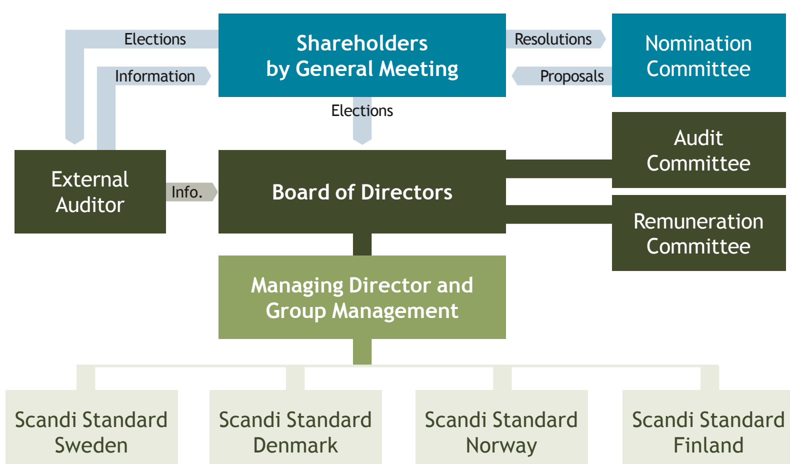
The Annual General Meeting (AGM) in Scandi Standard shall be held in Stockholm, Sweden, within six months from the end of the financial year. Besides the AGM, extraordinary General Meetings may be convened.

Participation in the decision-making at the General Meetings requires the shareholder's presence at the meeting, either in person or through proxy.

In addition, the shareholders must be registered directly in the share register kept by Euroclear five business days prior to the General Meeting, and must provide notice of participation at the latest by the date specified in the notice convening the General Meeting.

Shareholders who wish to have a matter considered at the General Meeting must submit a written request in that regard to the Board of Directors, at least seven weeks prior to the General Meeting, by email to; corporategovernance@scandistandard.com.

GOVERNANCE STRUCTURE



Major external laws and regulations
- Swedish Companies Act.
- Swedish Annual Accounts Act.
- Nasdaq Stockhom Rule Book for Issuers.
- Swedish Corporate Governance Code.
- Other Swedish and foreign laws and regulations.

Major internal steering documents
- Articles of Association.
- Procedure for the Board of Directors, Instruction for the Managing Director, Instruction regarding financial reporting etc.
- Code of Conduct.
- Polices, instructions, manuals etc.

Annual General Meeting 2016

The AGM 2016 was held in Stockholm, Sweden, on April 25. Decisions by the AGM included among other:

- Changes in the Instruction for the Nomination Committee.
- Re-election of Ulf Gundemark, Per Harkjaer, Michael Parker, Asbjørn Reinkind, Karsten Slotte and Heléne Vibbleus and and new election of Samir Kamal and Harald Pousette as Board members.
- Re-election of Per Harkjaer as Chairman of the Board.
- Total fees to the Board for the period until the next AGM should amount to SEK 2,805,000, of which SEK 550,000 to the Chairman of the Board, SEK 275,000 each to the seven other Board members, SEK 130,000 to the Chairman of the Audit Committee and SEK 50,000 each to the other two members of this Committee, and SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 each to the other two members of this Committee.
- Re-election of Öhrlings PricewaterhouseCoopers AB as Scandi Standard's external auditor until the end of the AGM 2017.
- Approval of Guidelines for remuneration for senior management, long-term incentive program 2016 (LTIP 2016) and authorization for the Board of Directors to acquire and transfer own shares to hedge the commitments under LTIP 2016 on the conditions set forth in the AGM 2016 minutes, available at http://investors.scandistandard.com/en/previous-general-meetings.

Annual General Meeting 2017

The AGM 2017 will be held on April 25 at 1 pm.

For more information regarding the AGM, see page 100 and http://investors.scandistandard.com/en/agm.

Nomination Committee

The Nomination Committee represents Scandi Standard's shareholders and proposes Chairman of the AGM, Chairman of the Board and other Board members, and when applicable external auditor. In addition, the Nomination Committee proposes fees to the Chairman of the Board and to other non-employed Board members and, when applicable, to the external auditor.

The AGM 2016 decided on certain amendments to the Instruction for the Nomination Committee which is available in its entirety on the Company's website. In accordance with this instruction, the Nomination Committee shall consist of no less than four members. One of these members shall be the Chairman of the Board or a Board member nominated by the Chairman of the Board. Based on the shareholding statistics as per the last bank day of August following the AGM, the Nomination Committee shall identify the four largest shareholders in the Company in terms of number of votes and urge them to elect the person which each shareholder wishes to appoint as member of the Nomination Committee. The proposals of the Nomination Committee to the AGM are publicly announced no later than on the date of notification of the AGM.

Nomination Committee for the AGM 2017

The names of the members of the Nomination Committee were announced in a press release on 13 September 2016.

MATTERS TO BE RESOLVED BY THE AGM:

- Adoption of the Annual Report and the Consolidated Financial Statements.
- Dividend.
- Discharge of liability for the Board members and the Managing Director.
- Election of Chairman of the Board, other Board members and external auditor.
- Fees to the Chairman of the Board, other non-employed Board members and the external auditor.
- Guidelines for remuneration of senior management.
- Long-term incentive program (LTIP).
- Authorization for the Board to acquire and transfer own shares to hedge commitments under LTIP.
- Other matters in accordance with the Swedish Companies Act.

The Nomination Committee consists of the following 5 members:

- Per Harkjaer, Chairman of the Board of Directors of Scandi Standard.
- Hans Hedström, representing Carnegie Funds.
- Gustav Lindner, representing Investment AB Öresund.
- Ulf Zenk, representing Lantmännen Kycklinginvest AB.
- Knut Pousette, representing Kvalitena.

The full proposal by the Nomination Committee can be found on Scandi Standard's website at http://investors.scandistandard.com/en/agm.

Shareholders who wish to submit proposals to the Nomination Committee should send an email to corporategovernance@scandistandard.com.

Board of Directors

According to Scandi Standard's Articles of Association, the Board of Directors shall consist of not less than 3 and not more than 8 members, without deputy members. The AGM elects the Board members and the Chairman of the Board.

In 2016, Scandi Standard's Board comprised eight ordinary members, elected by the AGM 2016, with no deputies and no employee representatives. All members are non-executive members. For more information on the Board of Directors, see pages 96–97.

In addition to the inaugural Board meeting held in conjunction with the AGM, the Board shall meet at least 6 times a year.

Independence

The Board is considered to be in compliance with the independence requirements of the Swedish Corporate Governance Code in that the majority of the Board members are independent of Scandi Standard and its management and at least two of these Board members also are independent of Scandi Standard's major shareholders. See the table on page 90.

The Board's tasks and responsibilities

The Board of Directors is responsible for the organisation and management of Scandi Standard's affairs. The Board's responsibility and work is governed by laws, regulations and internal steering documents, including the Procedure for the Board of Directors. In addition, the General Meeting can provide instructions.

The Procedure for the Board of Directors describes the Board's tasks and responsibilities, the work of the Board including responsibility for the Chairman and responsibilities delegated to Committees appointed by the Board, Board meetings as well as information and reporting to the Board. The Procedure is reviewed annually.

The Board has established an instruction for the Managing Director, including among other things specifications of issues requiring the Board's approval and an instruction regarding financial reporting to the Board.

BOARD TASKS AND RESPONSIBILITIES INCLUDE:

- Establish the overall objectives and strategy.
- Decisions on investments, incl. acquisitions, divestments and financing arrangements in accordance with set approval procedures.
- Appoint, evaluate and, if necessary, dismiss the Managing Director.
- Ensure an effective system for follow-up and control of the Company's operations and the financial result and situation, and associated risks.
- Ensure that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations, as well as the application of internal steering documents.
- Define necessary internal steering documents incl. the Code of Conduct
- Ensure that the external communication is characterized by openness and is accurate, reliable and relevant in e.g. interim reports, annual reports and other reports.
- Approval of interim reports and annual reports.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work with the aim of developing the Board's working methods and efficiency. The evaluation is performed annually and the results are communicated to the Board and reported to the Nomination Committee. In 2016, the Chairman procured an external evaluation of the Board's work, which was communicated to the Board and reported to the Nomination Committee.

Board activities in 2016

In 2016, the Board held 15 meetings, of which six were held by telephone and three per capsulam. During the year the Board addressed, among other things, strategic issues regarding market, operations, purchasing, innovation, investments, acquisitions and financing. A decision was taken to arrange new financing for the Group. One Board meeting was held in connection with a visit to the recently established operation in Finland. For important matters addressed by the Board in 2016, see page 91.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making authority to the committees on specific matters. The Committees are subordinated to the Board and do not discharge the Board members from their commitment and general responsibility as Board members. The issues considered at the Committee meetings shall be recorded in minutes which normally shall be presented to the Board at the next Board meeting.

Audit Committee

The main task of the Audit Committee is to monitor Scandi Standard's financial reporting and in respect thereof monitor the effectiveness of the Company's internal control, internal audit and risk management, but also to monitor the effectiveness of internal control in general for the business activities. The task also includes to keep itself informed regarding the external audit of the annual report and consolidated financial statements.

BOARD OF DIRECTORS

				Attendance 2016				
Name		Nationality	Independence[1]	Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Authorized fees, SEK[3]	Shareholdings no. of shares[4]
Per Harkjaer	Chairman Committee Chairman	Danish	Yes/Yes	15/15		4/4	600,000	68,496
Ulf Gundemark	Committee member	Swedish	Yes/No	14/15	7/7	4/4	350,000	31,779
Samir Kamal	Committee member	Swedish	Yes/Yes	9/9[2]		1/1[2]	300,000	4,000
Michael Parker		British	Yes/Yes	14/15			275,000	16,000
Harald Pousette	Committee member	Swedish	Yes/No	8/9[2]	4/4[2]		325,000	0
Asbjørn Reinkind		Norwegian	Yes/Yes	15/15			275,000	0
Karsten Slotte		Finnish	Yes/Yes	15/15			275,000	13,698
Heléne Vibbleus	Committee Chairman	Swedish	Yes/Yes	15/15	7/7		405,000	6,250
Total				**15**	**7**	**4**	**2,805,000**	**140,223**

1) Refers to independence in relation to the Company and its management, and to major shareholders respectively.

2) Elected in April 2016.

3) Fees exclude travel allowances.

4) As of December 31, 2016.

The Audit Committee is also tasked to review and monitor the impartiality and independence of the external auditor and to assist in preparation of the proposal to the General Meeting regarding election of the external auditor.

The Audit Committee of Scandi Standard shall comprise no fewer than 3 Board members. The majority of the members shall be independent of Scandi Standard and its executive management. At least one of the members who are independent of Scandi Standard and its executive management shall also be independent of Scandi Standard's major shareholders. At least one of the independent members must have accounting or auditing proficiency.

The Audit Committee in 2016 comprised the 3 Board members, Heléne Vibbleus (Chairman), Ulf Gundemark and Harald Pousette. The Company's CFO, chief accountant and the external auditor attend meetings with the Audit Committee. In 2016, the Audit Committee held 7 meetings. The work was largely focused on critical accounting issues, the Annual Report 2015, the fourth quarter and year-end report 2015 and the interim reports 2016, as well as review of internal steering documents. The work initiated by the Audit Committee in 2015, which resulted in a plan for the continued work on strengthening the internal control, continued during the year and a number of internal audits were conducted including the process for financial reporting and the process for revenue recognition.

Remuneration Committee

The main task of the Remuneration Committee is to prepare the Board's decisions on issues concerning guidelines for remuneration, remuneration and other terms of employment for executive management. The main task is also to monitor and evaluate both ongoing and completed programs during the year for variable remuneration for executive management and to monitor and evaluate the application of the guidelines for remuneration that the AGM has established as well as the current remuneration structures and levels in Scandi Standard.

The Remuneration Committee of Scandi Standard shall comprise 3 Board members. The Chairman of the Board may chair the Committee. The other members are to be independent of Scandi Standard and its executive management.

BOARD MEETINGS 2016

The illustration below shows important matters dealt with by the Board in 2016. In addition, standing items on the agenda for ordinary Board meetings include a financial and operational review, a review of capital expenditure projects and reports from the Committees.

November

Telephone meeting
- Report from Audit Committee.
- Approval of Q3 report.

Ordinary meeting
- Budget 2017.
- Update regarding bird flu.
- M&A update.
- Approval of updated internal steering documents.

December

Per capsulam approval of refinancing of the Group's loan facilities.

Phone meeting
- Budget 2017.
- M&A Update.

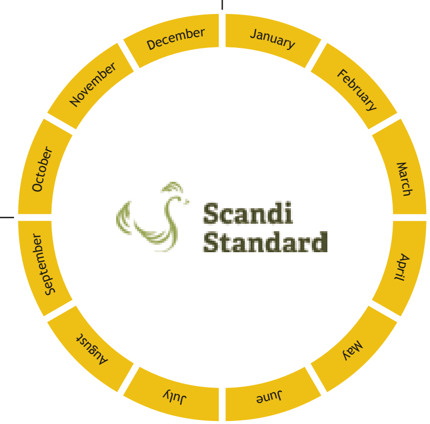
February

Telephone meeting
- Approval of acquisition.

Ordinary meeting
- Report from Audit Committee.
- Report from external auditor.
- Dividend proposal.
- Approval of Q4 and year-end report 2015.
- Report from Remuneration Committee.
- Approval of updated internal steering documents.
- AGM matters.

October

Ordinary meeting
- M&A update.
- Plan for refinancing of the Group's loan facilities.
- Budget 2017.
- Report from Remuneration Committee.
- Evaluation of the Board and CEO.



March

Two telephone meetings
- Approval of agreement to rent an industrial property.
- Report from Audit Committee.
- Approval of the Annual Report 2015.
- Report from Remuneration Committee.
- Evaluation of the CEO.

April

AGM

Inaugural meeting
- Election of Audit Committee and Remuneration Committee members.
- Signatory powers.
- Approval of updated internal steering documents.
- Planning of Board meetings 2016/2017.

Ordinary meeting
- M&A update.
- Report from Remuneration Committee.
- Approval of bonus program for 2016.
- Approval of salary update for the CEO.

September

Per capsulam approval to acquire own shares.

August

Ordinary meeting at the operation in Finland.
- Update regarding Finland.
- Follow-up of the strategy seminar.
- Report from Audit Committee.
- Approval of Q2 report.
- M&A update.
- Approval of updated internal steering documents.

May

Phone meeting
- Report from Audit Committee.
- Approval of Q1 report.

June

Ordinary meeting
- Report from Audit Committee.
- Approval of updated internal steering documents.
- M&A update.
- Strategy seminar.

The Remuneration Committee in 2016 comprised the 3 Board members Per Harkjaer (Chairman), Ulf Gundemark and Samir Kamal.

In 2016, the Remuneration Committee held 4 meetings. Matters dealt with include salary review processes for remuneration to executive management, including bonus schemes, as well as preparation of proposal for a new long-term incentive program to be proposed to the AGM 2017.

Guidelines for remuneration for senior management

In this context, senior management means the Managing Director of the Compay and the executives in the Company and other Group companies, who from time to time, are reporting to the Managing Director or the CFO and who are also members of senior management, as well as members of the Board of Directors of Scandi Standard that has entered into an employment or consulting agreement.

Salaries and other terms and conditions of employment shall be sufficient for Scandi Standard to recruit and retain skilled senior managers at a reasonable cost to the Company. Remuneration shall be based on principles of performance, competitiveness and fairness and consist of a fixed salary, variable salary, pension and other benefits.

Every senior manager shall be offered fixed salary in line with market conditions based on responsibility, expertise and performance. Every senior manager may from time to time be offered variable salary (cash bonuses). The variable salary shall be based on achievement of a set of financial and personal objectives determined in advance by the Board. The variable salary may not amount to more than 75 percent of the fixed annual salary. Fixed annual salary means fixed cash salary earned during the year, excluding pension, supplements, benefits and similar.

To the extent a Board member performs work for Scandi Standard, in addition to the Board work, a market-based consulting fee may be paid.

In addition, the AGM may resolve on long-term incentive programs such as share and share-price related incentive programs. These incentive programs shall be intended to contribute to long-term value growth and provide a shared interest in value growth for shareholders and employees.

Agreements regarding pensions shall, where applicable, be premium based and shall be designed in accordance with the level and practice applicable in the country in which the member of senior management is employed.

Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for two years. The total severance payment shall be limited to the existing monthly salary for the remaining months up to the age of 65.

Remuneration and other terms of employment for all employees earning more than MSEK 2 per annum are approved by the Board.

The Board decides on remuneration principles for senior management based on guidelines for remuneration for senior management established by the AGM.

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

For information about salaries and remuneration for senior management, see Note 5.

External auditor

Scandi Standard's external auditor is Öhrling PricewaterhouseCoopers AB (PwC), elected at the 2016 AGM until the end of the AGM 2017. Bo Lagerström is Auditor in charge. Bo Lagerström was born in 1966 and has been authorized public accountant since 1997. He is also auditor in Intellecta, Crown Energy and Black Earth Farming and has previously been auditor in Niscayah, Rottneros and Toyota Industries Europe, among others. He has no involvement in companies related to the principal owners of Scandi Standard or with the management in Scandi Standard. For remuneration to the external auditor, see Note 7.

Internal control over financial reporting

The Board is responsible for internal control and risk management in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Below is the Board's report on internal control and risk management over financial reporting.

The description of Scandi Standard's system of internal control and risk management with regards to financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework comprises five components; the control environment, risk assessment, control activities, information and communication, and monitoring, as well as 17 fundamental principles related to the five components. The description below is limited to internal control and risk management over financial reporting.

Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in interim reports, full year reports and annual reports, and to ensure that external financial reporting is prepared in accordance with laws, accounting standards and other requirements applicable to listed companies.

Control environment

Internal control over financial reporting is based on the overall control environment.

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across Scandi Standard. The Board and Group Management establish the tone at the top regarding the importance of internal control including expected standards of conduct of the employees. This involves the integrity and ethical values, the parameters enabling the Board to carry out its oversight responsibilities, the organizational structure and assignment of responsibility and authority, the process for attracting, developing, and retaining competent employees, and the rigor around performance measures, incentives and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control and risk management for the financial reporting. This is communicated in the form of internal steering documents such as:

- Articles of Association
- Procedure for the Board of Directors
- Instruction for the Managing Director
- Instruction regarding financial reporting
- Code of Conduct
- Other policies, instructions and manuals.

The control environment is also based on applicable external laws and regulations.

The Board has established a Procedure for its work and the work of the Audit Committee and the Remuneration Committee. The main task of the Audit Committee is to monitor Scandi Standard's financial reporting, and, in respect thereof, monitor the effectiveness of the Company's internal control, internal audit, and risk management. The task also includes to keep itself informed regarding the external audit of the annual report and consolidated financial statements. The work of the Audit Committee during the year is described on page 90–91.

Responsibility for implementing the Board's internal steering documents regarding internal control and risk management over financial reporting, maintaining an effective control environment as well as the day-to-day work on internal control and risk management over financial reporting is delegated to the Managing Director. This responsibility is in turn delegated to managers within their specific areas of responsibility at various levels in the Company.

Responsibility and authority are defined by the Board in, among others, internal steering documents such as Instruction for the Managing Director stipulating resolutions that are subject to decision by the Board or the General Meeting of shareholders, Authority to sign for the Company and Delegated Authorities. The Board also approves, among others, the following internal steering documents; Instruction regarding financial reporting, Code of Conduct, Information Policy, Insider Policy, IT Security Policy, and Finance Policy. The Managing Director approves the Finance and Accounting Manual, which is available to all personnel in finance and accounting. Based on the Board's internal steering documents, the Managing Director, the CFO and other managers establish instructions and manuals to be implemented within their specific areas of responsibility.

These internal steering documents are reviewed and updated regularly with reference to for example changes in legislation, accounting standards, listing requirements and internal risk assessment.

The work to make the financial reporting process and the closing process more efficient continued during the year.

Risk assessment

A structured identification of major risks, including risks related to the financial reporting, was conducted in 2015 as a part of establishing a formalised and proactive process for risk management with clearly established roles and areas of responsibility. The process implies that risks related to the financial reporting should be identified, evaluated, managed and followed-up. The work done in 2015 resulted in a plan for the continued work on strengthening the internal control over the financial reporting with formalised and documented processes and internal controls functioning as intended. This in order to ensure that the Group effectively fulfils the purpose of internal control over the financial reporting.

Control activities

Risks over financial reporting are mitigated through control activities ensuring that the aim of internal control over financial reporting is met.

Control activities are performed at different levels of the Company and its processes including processes for financial reporting, closing, as well as the IT environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as approvals, verifications, reconciliations and monitoring of the business performance. Segregation of duties is typically built into the selection and development of control activities.

Information and communication

The Group maintains information and communication processes to ensure adequate internal financial reporting, for monitoring of business performance and for decision support, as well as for providing accurate, reliable and relevant external financial reporting to the financial markets.

Internal information and communication

The internal steering documents relevant to internal control over financial reporting are for instance Instructions regarding financial reporting, Information Policy, Finance Policy and Finance and Accounting Manual. The documents can be accessed on the Group's intranet by all relevant personnel.

The Group's CFO reports to the Audit Committee on the results, critical accounting issues and the quality of the financial reports at the Audit Committee meetings where the interim reports, full year report and annual report are dealt with. When reporting on the quality of the financial reports there is particular focus on any uncertainties in the valuation, changes in assumptions and estimates or unadjusted errors in the accounts, as well as events after the end of the accounting period, the quality of the closing process and the process for financial reporting.

The Chairman of the Audit Committee reports on the Committee's work to the Board in the form of observations, recommendations and proposed decisions at the Board meeting following the Committee meetings and in the form of minutes from the Audit Committee meetings that are submitted to the Board.

Internal financial reporting for monitoring of performance and for decision support is submitted to Group Management and the Board on a regular basis.

External information and communication

The Group's process for external information and communication aims at providing the financial markets with accurate, reliable and relevant information, which is characterised by openness, regarding the development of the Group and its financial results and financial position in a timely manner.

The Group has an information policy meeting the requirements of a listed company.

Financial information is issued regularly in the form of:

- Interim reports and full year report published as press releases.
- Annual report.
- Press releases on all matters that could materially affect the share price.
- Presentations and telephone conferences on the day of publication of interim reports and full year report that are also webcasted.
- Meetings with financial analysts and investors in Sweden and abroad.

Interim reports, full year reports and annual reports are available at Scandi Standard's website at www.scandistandard.com, as well as press releases, presentations and relevant internal steering documents.

Monitoring
Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations are performed day-to-day by management at different levels of the Group and separate evaluations are conducted as deemed necessary for instance by the Group's internal audit function.

Financial reporting
Financial data is reported every month by the reporting units, being a business unit operating within a subsidiary of the Parent Company, in accordance with the routine stipulated in the Finance and Accounting Manual. All consolidation of the Group's financial reports is centralised to the Group Finance function. All financial reports are stored in a central database from which data is retrieved for analysis and monitoring.

The work to make the financial reporting process as well as the closing process more efficient continued during the year.

Controller
Each business unit operating within a subsidiary of the Parent Company has a controller whose responsibilities include to ensure adequate internal control over financial reporting and to comply with the Group's internal steering documents such as the Finance and Accounting Manual. The responsibility also includes reporting complete, accurate and timely financial information to the Parent Company.

Country Managers
A Country Manager is appointed in each country where the Group operates subsidiaries of the Parent Company. The Country Manager's duties include to ensure adequate internal control over financial reporting and to comply with the Group's internal steering documents as well as to identify and report risks that can have an impact on the financial reporting and review the financial information for reasonableness.

Group Finance
The central Group Finance function is responsible for the consolidation of the Group's financial reports and to ensure adequate internal control over financial reporting and that the reporting by the business units and the Group are made in accordance with the Finance and Accounting Manual.

Group Management
Group Management, which includes the Managing Director, the CFO, the COO, the Director Group Live Operations and three Country Managers, receives sales figures and results indications on a weekly basis. Group Management holds video meetings every second week and meets once a month to review the monthly results, to update forecasts and plans and to discuss critical business issues. Group Management is responsible for implementing the strategic plan and budget for the Group.

Internal audit
In 2015, Scandi Standard established an internal audit function, which is outsources to Deloitte. In 2016, a number of areas were surveyed by the internal audit, including the process for financial reporting and the process for revenue recognition.

Stockholm, 29 March 2017
Scandi Standard AB (publ)
The Board of Directors

Auditor’s Report on the corporate governance statement

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

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 88–94 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR’s auditing standard RevU 16 *The auditor’s examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 29 March 2017
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

Board of Directors

1 PER HARKJÆR

Chairman

Born 1957.

Bachelor's degree in International Marketing, Copenhagen Business School, Denmark.

Elected 2014. Chairman of the Remuneration Committee.

Other assignments: Chairman of Make-A-Wish Foundation. Board member of Linpac Packaging.

Previous assignments: Group CEO of United Coffee, Findus Group and Toms Confectionery Group.

Holdings in Scandi Standard:
68,496 shares.

2 KARSTEN SLOTTE

Board member

Born 1953.

Bachelor of Science (econ), Hanken School of Economics, Finland.

Elected 2014.

Other assignments: Board member of Onvest Oy, Ratos AB, Royal Unibrew A/S, Finnish-Swedish Chamber of Commerce.

Previous assignments: President and CEO, Fazer Group, various leading positions at Cloetta/Fazer. Board member of Oriola-KD Corporation.

Holdings in Scandi Standard:
13,698 shares.

3 ULF GUNDEMARK

Board member

Born 1951.

Master of Science in Electrical Engineering, Chalmers University of Technology, Sweden.

Elected 2013. Member of the Audit Committee and the Remuneration Committee.

Other assignments: Chairman of Nordic Waterproofing Group. Board member of AQ Group AB, Constructor Group AS, Lantmännen, Papyrus Holding AB, Ripasso Energy AB and Solar AS. Board member and owner of Gumaco AB.

Previous assignments: CEO of Elektroskandia/Hagemeyer Nordics, General Manager, IBM, various positions at ASEA/ABB. Chairman, Lindab International, Bridge to China AB and Lönne International AS.

Holdings in Scandi Standard:
31,779 shares.

4 HARALD POUSETTE

Board member

Born 1965.

Bachelor of Arts (Economics), University of Uppsala, Sweden.

Elected 2016. Member of the Audit Committee.

Other assignments: CEO, Kvalitena Industrier AB. Chairman of Bil- och Traktorservice i Stigtomta AB, Jitech AB, BOX Bygg AB and Svea Agri AB. Board member of Stig Svenssons Motorverkstad AB and Fendea AB.

Previous assignments: Managing Director, The Collins Group. Vice President, Dresdner Kleinwort Wasserstein. Sales trader and portfolio manager, Nordiska Fondkommision. Foreign exchange and fixed income trader, Gota Bank.

Holdings in Scandi Standard:
0 shares.

5 HELÉNE VIBBLEUS

Board member

Born 1958.

Bachelor of Science in Business Administration, Economics and Statistics, University of Linköping, Sweden.

Elected 2014. Chairman of the Audit Committee.

Other assignments: Vice President Internal Audit, Chief Audit Executive, Autoliv Inc. Board member of Nordic Growth Market NGM AB.

Previous assignments: Board member of Marine Harvest ASA, Orio AB, Renewable Energy Corporation ASA, Swedbank Sjuhärad AB, Tradedoubler AB, Trelleborg AB and Tyréns AB. Board member and Vice Chairman of Sida. Group Vice President, Chief Audit Executive, Elekta AB. Senior Vice President, Group Controller, AB Electrolux. Authorized Public Accountant, Partner and Board member of PwC Sweden.

Holdings in Scandi Standard:
6,250 shares.

6 SAMIR KAMAL

Board member

Born 1965.

Bachelor of Science, Electrical and Electronic Engineering, Imperial College, University of London, UK. Master of Science, Stockholm School of Economics.

Elected 2016. Member of the Remuneration Committee.

Other assignments: Board member of Bonava AB, Stiftelsen Industrifonden and Save-By-Solar Sweden AB.

Previous assignments: Partner, EQT AB. Partner and Head of Swedish investment team, IK Investment Partners. Analyst, D Carnegie AB. Analyst, Enskilda Securities. Journalist, Dagens Industri and Finanstidningen.

Holdings in Scandi Standard:
5,000 shares.

7 MICHAEL PARKER

Board member

Born 1953.

Bachelor of Science hons in Business Administration, University of Bath, UK, and a Booker Senior Management Certificate from INSEAD.

Elected 2014.

Other assignments: Board member of Brookes Parker Ltd, Lodestone (Oxford) Ltd and Prospect Publishing Ltd.

Previous assignments: Deputy CEO of Young's Bluecrest Seafood (now Findus Group). Board member of Marine Harvest ASA.

Holdings in Scandi Standard:
16,000 shares.

8 ASBJØRN REINKIND

Board member

Born 1960.

Master of Science in Economics and Business Administration, Norges Handelshoyskole, Bergen. Advanced Management Programme, INSEAD.

Elected 2015.

Other assignments: Chairman of Grilstad AS and Isbjørnis Holdings A/S. Deputy chairman of Grieg Seafood ASA and BioMar Group. Board member of Food Union and Ecopole AS. Senior advisor to two private equity companies.

Previous assignments: CEO, Rieber & Son ASA. Group Managing Director of Hydro Seafood. Managing Director of Toro and Denja.

Holdings in Scandi Standard:
0 shares.

EXTERNAL AUDITOR

Öhrlings PricewaterhouseCoopers AB
Bo Lagerström, born 1966, chief auditor.

Holdings in Scandi Standard:
0 aktier.

Group Management

1 LEIF BERGVALL HANSEN

Managing Director and Chief Executive Officer

Born 1966.

Master of Science, Copenhagen Business School, Denmark, including a period at Stanford Business School, USA.

In Group Management since 2013.

Previous assignments: Head of division, Nestle, CEO of Bisca A/S.

Holdings in Scandi Standard: 1,142,663 shares.

2 TOMMI SAKSALA

Director, Group Live Operations

Born 1969.

Master of Science in Agricultural Economics & Management, University of Helsinki, Finland.

In Group Management since 2014.

Previous assignments: International broiler industry supply chain management consultant, Pomicon Oy Ltd. Director, poultry meat supply chain live operations, A-Touttajat Oy (Atria Group plc)

Holdings in Scandi Standard: 61,690 shares.

3 PER ALAN JENSEN

Chief Operating Officer

Born 1962.

Bachelor of Science in Technology, University of Odense, Denmark.

In Group Management since 2013.

Other major assignments: Board member Farm Food A/S.

Previous assignments: Factory manager Rose Poultry A/S.

Holdings in Scandi Standard: 432,266 shares.

4 ANDERS HÄGG

Chief Financial Officer

Born 1969.

Master of Business Administration, Gothenburg School of Economics and Law, University of Gothenburg.

In Group Management since December 2016.

Previous assignments: CFO, Arla Foods Ltd, UK. CFO Arla Foods, Sweden. Finance Director, Unilever Ice Cream Europe. Company Controller, Unilever Foods Nordic. Manager, Financial Planning & Analysis, Unilever Mexico. Senior Auditor, Unilever Corporate Audit, the Netherlands.

Holdings in Scandi Standard: 0 shares.

5 MAGNUS LAGERGREN

Country Manager, Sweden

Born 1960.

Master of Science in Economics and Technology, University of Agriculture, Sweden.

In Group Management since 2014.

Other major assignments: Board member Svenska Retursystem AB and Dagligvaruleverantörernas Förbund (DLF).

Previous assignments: Chairman and Managing Director, Dalsjöfors Holding AB. Managing Director, Swedish Meats cooperative/Scan AB/HKScan. Management positions within Swedish Meats and Scan AB.

Holdings in Scandi Standard: 204,522 shares.

6 MARK HEMMINGSEN

Country Manager, Denmark

Born 1974.

In Group Management since August 2016.

Cand. Negot University of Southern Denmark, Executive Management Program, INSEAD.

Previous assignments: Chief Commercial Officer, Rynkeby Foods A/S. Leading positions in sales and marketing, Merrild Kaffe A/S. Product Manager, Bähncke A/S.

Holdings in Scandi Standard: 0 shares.

7 FREDRIK STRØMMEN

Country Manager, Norway

Born 1971.

Master of Science, Norwegian School of Economics, Norway.

In Group Management since 2015.

Previous assignments: Director, Orkla Commercial Excellence ASA. Country manager, Sætre AS. Management positions within Sætre AS and KiMs AS.

Holdings in Scandi Standard: 5,000 shares.

Annual General Meeting

The Annual General Meeting 2017 will be held on Tuesday, 25 April 2017 at 1 pm in Wallenbergsalen, IVA Conference Center, Grev Turegatan 16, Stockholm. For more information, see http://investors.scandistandard.com/en/agm.

Participation

Shareholders who intend to participate in the Annual General Meeting must:

- Be registered in the share register kept by the Swedish central securities depositary, Euroclear Sweden AB on Wednesday, 19 April 2017.
- Give notice of intent to participate to Scandi Standard no later than 4 pm on Wednesday, 19 April 2017.

Notice of participation

Notice of intent to participate can be given:

- on the Group's website; http://investors.scandistandard.com/en/agm
- by telephone at +46 8 402 90 55.
- by mail to Scandi Standard AB, c/o Euroclear Sweden AB, P.O Box 191, SE-101 23 Stockholm, Sweden.

Notice should include the shareholder's name, personal or company registration number, if any, address and telephone number, and the number of assistants attending, if any.

Shareholders may vote by proxy, in which case a power of attorney should be submitted to Scandi Standard well in advance of the AGM. Proxy forms are available for download in English and Swedish on the Group's website.

Shares registered by nominees

Shareholders who have their shares registered in the name of nominees must have their shares temporarily registered in their own name on Wednesday, 19 April 2017 in order to participate in the AGM. To ensure that such registration is made prior to this date, the nominee must be informed well in advance.

Dividend

The Board of Directors has proposed a dividend of SEK 1.35 per share and Thursday, 27 April 2017 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Wednesday, 3 May 2017. The last day for trading in Scandi Standard's shares with right to dividend for 2016 is Tuesday, 25 April 2017.

Forward looking statement

This report contains forward-looking statements and the actual outcome could be materially different. Factors that could have a material effect on the actual outcome include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, disease outbreaks, loss of major customer contracts and major customer credit losses. For further information see the sections on Risks and risk management on page 41–43 and on page 68–70.

Information about markets, market shares, market growth etc. are based on established independent external sources, internal sources and Company estimates.

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